

# KIBABII UNIVERSITY



## UNIVERSITY EXAMINATIONS 2021/2022 ACADEMIC YEAR SECOND YEAR FIRST SEMESTER

### MAIN EXAMINATION

### FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

**COURSE CODE: MBA 830**

**COURSE TITLE: FINANCIAL INSTITUTIONS AND MARKETS**

**DATE: 7<sup>TH</sup> JUNE, 2022**

**TIME: 2.00 – 5.00PM**

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#### INSTRUCTION TO CANDIDATES

- 1) Answer question **ONE** (Compulsory) and **ANY OTHER TWO** Questions
- 2) Candidates must hand in their answer booklets to the invigilator while in the examination room.
- 3) Credit is given for legibility, clarity and use of relevant examples
- 4) Question **ONE** is **40 marks** while question **2-5** carry **20 marks each**.
- 5) Clearly write your **Registration Number** on each answer sheet used

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**TIME: 3 Hours**

**KIBU observes ZERO tolerance to examination cheating**

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### QUESTION ONE (40MARKS)

- a) It has been witnessed in Kenya recently that the government has formulated financial repression measures to streamline financial system. Discuss some of the common financial repression measures applied in Kenya (10 MKS)
- b) Bonds are significant security instruments used by financial institutions to meet their obligations. What are the main characteristics of bond markets? (10 MKS)
- c) Financial institutions make significant contributions in facilitating the operations of a financial system. Discuss why any financial system is bound to fail if the financial institutions are weak (10MKS)
- d). Make short notes on the following terms as use in financial institutions and markets.
- i. Optimality (2mks)
  - ii. Arbitrage (2mks)
  - iii. Equilibrium (2mks)
  - iv. Defined benefit Pension Plan (2mks)
  - v. Provident Fund (2mks)

**(Total 40 marks)**

### QUESTION TWO (20 MARKS)

- a) The financial system of any economy plays a critical role in national development. Discuss the main components of a well-functioning financial system. (10 MKS)
- b) Repurchase agreements are used to facilitate transactions between concerned parties to fulfil their financial requirements. Outline how repurchase agreements are used to benefit financial institutions. (10 MKS)

**(Total 20 marks)**

### QUESTION THREE ( 20MARKS)

a) The Central Bank of Kenya faces several bottlenecks which have necessitated change in policy for the Banking sector. Discuss the challenges facing Central Bank of Kenya in regulating the financial sector. (10 MKS)

b) The Nairobi Stock Exchange is both a primary and a secondary market for securities. Discuss the role of the Stock Exchange in the process of economic development in Kenya. (10 MKS)

**(Total 20 marks)**

#### **QUESTION FOUR (20 MARKS)**

a) In Kenya, we have various Pension schemes targeting various categories of employees. Discuss the main pension schemes in Kenya. (10 MKS)

b) Derivatives are financial instruments which greatly facilitate conducting of business between organizations. Explain under what circumstances organizations may consider application of financial derivatives. (10 MKS)

**(Total 20 marks)**

#### **QUESTION FIVE (20 MARKS)**

a) It's generally agreed that capital markets contribute towards economic development of a nation. Explain the role of capital markets in Kenya. (10 MKS)

b) A well-developed financial system will greatly benefit the growth of an economy. Discuss the advantages accruing from a developed financial system. (10 MKS)

**(Total 20 marks)**