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(Knowledge for Development)
KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2021/2022 ACADEMIC YEAR
MAIN EXAMINATION
FOR THE DEGREE OF BACHELOR OF COMMERCE
THIRD FIRST SEMESTER
COURSE CODE: BCF 311
COURSE TITLE: FINANCIAL INSTITUTIONS AND MARKETS

DATE: 20TH MAY, 2022

TIME: 2.00PM – 4.00PM

INSTRUCTIONS TO CANDIDATES

1. Answer Question One in Section A and Any other TWO (2) Questions in Section B
2. Question **one** carries **30**marks and each of the other two questions carry **20** marks each.

TIME: 2 Hours

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 3 Printed Pages. Please Turn Over.



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SECTION A (30marks)**QUESTION ONE –COMPULSORY (30MARKS)**

- a) Discuss the functions of a financial system (10marks)
- b) Distinguish between Commercial papers and Treasury bills (4marks).
- c) Private placement is a method of raising capital through the sale of shares by private firms. What are the advantages of private placement. (8marks)
- d) Financial markets are the most regulated markets in modern economy'. Justify this statement by explaining the objectives of regulation (8marks)

(Total 30marks)**SECTION B****QUESTION TWO-(20marks)**

- a) The banking sector is the largest segment of the money market players. The central bank has faced several challenges which have necessitated change in policy for the banking sector in Kenya. State and explain these challenges faced by the banking sector. (10 marks)
- b) There are several factors that have led to Rapid Development of Commercial Banks in Kenya. Name the five factors that have led to the development of Commercial banks (10marks)

(Total 20marks)

QUESTION THREE

- a) Explain Treasury Bonds **(3marks)**
- b) The CAMELS system acronym indicating the six categories evaluated to assess a bank's overall financial condition: Explain the six categories. **(9marks)**
- c) The bond markets are markets where bonds are issued and traded. Discuss the characteristics of Bond markets. **(4marks)**
- d) What are the elements of a well-functioning financial system, **(4marks)**

QUESTION FOUR (20marks)

- a) Evaluate the role of **capital markets** in relation to economic development in Kenya. **(6mks).**
- b) Discuss Treasury Bills and Euro bonds **(4marks)**
- c) There are two types of securities issued in the Equity market. Explain the two types of securities. **(4marks)**
- d) Explain the disadvantages of obtaining a stock exchange listing **(6marks)**

QUESTION FIVE-(20marks)

- a) Distinguish between Diversification and Disintermediation in financial markets **(6marks)**
- b) In order to protect the public and the economy from financial panics, the government has implemented several types of regulations: Explain the types of Regulations: **(8marks)**
- c) What are stock splits and what the reasons for Stock splits **(6marks)**

