



*(Knowledge for Development)*

**KIBABII UNIVERSITY  
UNIVERSITY EXAMINATIONS**

**2021/2022 ACADEMIC YEAR**

**THIRD YEAR FIRST SEMESTER**

**SPECIAL/SUPPLEMENTARY EXAM**

**FOR THE DEGREE OF BACHELOR COMMERCE**

**COURSE CODE: BCF311**

**COURSE TITLE: FINANCIAL INSTITUTIONS AND MARKETS**

**DATE: 29<sup>TH</sup> JULY 2022      TIME: 8.00AM - 10.00AM**

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**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.

## SECTION A

### QUESTION ONE

- a) A financial institution is a financial intermediary (FI'S) that facilitates the transfer of funds between suppliers and users of funds. Briefly explain the benefits that FI's provide to the suppliers of funds (6 marks)
- b) Identify at least three types of risks incurred by financial institutions and using illustrations, explain the extent to which the risks affect the operations of financial institutions in Kenya. (9 marks)
- c) In the recent past, Kenya has witnessed growth in both the number and the scope of financial institutions. Explain the causes of this trend. (10 marks)
- d) Identify four reasons that have led to the increase in loan sales in Kenya. How are Kenyan banks managing any risks arising from the growth in sales? (5 marks)
- (Total 30mrks)**

## SECTION B

### QUESTION TWO

- a) Money markets are used to trade debt securities and instruments with maturities of less than one year. Identify three characteristics of the money market. (6 marks)
- b) Explain four reasons for the popularity of bonds as a source of long term funds in Kenya. (4 marks)
- c) The mandate of CMA is outlined in the CMA Act Cap. 485 A. Evaluate the effectiveness of CMA in carrying out four of its objectives. (10 marks)
- (Total 20mrks)**

### QUESTION THREE

- a.) Discuss factors affecting the demand and supply of loanable funds. (10 marks)
- b) Using illustrations, explain three factors that affect nominal interest rates in Kenya. (10 marks)

**(Total 20mrks)**

#### **QUESTION FOUR**

The increasing demand in risk management on the part of organizations has been identified as a general societal trend emphasizing public accountability and responsibility. State and explain various risks that banks are exposed to

(20mks)

**(Total 20mrks)**

#### **QUESTION FIVE**

Explain various classifications of financial markets giving the nature and type of financial instruments sold in those markets

(20mks)

**(Total 20mrks)**