



(Knowledge for Development)

**KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2021/2022 ACADEMIC YEAR
SECOND YEAR FIRST SEMESTER
MAIN EXAMINATION**

FOR THE DEGREE OF MASTERS IN BUSINESS ADMINISTRATION

COURSE CODE: MBA 830

COURSE TITLE: FINANCIAL MARKETS AND INSTITUTIONS

DATE: 03/08/2021

TIME: 9.00 – 11.00 A.M

INSTRUCTIONS TO CANDIDATES

Answer Question One in Section A and Any other TWO (2) Questions in Section B

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) Analyze four classifications of financial markets (8mks)
- b) Explain the importance of a well-functioning financial system to a developing economy (10mks)
- c) Describe three common types of orders that are used to buy and sell stocks (6 marks)
- d) Differentiate between equity securities and bond securities (4mks)
- e) Explain two responsibilities of portfolio manager (2mks)

SECTION B

QUESTION TWO

- a) Discuss eight factors that have contributed to globalization of financial markets (8mks)
- b) In the recent past, Kenya has witnessed growth in both the number and the scope of financial institutions. State and explain the causes of this trend. (7 marks)

QUESTION THREE

- a) Describe three common types of orders that are used to buy and sell stock (6 mks)
- b) 'Financial markets are the most regulated markets in modern economy'. Justify this statement by explaining the objectives of regulation (9 mks)

QUESTION FOUR

- a) Assess seven roles of financial intermediaries in your country (7 mks)
- b) Suppose you have the opportunity to buy Kshs. 1000 coupon bond with maturity 30 years and interest rate of 6%. What is the present value of the bond? Is it worth holding it? (5mks)
- c) Enumerate three uses of financial instruments in your country (3mks)

QUESTION FIVE

- a) Discuss two key performance evaluation techniques used by regulators as early warning system on commercial banks (8mks)
- b) Outline three objectives of financial markets regulation (3mks)
- c) Highlight two cause of
 - i) Bank runs (2mks)
 - ii) Bank panics (2mks)