



(Knowledge for Development)

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

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCF 311

COURSE TITLE: FINANCIAL INSTITUTIONS AND MARKETS

DATE: 04/08/2021

TIME: 2.00PM – 4.00PM

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) Distinguish between the following terms as used in financial markets
- i) Primary markets and secondary markets (2mks)
 - ii) Systematic risks and non-systematic risks (2mks)
 - iii) Put option and call option (2mks)
 - iv) Euro commercial paper and Euro bond (2mks)
- b) Suppose that long-term interest rates are expected to fall in future. How is this to influence the supply of commercial paper and why? (6mks)
- c) An Investor intends to place Ksh. 12 000 000 in the 91 days Treasury bill at a quoted rate / yield of 7.65% p.a. What is his/her return
- i) If she/ he is withholding tax (5mks)
 - ii) Non-withholding taxpayer (5mks)
- d) State at least six characteristics of a good financial market (6mks)

SECTION B

QUESTION TWO

- a) Outline four objectives of financial market regulation (4 mks)
- b) Suggest eight factors that might have contributed to less impact of financial markets in developing countries (16 mks)

QUESTION THREE

- a) Describe three common types of orders that are used to buy and sell securities in stock markets (6mks)
- b) Assess seven roles of financial intermediaries in your country (14mks)

QUESTION FOUR

- a) Evaluate the role of capital markets in relation to economic development of a country (15mks)
- 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)

QUESTION FIVE

- a) Enumerate four uses of financial instruments in your country (4 mks)
- b) State and explain types of covenants that might be attached to a bond (8mks)
- c) Discuss factors that might have contributed to globalization of financial markets (8mks)