



(Knowledge for Development)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2022/2023 ACADEMIC YEAR

DIPLOMA FIRST YEARS SECOND SEMESTER

MAIN EXAMINATION

FOR THE DIPLOMA IN BUSINESS MANAGEMENT

COURSE CODE: DBF 102

COURSE TITLE: FINANCIAL INSTITUTIONS AND MARKETS

DATE: 15TH DECEMBER, 2022 TIME: 9.00AM - 11.00AM

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

SECTION A

QUESTION ONE

- a. Financial intermediaries act as the middlemen between those who want to lend and those who want to borrow. What is the importance of having the financial intermediaries between the two (6mks)
- b. Write short notes on the following : (14 marks)
 - i. Stock
 - ii. International monetary fund
 - iii. Mortgages
 - iv. Trade integration mechanisms
 - v. Corporate bond
 - vi. Interest rates
 - vii. Financial system
- c. Briefly elaborate on the types of treasury bills as seen in the capital markets (5mks)
- d. Define the term commercial paper (2mks)
- e. Distinguish between money markets and capital markets. (3mks)

(Total 30 Marks)

QUESTION TWO

- a. Some Kenyan companies are big and stable enough to be quoted in the stock exchange market but in vain. Explain why. (10 marks)
- b. The Kenyan financial system has 5 parts. In your own understanding discuss (10mks)

(Total 20 Marks)

QUESTION THREE

- a. Briefly elaborate on the six main Roles of financial system in the Kenyan economy. (12 marks)
- b. Money markets are well developed in Kenya due to various reasons. Give solution to the problem. What advice would you give? (10mks)

(Total 20 Marks)

QUESTION FOUR

- a. In Kenya we have seen most of our financial institutions line KBC bank, Equity Bank among others spreading their branches to other countries. Give six reasons why a company in Kenya will prefer to go cross border listing. (6mks)
- b. For any economy to grow there must be well functioning stock exchange. Discuss the ten roles of stock exchange in economic development. (10mks)

(Total 20 Marks)

QUESTION FIVE

- a. Elaborate on the disadvantages of consolidated regulation approach. (8 mks)
- b. There are several basic methods of classifying financial markets. Discuss (12mks)

(Total 20 Marks)