



(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2022/2023 ACADEMIC YEAR
SECOND YEAR FIRST SEMESTER
MAIN EXAMS

**FOR THE DEGREE OF MASTER OF BUSINESS
ADMINISTRATION**

COURSE CODE: MBA 830

COURSE TITLE: FINANCIAL INSTITUTIONS AND MARKETS

DATE: 31ST JANUARY, 2023

TIME: 9.00AM - 12NOON

INSTRUCTIONS TO CANDIDATES

1. Answer Question One in Section A and Any other THREE (3) Questions in Section B
2. Question **one** carries **40** marks and each of the other THREE questions carry **20** marks each

TIME: 3 Hours

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of Printed Pages. Please Turn Over.

QUESTION ONE (40MARKS)

- a) The technological innovations within the financial sectors are healthy and beneficial for an economy, even though at times they can place serious strains on the industry. Assess some of the challenges financial sector is facing due to technological innovations. (10 MKS)
- b) The Euro markets supports the proper working of any financial system. Propose the factors to consider when choosing between Euromarkets or domestic markets (10 MKS)
- c) The financial sector greatly contributes to growth of Kenyan economy. Examine the importance of the financial sector towards economic development. (10 MKS)
- d) Financial repression within the financial sector can be dealt with by systematic change of policies to move towards financial deepening. Analyse some of the policies which can be adopted to encourage the growth of financial institutions and instruments in Kenya. (10 MKS)

QUESTION TWO (20 MARKS)

- a) A currency swap allows two counterparties to make commitment for the benefit of each party. Suggest the likely advantages of using currency swaps among parties? (10 MKS)
- b) Financial intermediaries play important role in financial markets. Highlight how financial intermediaries contribute to the development of financial sector in Kenya. (10 MKS)

QUESTION THREE (20 MARKS)

- a) Discuss the following terms as used in financial institutions and markets.
- i. Call option (2MKS)
 - ii. Put option (2MKS)
 - iii. Swaps (2MKS)

- iv. Primary markets (2MKS)
- v. Secondary markets (2MKS)

b) Kenya has witnessed an upward trend in establishment of Pensions schemes. Assess some of the investment objectives of pension funds in Kenya (10 MKS)

QUESTION FOUR (20 MARKS)

- a) Commercial banks are critical institutions in any economy. Highlight some of the factors that have led to rapid development of commercial banks in Kenya. (10 MKS)
- b) Financial markets are among the most regulated markets in modern economies. Suggest the main reasons for regulating financial sector in Kenya. (10 MKS).

QUESTION FIVE (20 MARKS)

- a) A robust financial system has certain key elements identified with it. Examine the characteristics of a well-functioning financial system.
- b) Forward Contracts facilitate transactions between parties to meet their needs at specified terms. Evaluate the advantages and disadvantages of forward contracts among businesses in Kenya/. (10MKS)