

**CHUKA**



**UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**THIRD YEAR EXAMINATION FOR THE AWARD OF  
BACHELOR OF COMMERCE**

**BCOM 330: FINANCIAL INSTITUTIONS AND MARKETS**

**STREAM: BCOM Y3S1**

**TIME: 2 HOURS**

**DAY/DATE: THURSDAY 8/8/2013**

**2.30 PM – 4.30 PM**

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**INSTRUCTIONS:**

- (i) ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS**
- (ii) DO NOT WRITE ON QUESTION PAPER**

1. (a) Explain the distinction between the following market.
  - (i) Primary market v/s Capital market [4 marks]
  - (ii) Money market v/s Capital market [4 marks]
- (b) The primary function of financial system is to allocate capital resources in the economy. Briefly explain how this function is achieved through the system. [8 marks]
- (c) The East African securities Exchange Association (EASEA) has crafted proposition that will see the creation of the regional common platform to ensure efficient delivery and settlement of securities across regional markets. Describe the current achievements and progress going on to achieve these purposes. [9 marks]

- (d) Explain the following stock exchange terms.
- (i) Quotation [2 marks]
  - (ii) Right issue [2 marks]
  - (iii) C.D.S [1 mark]
2. (a) (i) With examples explain what are the financial intermediaries. [2 marks]
- (ii) Describe the functions performed by Financial Intermediaries in the financial investment activities. [10 marks]
- (b) The government imposes various policies and guidelines managing and controlling financial system. Describe the major acts set up by the government of Kenya regulating the financial systems. [8 marks]
3. (a) Explain the role played by Central Bank in managing and controlling the financial markets operations in Kenya. [10 marks]
- (b) Describe various risks that financial institutions may face in their day- to- day operations in the market. [10 marks]
4. (a) Describe the roles played by the following institutions in the financial markets.
- (i) Insurance firms/companies [4 marks]
  - (ii) Mutual Funds [4 marks]
  - (iii) Nairobi Securities Exchange (NSE) [4 marks]
- (b) The money market is said to be poorly developed than capital market.
- (i) Outline the reasons why it is poorly developed in Kenya. [4 marks]
  - (ii) Outline the role played by the market in economic development of a country. [4 marks]
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