



**MASENO UNIVERSITY**  
**UNIVERSITY EXAMINATIONS 2016/2017**

**THIRD YEAR SECOND SEMESTER EXAMINATION FOR THE  
DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION WITH  
INFORMATION TECHNOLOGY**

**MAIN CAMPUS**

**ABA 318: FINANCIAL INSTITUTION AND MARKETS**

Date: 13<sup>th</sup> June, 2017

Time: 3.30 - 6.30pm

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**INSTRUCTIONS:**

- Answer Question ONE and any THREE



**QUESTION ONE:**

- a) Discuss the advantages and disadvantages of institutional investors. (8 Marks)
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- b) Distinguish between capital markets and money markets. (2 Marks)
- c) Explain how financial institutions create money. (5 Marks)
- d) Discuss the loanable fund theory as used in determination of interest rate. (10 Marks)
- e) Distinguish between an Initial Public Offering and Private Placement. (2 Marks)
- f) Discuss informal financing and mention its application in Kenya. (3 Marks)

**QUESTION TWO:**

- a) Discuss insurance companies in Kenyan context and how insurance products can be used as investments. (10 Marks)
- b) Discuss how organizations such as Kenya industrial estates assist in minimizing the challenges faced by small scale enterprises. (10 marks)

**QUESTION THREE:**

- a) Discuss the exchange rate systems that exist in different economies outlining their pros and cons. (10 marks)
- b) Discuss the foreign exchange markets and the participants in such markets. (10Marks)

**QUESTION FOUR:**

- a) "Mbao pension plan is one of the ways Retirement Benefit Authority of Kenya is promoting pension in Kenya." Discuss pension fund and pension schemes available in Kenya. (10 Marks)
- b) Discuss two specialized financial institutions in Kenya. (10 Marks)

**QUESTION FIVE:**

- a) Discuss the requirements for a limited company to be quoted/listed in the stock exchange. (10 marks)
- b) Discuss the advantages of listing a firm in the stock exchange market. (10 marks)