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**University Examinations 2014/2015**

SECOND YEAR, FIRST SEMESTER EXAMINATION FOR MASTERS OF BUSINESS ADMINISTRATION

**BFA 5230 – FINANCIAL MARKETS AND INTERMEDIATION**

**DATE: MARCH 2015 TIME:** $2 $**HOURS**

**INSTRUCTIONS:** *Answer question* ***one*** *and any other* ***two*** *questions*

**QUESTION ONE (30 MARKS)**

1. Investment banks play a great role for companies making new issues. Discuss types of underwriting arrangements between the investment banks and the issuing companies.

(8 Marks)

1. Despite tremendous growth of financial intermediation in Kenya, Kenyans are still using informal financial institutions. By use of examples, explain the role of informal financial sectors to our economy. (8 Marks)
2. By use practical example explain how financial institutions solve the asymmetric problems in Kenya. (10 Marks)
3. By use of appropriate example of regulators of financial institutions in Kenya, discuss the challenges they face. (8 Marks)
4. By use of examples, explain types of financial innovations in Kenya. (8 Marks)
5. Explain the goals of bank management. (8Marks)

**QUESTION TWO (20 MARKS**)

The government of any country must prevent any financial crisis to occur or spread from another country to its own country.

**Required:**

1. Discuss the causes of such crisis.
2. Explain how such crisis could be prevented by a country.

**QUESTION THREE (20 MARKS)**

1. Financial risks affect the performance of financial institutions in Kenya. By use of examples of financial risks, explain how it can be mitigated. (12 Marks)
2. Explain the key trends affecting the financial institutions in Kenya today. (8 Marks)

**QUESTION FOUR (20 MARKS)**

1. Discuss the importance of derivatives in the financial system. (10 Marks)
2. Explain the differences between the following;
3. Market order and limit order (3 Marks)
4. Primary market and secondary market (3 Marks)
5. Financial crisis and financial contagion ( 4 Marks)

**QUESTION FIVE(20 MARKS)**

The role of any government is to address the problems of market failures.

**Required:**

1. Briefly discuss the causes of the market failures. (10 Marks)
2. Explain the Basel’s committee proposals to address the market failures. (10 Marks)