



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2017/2018

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

CITY CAMPUS

ABA 318: FINANCIAL INSTITUTIONS AND MARKETS

Date: 6th May 2018

Time 5.30 - 7.30pm

QUESTION ONE:

- a) Explain two roles of brokers and dealers in the financial market. (2 Marks)
- b) Discuss what you understand by the term demutualization of a securities exchange. (2 Marks)
- c) Market capitalization increased from 1.0 billion shillings to 1.3 billion shillings. Explain the cause of change. (2 Marks)
- d) Explain by examples the nine categories of companies listed in the Nairobi Securities exchange. (2 Marks)
- e) Using an example, define a derivative. (2 Marks)
- f) NSE 20 share index is one of the indices used in the Nairobi Securities Exchange, explain the other four. (2 Marks)
- g) A household anticipates that there will be a low economic growth in the foreseeable future, discuss the effect on interest rate under loanable funds theory. (2 Marks)
- h) Credit rating is key especially in bond Markets, explain credit rating and mention the at least one rating under Standard and Poor rating agency. (2 Marks)
- i) Distinguish between a Stock and a bond. (2 Marks)
- j) Compare and contrast a retail certificate of deposit and negotiable certificate of deposit. (2 Marks)
- k) Discuss how a commercial bank “create money”. (5 Marks)
- l) Distinguish between the following set of terms:
 - i. Financial intermediation and Maturity intermediation. (2.5 Marks)
 - ii. Information intermediation and risk intermediation. (2.5 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 problems discussed in (a) above. (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.
(10 Marks)

QUESTION FOUR:

“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.
(20 Marks)

QUESTION FIVE:

Write short notes on the following:

- i) Commonwealth Development Corporation. (5 marks)
- ii) Kenya External Trade Authority. (5 marks)
- iii) Kenya National Trading Corporation. (5 marks)
- iv) Kenya Tourist Development Trust. (5 marks)