



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2017/2018

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

CITY CAMPUS -EVENING

ABA 318: FINANCIAL INSTITUTIONS AND MARKETS

Date: 22nd January, 2018

Time: 5.30 - 7.30pm

INSTRUCTIONS:

- Answer Question ONE Compulsory and any other THREE
- Do not write on the question paper



QUESTION ONE (COMPULSORY)

- a. Define the term Bank run. (2 Marks)
- b. Discuss measures that would be used to stop bank runs in financial institutions. (4 Marks)
- c. Outline two ways of mitigating market crash in an economy. (4 Marks)
- d. Efficiency of capital markets is important. Discuss. (6 Marks)
- e. Explain four functions of a financial system in an economy. (8 Marks)
- f. With an example, define a frontier market. (1 Mark)

QUESTION TWO

- a. Describe the main classification of financial markets. (3 Marks)
- b. Discuss factors that have slowed down the growth of financial markets in developing countries. (10 Marks)
- c. Discuss four benefits of an efficient money market. (4 Marks)

QUESTION THREE

- a. Discuss using examples the advantages of specialized financial institutions to developing countries. (6 Marks)
- b. Examine four types of intervention in financial institutions and markets. (4 Marks)
- c. Describe five risk factors prevalent in foreign exchange markets. (5 Marks)

QUESTION FOUR

- a. Explain four difficulties of stock market construction. (8 marks)
- b. Discuss seven types of insurance and investment oriented products offered by insurance companies. (7 Marks)

QUESTION FIVE

- a. Discuss loanable fund theory in determination of interest rates. (9 Marks)
- b. Differentiate between the following: (2 Marks each)
 - i. Physical asset market and financial market.
 - ii. Money market and Capital Market
 - iii. Spot market and futures market.