



The Co-operative University of Kenya

END OF SEMESTER EXAMINATION DECEMBER-2019

**EXAMINATION FOR THE DEGREE OF BACHELOR OF CO-OPERATIVE
BUSINESS/COMMERCE/BSC FINANCE**

UNIT CODE: HCOB 2310/BFIN 3103/CMFI 2214

UNIT TITLE: FINANCIAL INSTITUTIONS & MARKETS

DATE: DECEMBER, 2019

TIME:

INSTRUCTIONS:

- Answer question **ONE (compulsory)** and any other **TWO** questions

QUESTION ONE

- (a) Explain the following terms as applied in the financial markets
- i) Financial Intermediaries (2 marks)
 - ii) Bonds (3 marks)
 - iii) Commercial Papers (3 marks)
- (b) Explain the rationale behind reforming public sector institutions in Kenya (6 marks)
- (c) Joe Mapema a long time friend has just returned back to Kenya from the Diaspora and intends to invest his money but he is very cautious because of the negative stories that he has heard while abroad. He now seeks your advice on the benefits derived for collective Investment Scheme (CIS). Explain any EIGHT benefits derived from collective Investment Scheme (16 marks)

QUESTION TWO

- (a) Explain the term Prospectus as applied in financial markets (3 marks)
- (b) Distinguish between factoring and invoice discounting (6 marks)
- (c) The CMA does not in any way influence the share price of quoted companies. In light of this statement explain the THREE tasks that may undertake in regards to share pricing. (6 marks)
- (d) Explain the FIVE rules of floatation of new shares in the NSE (5 marks)

QUESTION THREE

- (a) Explain the role of credit reference Bureau(s) in Kenya (4 marks)
- (b) Explain the effect of credit rationing on product innovative in Kenya in the following areas:
- i) The Kenya Capital Market (3 marks)
 - ii) The Kenya informal financial market (3 marks)
- (c) Discuss the coordination of monetary and fiscal policies and giving examples in each case (10 marks)

QUESTION FOUR

- (a) Explain the main objectives of financial liberalization in Kenya (5 marks)
- (b) Explain whether financial liberation means doing away with financial repression in a country such as Kenya, clearly explaining whether implementing financial Liberalization in Kenya means aspects of financial repression are not observable (5 marks)
- (c) Discuss the effect of financial liberalization in the financial market in Kenya (10 marks)

QUESTION FIVE

- (a) Explain with reference to financial crises in Kenya for the period 1993 to date how financial crises affect financial deepening in the Kenya banking sector (10 marks)
- (b) With examples examine why derivative instruments are not traded in the Kenya stock market (10 marks)