



Scott Christian UNIVERSITY

SCHOOL OF PROFESSIONAL STUDIES

BACHELOR OF BUSINESS ADMINISTRATION

UNIT CODE/NAME: BAF 301: FINANCIAL INSTITUTIONS AND MARKETS

September- December 2019/2020 End Semester Exam

- Time: 2 Hours

Instructions: Answer Question ONE (Compulsory) and any other TWO questions.

QUESTION ONE

As a seasoned financial advisor with a leading financial firm in Kenya you have been invited for a day workshop. The key address is on 'Our financial institutions; our Economic gateway'.

- Briefly discuss what a financial market is. (2 Marks)
- In your presentation, briefly bring out at least four various types of financial markets and what they trade in. (8 Marks)
- In your address, clearly bring the main differences between monetary and fiscal policies. (8 Marks)
- Bring out in your presentation the main challenges to financial markets and how to mitigate them. (8 Marks)
- Discuss the functions of a capital market authority. (4 Marks)

QUESTION TWO

Financial institutions concept goes on to include thenon- banking institutions.

- Briefly discuss what is meant by non- banking institutions and give some examples in Kenyan financial market context (4 Marks)
- Clearly discuss various roles of non-banking institutions in Kenya (6 Marks)
- In your opinion, do non- banking institutions contribute viably to economic growth in Kenya? Take a position and discuss why or why not. (5 Marks)

QUESTION THREE

Commercial banks are probably the single most major players in any financial markets. As such their roles in the financial market cannot be wished away.

- Briefly discuss at least three functions of commercial banks in Kenya. (6 Marks)
- It is expected that financial institutions have to operate on a perfect market.
 - Discuss some of the features of a perfect market. (4 Marks)
 - In your opinion, discuss how practical it is to have a perfect market. (5 Marks)

QUESTION FOUR

Mrs. Rosewood is a potential investor and has expressed her desire to purchase stocks listed in Nairobi Securities Exchange and has approached you for advice. She has set aside Kes. 6.5M to

invest and she is willing to invest in either XM Ltd or in TX Ltd or even in proportions. These two companies are listed in different markets segments in the NSE and the following information is also availed.

Stocks	Price per share (Kes) on - 2 nd Jan, 2019	Price per share (Kes) on - 30 th June, 2019
XM	4.50	6.85
TX	15.10	21.50

Required:

- If Mrs. Redwood invested all the amount available on one stock, where is she likely to make highest gain and how much more compared to the other stock? **(6 Marks)**
- As an investment consultant, what do you consider when advising on the stocks Mrs. Rosewood should invest in **(4 Marks)**
- What is a market segment in NSE? Clearly discuss at least two market segments in NSE giving examples of some stocks listed in those segments. **(5 Marks)**

QUESTION FIVE

A sound economy is guided by good fiscal and monetary policies. In this made possible by having good and functioning financial institutions.

- Clearly compare and contrast the fiscal and monetary policies **(4 Marks)**
- Briefly discuss the two types of fiscal policies and how they affect the country's economy **(6 Marks)**
- In your opinion is it important for commercial banks to have prudent debt policies. **(5 Marks)**