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SCHOOL OF PROFESSIONAL STUDIES

BACHELOR OF BUSINESS ADMINISTRATION

UNIT CODE: BAF 302, UNIT NAME: FINANCIAL INSTITUTIONS AND MARKETS

September – December 2018/2019 End Semester Exam - Time: 2 Hours

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

Question 1.

TOPMAX Ltd is leading financial consultancy company in Kenya and it has been in existence for over ten years. Being a lead consultant with TOPMAX Ltd, you have been invited to address a day workshop of senior investors in the country. Your key address should centre on 'Our Financial markets, our economic growth gateway'.

a. Briefly discuss at least four various types of financial markets and what they trade in which you will include in your presentation. {8 marks}
b. In your address, clearly bring the main differences between monetary and fiscal policies. {8 marks}
c. Bring out in your presentation the main challenges to financial markets and how to mitigate them. { 8 marks}
d. Discuss the functions of a capital market authority. { 6 marks}

Question 2.

On the issues of financial institution, one of the segments is non- banking institutions.

a. Briefly discuss what is meant by non- banking institutions and give some examples in Kenyan setting. { 6 marks}
b. Clearly discuss various roles of non-banking institutions in Kenya {9 marks}

Question 3.

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

a. Briefly discuss the functions of commercial banks in Kenya. {7 marks}

b. A part from the banking and non – banking institutions, clearly discuss at list four other classes of financial markets. { 8 marks}

Question 4.

Mr. Jones is a potential investor and has expressed a desire to purchase stocks listed in Nairobi Securities exchange. He has set aside Kes. 4.5M to invest and he is will to invest in either XM ltd or in TX Ltd. These tow companies are listed in different markets segments in the NSE. You are also given the following information:

Stocks	Price per share (Kes) on - 2nd Jan, 2018	Price per share (Kes) on - 30th June, 2018
XM	4.50	6.85
TX	15.10	21.50

Required:

a. If Mr. Jones invested all the amount available on one stock, where is he likely to make highest gain and how much more compared to the other stock? { 6 marks}

b. As an investment consultant, what do you consider when deciding on the stocks to invest in. { 5 marks}

c. Clearly discuss at least two market segments in NSE giving examples of some stocks listed in those segments. { 4 marks}

Question 5.

Financial institutions and especially commercial banks have specific functions to the economy different from central bank. Similarly, commercial banks are required to have prudent debt policies.

a. Clearly compare and contrast the functions of commercial banks and central bank. {6 marks}

b. Briefly discuss why it is important for commercial banks to have prudent debt policies. {4 marks}

c. Discuss the future trends for financial institutions {5 marks}