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**KIRIRI WOMEN'S UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR**  
**FIRST YEAR,SECOND SEMESTER EXAMINATION**  
**DIPLOMA IN BANKING AND FINANCE**  
**DBF 1104-MONETARY AND FINANCIAL SYSTEMS**

Date:27<sup>th</sup> July 2022  
Time:2.30pm-4.30pm

**INSTRUCTIONS TO CANDIDATES:**

**ANSWER QUESTION ONE (COMPULSORY)AND ANY OTHER TWO QUESTIONS**

**QUESTION ONE COMPULSORY (30 MARKS)**

- a) Define the following terms as used in bond markets; (4 marks)
- i.Coupon
  - ii.Indenture
- b) With the help of examples, differentiate between money markets and capital markets. (4 marks)
- c) Outline any two characteristics of a good financial market. (2 marks)
- d) Describe two types of pension schemes used in Kenya. (4 marks)
- e) Identify any five functions played by an efficient financial system that contribute to a country's development. (5 marks)
- f) State any three roles of a fund manager. (6 marks)
- g) List five elements of a well-functioning financial system. (5 marks)

**QUESTION TWO (20 MARKS)**

- a) The International Monetary Fund is an important part of the global financial industry. Describe five objectives of the IMF. (10 marks)
- b) Currency swaps are used as derivatives by financial market traders. Clarify any five advantages of currency swaps. (10marks)

**QUESTION THREE (20 MARKS)**

- a) The Capital Markets Authority acts as an overseer of Kenya's capital market. Describe any five roles played by the Capital Markets Authority. (10 marks)
- b) Explain five benefits of listing a company on the Nairobi Securities Exchange to the directors of a firm that wishes to raise equity capital. (10 marks)

**QUESTION FOUR (20 MARKS)**

- a) Elaborate on five effects of an efficient financial market on the economy. (10 marks)
- b) Explain five advantages of a Euromarkets type of international financial markets. (10 marks)

**QUESTION FIVE (20 MARKS)**

- a) Describe five key challenges faced by pension funds in Kenya. (10marks)
- b) Derivatives are contracts that derive their value from the performance of an underlying asset. Expound any five applications of financial derivatives. (10 marks)