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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2019/2020 ACADEMIC YEAR
THIRD YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 6th December, 2019
Time: 11.00am – 1.00pm

KFI 301 - FINANCIAL INSTITUTIONS AND MARKETS 1

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Discuss the history and development of the Nairobi Securities exchange and the role it has played in stimulating economic development in Kenya. (8 Marks)
- b) Information asymmetry tends to hamper the efficient functioning of financial institutions in the financial system.
- Required;
- Explain how Commercial Banks reduce the effects of adverse selection and insurance companies reduce moral hazard (6 Marks)
- c) Discuss five drawbacks of financial sector regulations. (10 Marks)
- d) Describe three capital market institutions. (6 Marks)

QUESTION TWO (20 MARKS)

- a) Compare and contrast the following concepts as applied in the functioning of the Kenyan financial markets:
- i) Debt and equity markets (6 Marks)
 - ii) Primary and secondary markets (6 Marks)
- b) Discuss four roles of financial sector regulations in Kenya. (8 Marks)

QUESTION THREE (20 MARKS)

- a) Describe how the performance evaluation of financial institutions is carried out in Kenya. (10 Marks)
- b) Discuss the challenges and policy direction for the central bank concerning commercial banks in details. (10 Marks)

QUESTION FOUR (20 MARKS)

- a) Critically evaluate the intermediary roles the following institutions play in the growth of Kenya's financial system.
- i) Pension funds . (6 Marks)
 - ii) Insurance companies. (6 Marks)
- b) Discuss four functions of financial markets in Kenya. (8 Marks)

QUESTION FIVE (20 MARKS)

- a) Explain the meaning of securitization and discuss the various advantages of securitization. (6 Marks)
- b) Discuss regulations the government has implemented to protect the public and economy from financial panics. (8 Marks)
- c) Discuss three international financial institutions. (6 Marks)