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

Date: 7TH DECEMBER 2022
Time: 2:30p.m- 4:30p.m

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS
QUESTION ONE (30 MARKS)

- a. Identify any five functions played by an efficient financial system that contribute to a country's development. (5 Marks)
- b. Giving examples differentiate between money markets and capital markets. (4 Marks)
- c. List five elements of a well-functioning financial system. (5 Marks)
- d. Differentiated between the following problems of asymmetric information associated with financial institutions: Adverse selection and Moral hazard (4 Marks)
- e. State any three functions of financial institutions as components of a financial system. (6 Marks)
- f. Outline any two characteristics of a good financial market. (2 Marks)
- g. Define the following terms as used in the bond market;
 - i. Indenture (2 Marks)
 - ii. Coupon (2 Marks)

QUESTION TWO (20 MARKS)

- a. Identify five benefits of listing a company on the Nairobi Securities Exchange.(10 Marks)
- b. Currency swaps are used as derivatives by financial market traders. Explain any five advantages of currency swaps. (10 Marks)

QUESTION THREE (20 MARKS)

- a. Explain the advantages of a Euromarkets type of international financial markets.(8 Marks)
- b. Using a comparison table, discuss the differences between forward contracts and futures contracts. (6 Marks)
- c. Identify and elaborate on the effects of an efficient financial market on the economy. (6 Marks)

QUESTION FOUR (20 MARKS)

- a. Derivatives are contracts that derive their value from the performance of an underlying asset. Provide any five applications of financial derivatives. (8 Marks)
- b. Using appropriate examples, discuss why a firm would wish to issue a bond in Euromarkets compared to domestic markets. (4 Marks)
- c. The International Monetary Fund is an important part of the global financial industry. Describe five objectives of the IMF. (8 Marks)

QUESTION FIVE (20 MARKS)

- a. Identify five key challenges faced by pension funds in Kenya. (10 Marks)
- b. The Capital Markets Authority acts as an overseer of Kenya's financial market, the NSE. Describe any five roles played by the Capital Markets Authority. (10 Marks)