

KIBABII UNIVERSITY COLLEGE

FACULTY OF EDUCATION AND SOCIAL SCIENCES

DEPARTMENT OF BUSINESS MANAGEMENT AND ECONOMICS

UNIVERSITY EXAMINATIONS 2013/2014

DBF 102: FINANCIAL MARKETS AND INSTITUTIONS

FIRST YEAR SEMESTER THREE

ANSWER QUESTION ONE AND ANY OTHER THREE QUESTIONS

QUESTION ONE (25MKS)

- (a) Why is it important to study financial markets? (6mks)
- (b) Distinguish between primary markets and secondary markets (4mks)
- (c) Name any three credit market instruments (3mks)
- (d) Explain an two purposes of money markets (4mks)
- (e) Distinguish between real and nominal invest rate (4mks)
- (f) Define and briefly explain the “Bank Rate” and the “marginal requirement” as instruments of monetary policy. (6mks)

(Total 25mks)

QUESTION TWO

- (a) Explain any FIVE objectives of monetary policy (10mks)
- (b) Define the term “Fiscal Policy” and explain any four fiscal control policies (5mks)

QUESTION THREE

The management of credit risk is a major part of the business of financial institutions. Explain in detail the various considerations that apply in the management of credit risk. (15mks)

QUESTION FOUR

Explain in detail the functions played by the central Bank in the financial system (15mks)

QUESTION FIVE

Financial intermediaries like banks are particularly well suited to solving adverse selection and moral hazard problems. Explain in detail any five categories of financial regulation.