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**GARISSA UNIVERSITY**

**UNIVERSITY EXAMINATION 2017/2018 ACADEMIC YEAR THREE**

**THIRD SEMESTER EXAMINATION**

**SCHOOL OF BUSINESS AND ECONOMICS**

**FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT**

**COURSE CODE: BBM 311**

**COURSE TITLE: FINANCIAL INSTITUTIONS AND MARKETS**

**EXAMINATION DURATION: 3 HOURS**

**DATE: 08/08/18 TIME: 09.00-12.00 PM**

**INSTRUCTION TO CANDIDATES**

* **The examination has SIX (6) questions**
* **Question ONE (1) is COMPULSORY**
* **Choose any other THREE (3) questions from the remaining FIVE (5) questions**
* **Use sketch diagrams to illustrate your answer whenever necessary**
* **Do not carry mobile phones or any other written materials in examination room**
* **Do not write on this paper**

**This paper consists of TWO (2) printed pages *please turn over***

**QUESTION ONE (COMPULSORY)**

1. Banking industry all over the world is faced with a number of challenges. Clearly explain any four key challenges faced by commercial banks in Kenya and in each case suggest the possible solution to the risk **[9 marks]**
2. Briefly explain the various forms of efficient market hypothesis **[8 marks]**
3. Describe the three fundamental types of investment companies **[6 marks]**
4. With relevant examples clearly differentiate between Primary Markets vs. Secondary Markets **[2 marks]**

**QUESTION TWO**

1. Discuss the concept “adverse selection” as applied to banking and describe possible solutions to it. **[6 marks]**
2. Briefly explain the benefits that will accrue to the company that is listed **[9 marks]**

**QUESTION THREE**

1. Discuss the various money market instruments **[10 marks]**
2. Comment the benefits of financial markets **[5 marks]**

**QUESTION FOUR**

1. Discuss any five challenges facing capital markets authority of Kenya. **[10 marks]**
2. Describe five (5) fundamental types of financial risk which are found in many financial institutions. **[5 marks]**

**QUESTION FIVE**

1. With reference to the Banking (Amendment) Act 2015 explain the pricing of loans by commercial banks in Kenya**. [7 marks]**
2. Describe any four roles played by financial intermediaries in the economy. **[8 marks]**

**QUESTION SIX**

1. Discuss the loanable funds theory. **[6 marks]**
2. Discuss any three-term structure theories of interest rate. **[9 marks]**