**GARISSA UNIVERSITY**

UNIVERSITY EXAMINATION 2020/2021 ACADEMIC YEAR **THREE FIRST** SEMESTER EXAMINATION

SCHOOL OF BUSINESS AND ECONOMICS

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

**COURSE CODE: BBM 311**

**COURSE TITLE: FINANCIAL INSTITUTION & MARKETS**

**EXAMINATION DURATION: 2HOURS**

**DATE: TIME:**

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**INSTRUCTION TO CANDIDATES**

* The examination has **FIVE (5**) questions
* Question **ONE (1)** is **COMPULSORY**
* Choose any other **TWO (2**) questions from the remaining **FOUR (4)** questions
* Use sketch diagrams to illustrate your answers where necessary
* Do not carry mobile phones or any other written materials in the examination room
* Do not write on this paper

**This paper consists of FOUR (4) printed pages *Please turn over***

***MAIN EXAM***

**QUESTION ONE [30 marks]**

1. In Kenya the recent economic disruption has been grave and the social toll has been detrimental for many sectors of the economy. The financial landscape is changing and the crowd is uniquely suited to help banks and other financial institutions solve some of the challenges they face, discuss the current emerging issues in the Kenyan financial market **[10 marks]**
2. Financial institutions are of central importance to the development and integration of markets globally. However, Kenyan financial institutions must now compete not only with other domestic financial institutions for a share of these markets but increasingly with foreign financial institutions. Discuss advantages and disadvantages of international expansion of local market. **[10 marks**
3. Risk management involves forecasting and evaluation of financial risks together with the identification of procedures to avoid or minimize their impact, in relation to this statement elaborate ways of risk management using derivative securities. **[10 marks]**

**QUESTION TWO [20 marks]**

1. Describe theprimary assets and liabilities of the following financial intermediaries

i. Depository institutions (e.g banks) **[2 marks]**

ii. Contractual savings institutions **[2 marks]**

iii. Investment intermediaries **[2 marks]**

1. Trading is closely related to the market-making activities just described, where a trader takes an active net position in an underlying instrument or asset. There are at least four types of trading activities, explain **[8 marks]**
2. Discuss the primary roles of the financial institutions **[6 marks]**

**QUESTION THREE [20 marks]**

1. Explain the four (4) components of the formal financial system **[7 marks]**
2. with relevant examples, define the following terms;

i. The repricing model **[2 marks]**

ii. Off-Balance-Sheet Activities **[2 marks]**

iii. Rate-Sensitive Assets **[2 marks]**

c). Describe the four (4) primary types of property–Casualty Insurance **[7 marks]**

**QUESTION FOUR [20 marks]**

1. Discuss any five types of financial arbitrage **[9 marks]**
2. Describe five fundamental types of financial risk which are found in many financial institutions. **[5 marks]**
3. Explain the roles played by the Central bank of Kenya (CBK) in the regulation of the financial market of the country.  **[6 marks]**

**QUESTION FIVE [20 marks]**

1. Discuss any three types of Nonbank Financial Institutions **[5 marks]**
2. Using relevant examples define the term financial planning and describe any five key elements of a financial plan **[9 marks]**
3. Highlight the key characteristics of the short-term loan sales market. **[6 marks]**