

JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

MAIN EXAMINATION

BACHELOR OF BUSINESS ADMINISTRATION (WITH IT)

COURSE CODE: ABA 318 : FINANCIAL INSTITUTIONS AND MARKETS

INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER TWO

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**Question One**

- (a) What is a capital market? (2 marks)
- (b) Explain the two key divisions in the capital market and give one example of each (3marks)
- (c) Explain the difference between money markets and capital markets in respect of funds borrowed. (2 marks)
- (d) Give three differences between regular bank lending and capital markets (3 marks)
- (e) Give two examples of capital market transactions (2 marks)
- (f) Distinguish between utility functions and agency functions of commercial banks. Give two distinctions in each case. (4 marks)
- (g) Explain any four important intermediary financial functions of financial markets (8 marks)
- (h) Commercial banks grant two types of loans. Explain each of them giving examples in each case (6 marks)

**Question Two**

Financial markets are typically defined by having transparent pricing, basic regulations on trading, costs and fees, and market forces determining the prices of securities that trade.

- (i) Briefly explain any five types of financial markets and their respective roles in economic development in Kenya (15 marks)
- (ii) What is the distinction between a primary market and a secondary market? In each case illustrate your answer with two examples (5marks)

**Question Three**

- (a) Briefly explain any four types of financial institutions indicating their respective roles in economic development in Kenya (10marks)
- (b) Nonbank Financial Institutions are not technically banks but provide some of the same services as banks. Briefly explain any two (NBFIs) indicating the services they offer

(10marks)

**Question Four**

- (a) Briefly indicate four distinctions between a financial institution and a non financial institution (6marks)
- (b) Briefly explain how banks make money and what is their main source of funds (4 marks)
- (c) At the most basic level, what banks do is fairly simple. What do banks do? Explain your answer citing three basic functions of banks (10 marks)

**QUESTION FIVE**

- (a) Many individuals are not aware that they are lenders, but almost everybody does lend money in many ways. Mention any four ways a person may lend money (4 marks)
- (b) Briefly explain any four agency functions of commercial banks (8 marks)
- (c) Explain four major successes of Kenyan Capital markets (8marks)