The Co-operative University of Kenya

END OF SEMESTER EXAMINATION DECEMBER-2016

EXAMINATION FOR THE DEGREE OF BACHELOR OF CO-OPERATIVES BUSINESS/BACHELOR OF COMMERCE
(BCOB YR III SEM I/II & YR IV SEM I/ BCOM YR III SEM I)

UNIT CODE: HCOB 2310/ HCOB 2341 / HBF 2301

UNIT TITLE: FINANCIAL INSTITUTIONS AND MARKETS

DATE: 9TH DECEMBER, 2016 **TIME: 2:00 PM – 4:00 PM**

INSTRUCTIONS:

- Answer question **ONE (compulsory)** and any other **TWO** questions

QUESTION ONE

(a) Briefly explain the structure of financial systems (6 marks)
(b) Distinguish between primary and secondary markets. (6 marks)
(c) Discuss the role of Nairobi stock exchange to the Kenyan economy (10 marks)
(d) Distinguish between unit trusts from Mutual funds (4 marks)
(e) Write shorts notes on the following;
 i. Saving institutions (2 marks)
 ii. Credit unions (2 marks)

QUESTION TWO

(a) Bonds are securities that represent a debt owed by the issuer to the investor. Discuss any THREE types of corporate bond that an investor can buy briefly explaining why such an investor may be attracted by such a bond. (6 marks)
(b) Discuss how and why the governments around the world regulate financial markets and institutions (14 marks)

QUESTION THREE

(a) Why have private pension fund management grown rapidly in the recent years. (15 marks)
(b) The term money markets is actually a misnomer because the securities that actually trade there are short term and highly liquid however they are close to being money. Clearly distinguish between any FIVE money market instruments. (5 marks)

QUESTION FOUR

(a) Discuss at least TWO instruments traded in the following markets
 i. Equity market (2 marks)
 ii. Money market (2 marks)
 iii. Bond market (2 marks)
 iv. Capital market (2 marks)
(b) Comment on the regulation of the markets in (a) above in Kenya. (12 marks)

QUESTION FIVE

(a) Briefly discuss the role of the following NBF'Is in the economy
 i. Insurance companies (2 marks)
 ii. SACCOs (2 marks)
 iii. Mutual funds (2 marks)
 iv. Micro finance institutions (2 marks)
(b) Comment on the development of each of the above named NBFI's. (12 marks)