



GARISSA UNIVERSITY

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

SUPPLEMENTARY/SPECIAL 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: 23/03/18

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)

- (a) Commercial banks all over the world are faced with a number of risks. Clearly explain any four risks faced by commercial banks in Kenya and in each case suggest the possible solution to the risk **[10 marks]**
- (b) Briefly explain the various forms of efficient market hypothesis **[9 marks]**
- (c) Describe the classification of real estate investment trusts (REITs) **[6 marks]**

QUESTION TWO

- (a) Discuss the loanable funds theory. **[6 marks]**
- (b) Discuss any three term structure theories of interest rate. **[9 marks]**

QUESTION THREE

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

QUESTION FOUR

Discuss any five challenges facing capital markets authority of Kenya. **[15 marks]**

QUESTION FIVE

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

QUESTION SIX

Discuss the various money market instruments **[15 marks]**

