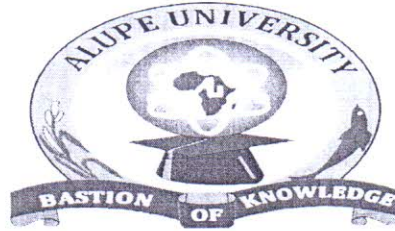


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BBM 311



OFFICE OF THE DEPUTY VICE CHANCELLOR  
ACADEMICS, STUDENT AFFAIRS AND RESEARCH

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# UNIVERSITY EXAMINATIONS

## 2023 /2024 ACADEMIC YEAR

### THIRD YEAR FIRST SEMESTER MAIN EXAMINATION

## FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

**COURSE CODE:           BBM 311**

**COURSE TITLE:         FINANCIAL INSTITUTIONS AND  
                                  MARKETS**

**DATE:13<sup>TH</sup> DECEMBER 2023**

**TIME: 2.00 TO 5.00 P.M**

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### INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF 3 PRINTED PAGES

PLEASE TURN OVER

BBM 311

MAIN EXAM

BBM 311: FINANCIAL INSTITUTIONS AND MARKETS

STREAM: BBM

DURATION: 3 Hours

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INSTRUCTIONS TO CANDIDATES

- i. Answer Question **ONE** and any other **TWO** questions.
- ii. Maps and diagrams should be used whenever they serve to illustrate the answer.
- iii. Do not write on the question paper.

QUESTION ONE

- (a) Distinguish the following terms as used in financial markets;
  - (i) Financial deepening versus financial broadening (3 marks)
  - (ii) Adaptive expectations versus implicit expectations (3 marks)
- (b) Ascertain the main aspects that drive the customer protection objective of financial market regulation in Kenya (6 marks)
- (c) Azix invested Kshs. 8 million in Kenya's 91 Treasury bill. The quoted yield per annum is 5.28%.  
Required; Compute the total return in 3 month period is the investor is;
  - (i) Non withholding taxpayer at 13% (3 marks)
  - (ii) Withholding tax payer at 13% (3 marks)
- (d) Financial market must have certain attributes given that it is critical for the overall economy in most countries. In view of this, recognize these attributes. (12 marks)

QUESTION TWO

- (a) Write brief notes on the following financial instruments;
  - (i) Debt securities (3 marks)
  - (ii) Derivative instruments (3 marks)
  - (iii) Exchange traded funds (3 marks)
- (b) Regardless of being primary or secondary, capital market shoulders major roles in the Kenya's economy. Support this statement. (11 marks)

QUESTION THREE

- (a) Analyze the vital roles of interest rates in Kenya (8 marks)
- (b) Break down the main determinants as far as interest rates are concerned (12 marks)

QUESTION FOUR

- (a) Explain the following terms as used in securities market;
  - (i) Cum right versus ex right (4 marks)
  - (ii) Cum all prices versus ex all prices (4 marks)
  - (iii) Insider trading (2 marks)
- (b) In any securities market, stock market index is a statistical source that measures financial market fluctuations and performance. Using the Kenya's Nairobi Securities Exchange

(NSE) context, bring to light the stock market indices used for stock market reporting (10 marks)

QUESTION FIVE

As the winds of change continue to blow, financial institutions are forced to think more strategically. As a result, justify this statement by explaining;

- (a) The financial institutions' related emerging issues (12 marks)
- (b) Obstacles faced by most financial institutions in the process of dealing with the emerging issues (8 marks)