



# MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

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## University Examinations 2024/2025

THIRD YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR  
OF COMMERCE

### BFC 3328: FINANCIAL INSTITUTIONS AND MARKETS

DATE: DECEMBER 2024

TIME: 2 HOURS

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INSTRUCTIONS: Answer question *one* and any other *two* questions

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#### QUESTION ONE (30 MARKS)

- a) Discuss the reasons that might make it necessary for the government to regulate the financial system (10 marks)
- b) Explain the roles of the capital markets authority as the principal regulator of financial markets in Kenya (10 marks)
- c) Examine the factors that influence the share price of a company quoted at the stock exchange (10 marks)

**QUESTION TWO (20 MARKS)**

- a) Discuss the key challenges facing the insurance sector in Kenya today (10 marks)
- b) In recent times the world has seen a tremendous growth in foreign exchange currency trading especially after the different currencies were allowed to float market. Discuss the factors behind the growth in foreign exchange (10 marks)

**QUESTION THREE (20 MARKS)**

- a) Explain the terms below as applied in capital markets
  - i. Pre-emptive rights (5 marks)
  - ii. Best efforts offering (5 marks)
- b) Investing in the stock market is like driving on a highway. In highway driving there are the speed limits and code of ethics to be followed. Any violation thereof can be costly for there are fines and penalties involved with reference to the above. Discuss the capital markets ethics (10 marks)

**QUESTION FOUR (20 MARKS)**

- a) Enumerate the benefits of mutual funds (7 marks)
- b) What are the advantages of a company being quoted/listed at the securities exchange (7 marks)
- c) Evaluate the factors that affects the price of bonds (6 marks)

**QUESTION FIVE (20 MARKS)**

- a) The government has identified the financial sector especially the SME as one of the key drivers of vision 2030. The destined to play an effective role as an engine for economic

growth poverty eradication and employment creation and is crucial in meeting projected development objectives of Kenya

In light of the above discuss the emerging issues and trends in financial institutions and markets (10 marks)

- b) Evaluate the contributions of savings and credit cooperative societies (SACCOs) to the welfare of the low-income segments of Kenya's population since her independence (10 marks)