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University Examinations 2023/2024

FOURTH YEAR SECOND SEMESTER EXAMINATION FOR THE DEGREE OF
BACHELOR OF FINANCE

BFS 3456: ADVANCED FINANCIAL INSTITUTIONS AND MARKETS

DATE: APRIL 2024

TIME: 2 HOURS

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

QUESTION ONE (30 MARKS)

- a) Discuss the functions of investments banks (10 marks)
- b) Discuss the economic functions of the derivative market (10 marks)
- c) The testing of market efficiency has led to the recognition of three different forms of market efficiency. Discuss (10 marks)

QUESTION TWO (20 MARKS)

- a) In relation to secondary market indices, highlight the factors to consider when computing index numbers (10 marks)
- b) Enumerate the limitations of credit creation by commercial banks (10 marks)

QUESTION THREE (20 MARKS)

- a) Two theories to financial market regulation exist

- i. Public interest theory
- ii. Public choice theory

Discuss the two theories (20 marks)

QUESTION FOUR (20 MARKS)

- a) The financial system is rapidly changing and is said to be highly dynamic. Discuss the emerging issues and trends in financial institutions and markets (12 marks)
- b) Highlight the components to professional ethics and values (8 marks)

QUESTION FIVE (20 MARKS)

- a) Explain the obstacles to building a sound commercial micro-finance industry in Kenya (8 marks)
- b) Highlight the reasons why money markets are not fully developed in Kenya. Suggest remedies for these reasons (12 marks)