



**TECHNICAL UNIVERSITY OF MOMBASA**  
***Faculty of Business and Social Studies***

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR DEGREE IN  
BACHELOR OF BUSINESS ADMINISTRATION  
BACHELOR OF COMMERCE

**BFI 4306: FINANCIAL INSTITUTIONS AND MARKETS**

END OF SEMESTER EXAMINATIONS

**SERIES: APRIL 2015**

**TIME: 2 HOURS**

**INSTRUCTIONS:**

- Answer Question **ONE (Compulsory)** and any other **TWO** questions.
- Do not write on the question paper

*This paper consists of Two printed pages*

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**QUESTION 1 (Compulsory)**

- a) Discuss **FIVE** key parts that make up the Financial System. **(10 marks)**
- b) Explain the importance of Financial Intermediaries in its role of ensuring survival and efficient operation of any given economy. **(6 marks)**
- c) There has been a growth of investment banks in the country in the recent past. Explain in detail the meaning of investment banks and clearly outline its functions. **(14 marks)**

**QUESTION 2**

Explain the roles played by the stock exchange in economic development. **(20 marks)**

### **QUESTION 3**

- a) Corporate bonds are the long-term bonds issued by corporations with very strong credit ratings. Explain the common types of corporate bonds issued by different corporations. **(10 marks)**
- b) Differentiate between common and preferred stock as instruments used by corporations to access capital. **(10 marks)**

### **QUESTION 4**

Discuss the role of fiscal policy in economic management and its relation with the monetary policy. **(20 marks)**

### **QUESTION 5**

Write short notes on the following terms:

- a) Currency options. **(5 marks)**
- b) Forwards **(5 marks)**
- c) Swaps **(5 marks)**
- d) Currency futures. **(5 marks)**