



DBF 102

**MASINDE MULIRO UNIVERSITY OF SCIENCE AND
TECHNOLOGY
(MMUST)**

MAIN/BUNGOMA/WEBUYE/NAIROBI/MUMIAS/KAPSABET CAMPUS

**UNIVERSITY EXAMINATIONS
2015/2016 ACADEMIC YEAR
SECOND YEAR SPECIAL/ SUPPLEMENTARY
EXAMINATIONS**

**FOR DIPLOMA
IN
BUSINESS MANAGEMENT**

COURSE CODE: DBF 102

COURSE TITLE: FINANCIAL INSTITUTIONS AND MARKETS

DATE: Monday 15th August, 2016

TIME: 3:00PM-5:00PM

INSTRUCTIONS TO CANDIDATES

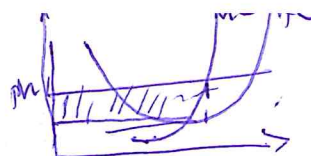
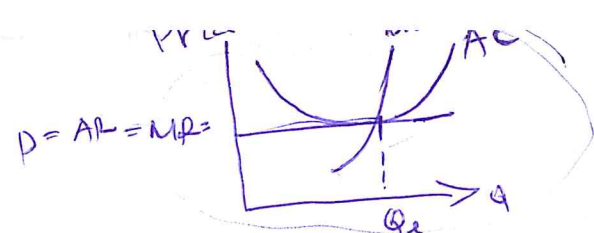
ANSWER QUESTION ONE any OTHER TWO

TIME: 2 Hours

MMUST observes ZERO tolerance to examination cheating

This Paper Consists of 2 Printed Pages. Please Turn Over.

DBF 102: FINANCIAL INSTITUTIONS AND MARKETS



QUESTION ONE: COMPULSORY

Financial managers and investors don't operate in a vacuum—they make decisions within a large and complex financial environment. This environment includes financial markets and institutions, tax and regulatory policies, and the state of the economy. The environment both determines the available financial alternatives and affects the outcomes of various decisions. Thus, it is crucial that investors and financial managers have a good understanding of the environment in which they operate. History shows that a strong financial system is a necessary ingredient for a growing and prosperous economy. Companies raising capital to finance capital expenditures as well as investors saving to accumulate funds for future use require well-functioning financial markets and institutions.

Required:

- a. Discuss in detail why financial system regulation is important for a developing country to ensure that there is a well functioning economy. **(10 Marks)**
- b. Why are financial markets essential for a healthy economy and economic growth? **(12 Marks)**
- c. Highlight any three classifications of the financial markets in your country. **(8 Marks)**

QUESTION TWO

- a. Describe the three primary ways in which capital is transferred between savers and borrowers. **(10 Marks)**
- b. Discuss the main types of money market instruments which can be used to raise funds by firms? **(10 Marks)**

QUESTION THREE

- a. Explain the role of financial intermediaries in the economy. **(10 Marks)**
- b. Distinguish between the role of a commercial bank and thrift institutions. **(10 Marks)**

QUESTION FOUR

- a. How would you define a securities firm? Discuss the main types of securities firms and their role in the economy. **(10 Marks)**
- b. Discuss the various types of capital markets securities. **(10 Marks)**