



# **MAASAI MARA UNIVERSITY**

**REGULAR UNIVERSITY EXAMINATIONS**

**2023/2024 ACADEMIC YEAR**

**THIRD YEAR FIRST SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS**

**BACHELOR OF COMMERCE**

**COURSE CODE: BCM 3115-1**

**COURSE TITLE: FINANCIAL INSTITUTIONS &  
MARKETS**

**DATE: 15/12/2023**

**TIME: 1100-1300 HRS**

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**INSTRUCTIONS TO CANDIDATES**

Answer Question **ONE** and any other **THREE** Questions

*This paper consists of 2 printed pages. Please turn over.*

### Question One

- a) Discuss **Three** theories that explain the need for regulation in the financial markets. **(6 Marks)**
- b) According to the International Organization of Securities Commissions (IOSCO), for the regulator to be effective in regulatory role must observe/meet certain principles. Discuss. **(6 Marks)**
- c) Explain **Five** reasons behind low quotation at Nairobi Securities Exchange (NSE). **(5 Marks)**
- d) Evaluate **Three** financial instruments traded in the capital market. **(3 Marks)**

### Question Two

- a) With reference to the Nairobi Securities Exchange (NSE), explain five advantages of being listed at a stock exchange. **(5 Marks)**
- b) As a financial analyst working for Uwezo investment company, discuss **Five** factors considered when buying and selling securities of company. **(5 Marks)**

### Question Three

- a) Define the following terminologies as used in the money market:
  - i. Certificate of deposit. **(2 Marks)**
  - ii. Re-purchase agreements **(2 Marks)**
  - iii. Treasury bill **(1 Mark)**
- b) As a financial analyst advising Mamboza Ltd. Company on whether to raise capital through issue of equity or debt, discuss factors to consider when making such decision. **(5 Marks)**

### Question Four

- a) Discuss **Five** factors considered when constructing index numbers. **(5 Marks)**
- b) With reference to index numbers, explain **Five** shortcomings of consumer price index. **(5 Marks)**

### Question Five

- a) In the context of securities transactions, explain the following terms:
  - i. Front running. **(3 Marks)**
  - ii. Market rigging. **(3 Marks)**
  - iii. Market manipulation. **(4 Marks)**

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