



**MAASAI MARA UNIVERSITY**  
**REGULAR UNIVERSITY EXAMINATIONS**  
**2021/2022 ACADEMIC YEAR**  
**THIRD YEAR FIRST SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS**  
**BACHELOR OF COMMERCE**

**COURSE CODE: BCM 3115**

**COURSE TITLE: FINANCIAL INSTITUTIONS AND  
MARKETS**

**DATE: 8<sup>TH</sup> APRIL 2022**

**TIME: 1100-1300**

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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 four reasons why capital markets are more developed in Kenya than Money Market. **(8 marks)**
- b) Discuss four incentives that the Kenya government has offered companies to induce them to go public. **(8 marks)**
- c) Highlight six merits of being quoted on stock exchange. **(6 marks)**
- d) In the context of financial markets, define the following terms:
  - i) Commercial papers **(1 mark)**
  - ii) Certificate of deposits **(1 mark)**
  - iii) Re-purchase agreements **(1 mark)**

### **Question two**

- a) Explain four motives of stock repurchase. **(8 marks)**
- b) Discuss three reasons why offer price is set below the prevailing market value of the company shares. **(3 marks)**
- c) In the context of initial public offer, explain the following terminologies:
  - i) Spinning **(2 mark)**
  - ii) Laddering **(2 mark)**

### **Question three**

- a) Discuss three types of risks in foreign exchange market. **(6 marks)**
- b) Highlight five factors to consider when computing index numbers. **(5 marks)**
- c) Summarize four roles of the public sector with regard to self-regulatory organizations. **(4 marks)**

### **Question four**

- a) With reference to International Organization of Securities Commissions (IOSCO), examine three objectives of securities regulation. **(3 marks)**
- b) Discuss four theories which explain the need for regulation in financial markets. **(8 marks)**
- c) Describe four jurisdiction of capital markets tribunal. **(4 marks)**

### **Question five**

- a) Discuss five principal objectives of Capital Market Authority (CMA). **(10 marks)**
- b) Outline the composition of investor compensation fund. **(5 marks)**

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