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UNIVERSITY EXAMINATIONS 2024/2025

FIRST YEAR FIRST SEMESTER EXAMINATION FOR DEGREE OF BACHELOR OF
SCIENCE IN FINANCE

BFS 3103: FINANCIAL MARKETS

DATE: DECEMBER 2024

TIME: 2 HOURS

INSTRUCTIONS: Answer Question ONE and any other TWO questions.

QUESTION ONE (30 MARKS)

- a) Explain financial markets and their primary functions in an economy. (10 marks)
 - b) Discuss the concept and key indicators of an efficient financial market. (10 marks)
 - c) Examine the role of financial markets in promoting economic growth. (5 marks)
- Discuss the Functions of Money Market Characteristics of Money Market (5marks)

QUESTION TWO (20 MARKS)

- a) With examples differentiate between debt and equity markets. (10 marks)
- b) Explain the difference between primary and secondary financial markets. (6 marks)
- c) Explain the significance of exchanges and over-the-counter (OTC) markets in financial transactions (4 marks)

QUESTION THREE (20 MARKS)

- a) Explain financial intermediation and its importance in financial markets. (10 marks)
- b) Briefly describe the role of negotiable bank certificates of deposits and commercial paper in the financial system. (6 marks)
- c) Explain repurchase agreements (repos) and how they work (4 marks)

QUESTION FOUR (20 MARKS)

- a) Discuss the role of capital markets in the economic development of Kenya. (10 marks)
- b) Explain the role of the Capital Markets Authority (CMA) in regulating capital markets. (6 marks)
- c) Identify and describe two key participants in the securities market in Kenya. (4 marks)

QUESTION FIVE(20MARKS)

- a) Explain the need for financial regulation in a financial system. (10 marks)
- b) Discuss the key components of Kenya's financial regulatory framework. (6 marks)
- c) How do financial regulations contribute to the stability of financial markets? (4 marks)

