MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

P.O. Box 972-60200 – Meru-Kenya
Tel: +254(0) 799 529 958, +254(0) 799 529 959, + 254 (0) 712 524 293,
Website: info@must.ac.ke Email: info@must.ac.ke

University Examinations 2024/2025

THIRD YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION

BFC 3334: FINANCIAL SYSTEMS

DATE: JANUARY 2025   **TIME:2 HOURS**

INSTRUCTIONS: *Answer question **one** and any other **two** questions*

QUESTION ONE (30 MARKS)

a) Discuss the reasons why money markets are not fully developed in Kenya. (10 marks)

b) Suggest remedies for the reasons discussed in (a) above   (5 marks)

c) Highlight the purpose of financial sector regulation in Kenya   (8 marks)

d) In the context of financial systems, enumerate any seven components of professional ethics and values   (7 marks)

QUESTION TWO (20 MARKS)

a) Explain reasons why capital markets are more developed than money in Kenya

(8 marks)

b) The versatile facilities and opportunities provided by the internet and world wide web has led to the development of electronic commerce. Highlight the benefits of E-banking

(8 marks)

c) Enumerate the challenges in E-Banking (4 marks)

QUESTION THREE (20 MARKS)

a) Describe the role of the financial system in an economy (10 marks)

b) Explain the meaning of the following terms as applied in primary financial markets
   i.   Agency bond
   ii.   Corporate bond
   iii.   Junk bonds
   iv.   Mortgage bonds
   v.   Income bonds (10 marks)

QUESTION FOUR (20 MARKS)

a) Discuss the role of Nairobi securities exchange in the economic development of Kenya

(10 marks)

b) Explain the five basic tenets of corporate governance (10 marks)

QUESTION FIVE (20 MARKS)

a) Discuss the functions of commercial banks (10 marks)

b) Highlight eight benefits of mutual funds (4 marks)

c) Explain three factors that have led to the success of bureau de change (6 marks)