



PIONEER INTERNATIONAL UNIVERSITY

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UNIVERSITY EXAMINATIONS

BACHELOR OF COMMERCE 3.2 AND 4.1

UNIT CODE: FNCE 3110

UNIT NAME: FINANCIAL INSTITUTIONS AND MARKETS

SEMESTER: MAY - AUGUST 2022

ACADEMIC YEAR: 2022/2023

DATE: JULY 2022

TIME: 2:00 HOURS

INSTRUCTIONS: Answer question one (30 marks) and any other two

QUESTION ONE (30 MARKS)

- a) Non-banking financial institutions play a great role in an economy of a country.
Describe the main functions of these institutions. (8 Marks)
- b) Financial markets refer to an elaborate system of the financial institution and intermediaries and arrangement put in place and developed to facilitate the transfer of funds from surplus economic units (savers) to deficit economic units (investors). Explain five characteristics of a good and efficient financial market in a country (5 Marks)
- c) Financial innovations have been witnessed in the Kenyan financial sector in recent years. Discuss ways in which financial innovations improve economic performance of a country. (7 marks)
- d) Discuss four ways in which an organisation involved in international trade can hedge against foreign exchange risk. (8-marks)
- f) Briefly explain two main reasons why financial institutions in any country are subjected to regulations. (2 marks)

QUESTION TWO (20 MARKS)

- a) Rashid has just won the lottery and would like to invest in the money market in the short term before he can make a decision on how to use the money, explain to him five money market instruments that he can invest in and the channel that he can use for his investment. (10 marks)
- b) Discuss the causes of increased anti-money laundering activities in Kenya. (10 Marks)

QUESTION THREE (20 MARKS)