PAN AFRICA CHRISTIAN UNIVERSITY

SCHOOL OF LEADERSHIP, BUSINESS AND TECHNOLOGY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

BACHELOR OF COMMERCE

BACHELOR OF BUSINESS LEADERSHIP

SEPTEMBER -DECEMBER 2025 TRIMESTER

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS

COURSE CODE: CFN301

COURSE TITLE: FINANCIAL INSTITUTIONS AND MARKETS

EXAM DATE: MONDAY 15TH DECEMBER 2025

TIME: 11:30AM-2:30PM

INSTRUCTIONS

- Read all questions carefully before attempting.
- This examination script consists of **FIVE (5)** questions.
- Answer question **ONE** and ANY other **three** Questions.
- ALL other PAC University examinations rules and regulations apply

SECTION A: COMPULSORY (30 MARKS)

QUESTION ONE

a) Markets are based on the term to maturity and liquidity of the instruments. Differentiate the money markets and capital markets giving an example in each case. (5 Marks)

b) The factors that have been identified as impending the performance of stock markets are also relevant for evaluating the readiness of a stock exchange in Africa to grow. Discuss FIVE limitations facing the growth of securities exchange market in Kenya (5 Marks)

c) Describe **FIVE** roles of savings and credit cooperative societies in Kenya, giving an example in each case (5 Marks)

d) Financial markets and institutions have opened up to foreign investors hence facilitating foreign inflows and increased global transactions. Clearly explain **SIX** reasons for this development. (6 Marks)

e) A financial institution exists primarily or offering financial services to businessmen at a profit. Discuss the financial services provided by each of the following, giving examples in each case

i. Commercial banks (3 Marks)
ii. Insurance companies (3 Marks)
iii. Merchant banks (3 Marks)

SECTION B: ATTEMPT ANY THREE QUESTIONS (30 MARKS)

QUESTION TWO

a) One of the major indicators of stock market development is the increase in the varieties of products dealt with in the market such as derivatives. Explain why derivatives trading is absent in many developing markets. (5 Marks)

b) The insurance regulatory authority (IRA) is a statutory government agency established under the insurance act. Discuss using examples in each case **FIVE** functions of the IRA in Kenya

(5 Marks)

QUESTION THREE

a) Explain any **FIVE** reasons why there is a rapid development of financial institutions in Kenya. (5 Marks)

(b) Describe the features any five types of bonds found in the bond market. (5 Marks)

QUESTION FOUR

a) The capital markets authority was established to oversee and supervise the activities of market intermediaries. Explain any **FIVE** functions of the capital market authority in Kenya (5 Marks)

b) Discuss **FIVE** factors that should be taken into account by a businessman in making the choice between financing by short-term and long-term sources. (5 Marks)

QUESTION FIVE

a) With illustrations in each case, discuss **FIVE** benefits of internet in banking /E-Banking in Kenya (5 Marks)

b) Describe **FIVE** challenges faced by E-banking in banks (5 Marks)