



PAN AFRICA CHRISTIAN UNIVERSITY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

SEPTEMBER-DECEMBER 2020

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS

COURSE CODE: CFN 301

COURSE TITLE: FINANCIAL INSTITUTIONS AND MARKETS

EXAM DATE:

QUESTION ONE (COMPULSORY)

10 MARKS

a) Discuss **four** factors that have contributed to limited access to financial market services in developing countries. (4 Marks)

b) Explain the following terms:

- i. Financial system (2 Marks)
- ii. Financial structure (2 Marks)
- iii. Financial intermediaries (2 Marks)

QUESTION TWO

10 MARKS

Explain the following as used in the money markets. (give examples)

- i. Treasury bills (2 ½ Marks)
- ii. Reverse purchase agreements (2 ½ Marks)
- iii. Commercial paper (2 ½ Marks)
- iv. Negotiable certificate of deposit (2 ½ Marks)

QUESTION THREE

10 MARKS

a) Explain what is meant by “term structure of interest rate”. (1 Mark)

b) Describe the following term structure theories:

- i. Market segmentation (3 Marks)
- ii. Liquidity preference (3 Marks)
- iii. Expectation (3 Marks)

QUESTION FOUR

10 MARKS

a) Discuss **five** instruments used in fiscal policy (5 Marks)

- b) Explain how fiscal policies are used to control inflation and deflation in a country (5 Marks)

QUESTION FIVE

10 MARKS

- a) Explain the term “Quantitative easing”. (2 Marks)
b) Discuss two types of monetary policy. (8 marks)

QUESTION SIX

10 MARKS

- a) Define the term “financial liberalisation”. (2 Marks)
b) Argue the case for financial liberalisation in an economy. (3 Marks)
c) Outline five challenges of financial liberalisation. (5 Marks)