



MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATIONS
2020/2021 ACADEMIC YEAR
FIRST YEAR FIRST SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS
DOCTOR OF PHILOSOPHY DEGREE IN
BUSINESS ADMINISTRATION**

COURSE CODE: DBA 9207

**COURSE TITLE: FINANCIAL MARKETS AND
INTERMEDIARIES**

DATE: 3RD JUNE, 2021

TIME: 1430 - 1730HRS

INSTRUCTIONS:

ANSWER ANY FOUR QUESTIONS IN THIS PAPER

QUESTION ONE (15 MARKS)

a) Citing relevant example discuss the economic advantages created by the existence of the following markets:

- (i) Primary markets. (3 marks)
- (ii) Secondary markets (3 marks)
- (iii) Portfolio management firms. (3 marks)

b) Explain the factors affecting exchange rates in foreign exchange market
(6 Marks)

QUESTION TWO (15 MARKS)

- a) Discuss the role of financial intermediaries on the growth of financial markets in developing economies (5 Marks)
- b) International Financial Corporation (IFC), engages in a number of activities designed to promote the growth of private investment. Discuss these activities of International Finance Corporation (IFC). (4 Marks)
- c) Discuss the major tools that Central Bank Uses to regulate the Money Supply in the Economy (6Marks)

QUESTION THREE (15 MARKS)

Foreign Ventures Ltd. is a multi-national company with a head office in London and many subsidiaries in Africa and Asia. A subsidiary in Africa is considering the possibility of raising funds either in the domestic market or in the foreign market using euro currency and euro bond markets.

Required:

- (a) Distinguish between Eurocurrency , Eurobond and Euro equity markets (6 Marks)
- (b) Explain the factors to be considered on the choice between borrowing funds from domestic markets and the Eurocurrency markets by a multinational company (5 marks)
- c) Explain the main types of foreign exchange exposure. (4marks)

QUESTION FOUR (15 MARKS)

- a) Discuss the objectives of fiscal policy with specific reference to the needs of the developing countries like Kenya. (4 marks)
- b) A market can be inefficient, which is referred to as market anomalies. Citing relevant examples discuss the factors leading to market anomalies (5 marks)
- c) Using suitable empirical evidences, discuss the risks that financial institutions must manage for them to remain relevant in the financial system network (6 marks)

QUESTION FIVE (15 MARKS)

- i) With suitable examples differentiate between financial distress and financial Crises. (10 Marks)
- ii) Discuss the core principles of the Asymptotic Chaos Expansion methodology on the volatility of interest rates. (5 marks)

QUESTION SIX (15 MARKS)

- a. Discuss the concept Pro-Cyclical in bank lending and its contribution to the growth of the financial sector (7 Marks)
- b. Explain using examples the rationale for Government interventions in the financial sector (8 marks)

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