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**OFFICE OF THE DEPUTY PRINCIPAL
ACADEMICS, RESEARCH AND STUDENTS' AFFAIRS**

UNIVERSITY EXAMINATIONS

2018 /2019 ACADEMIC YEAR

SECOND YEAR FIRST SEMESTER REGULAR EXAMINATION FOR THE DEGREE OF BACHELOR OF ARTS IN ECONOMICS

COURSE CODE:ECO 213

COURSE TITLE: INTRODUCTION TO FINANCIAL MARKETS

DATE: 17/12/2018

TIME: 9.00am -12.00 pm

INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF 4 PRINTED PAGES

PLEASE TURN OVER

COURSE CODE: ECO 213



COURSE TITLE: INTRODUCTION TO FINANCIAL MARKETS

INSTRUCTIONS TO CANDIDATES

- Answer Question **ONE** and any other **TWO** questions
- Question **ONE** carries 30 marks
- Time allowed: 3 hours

QUESTION ONE

- a) Distinguish between money and capital markets (4 marks)
- b) Explain the role of the capital market authority of Kenya (8 marks)
- c) Name and explain the advantages of a central depository system (c.d.s) (8 marks)
- d) Discuss the reasons for the development of international trade (5 marks)

QUESTION TWO

- a) Explain the differences between primary and secondary markets (4 marks)
- b) Discuss the importance of being listed in the Nairobi stock exchange (8 marks)
- c) Explain the various conditions to be fulfilled to be listed in the Nairobi stock exchange (8 marks)

QUESTION THREE

- a) Explain the problems African regional integration bodies face (10 marks)
- b) What factors affect the long-run trend of the terms of trade for developing countries (10 marks)

QUESTION FOUR

- a) Clearly explain the processes which lead to deficits in the balance of payments and steps which may be taken to reserve such processes. (10 marks)
- b) Argue the case for and against economic integration with the African continent. (10 marks)

QUESTION FIVE

- a) Many developing countries are currently faced with an ever increasing external debt. Clearly describe the possible causes of this indebtedness and the measures that could be taken both the debtors and creditors in reducing the debt burden. (10 marks)



- b) Discuss the various functions of a stock exchange in the development of the economy
(10 marks)