



GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS MAY - AUGUST 2018 SEMESTER

BACHELOR OF COMMERCE

COURSE CODE: BCFI 302

COURSE TITLE: FINANCIAL LAW

DATE: 6TH AUGUST 2018

TIME: 3.00-6.00PM

INSTRUCTIONS TO CANDIDATES

1. SECTION A IS **COMPULSORY**.
2. SECTION B: ANSWER ANY OTHER **THREE** QUESTIONS.
3. **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
4. ALL ROUGH WORK SHOULD BE AT THE BACK OF YOUR ANSWER BOOKLET AND CROSSED OUT.

CAUTION: *All exam rooms are under CCTV surveillance during the examination period.*

SECTION A: COMPULSORY

Question One

In the financial markets, financial regulation refers to laws and rules that govern what financial institutions do;

- a) In relation to the statement above, discuss the rationale for financial regulation [8 marks]
- b) Citing examples, explain the benefits for and against self-regulation [12 marks]

Organizations and institutions in the public and private sectors often sell securities on the capital markets in order to raise funds;

- c) Explain the functions of the capital market [12 marks]
- d) Distinguish between primary and secondary markets [8 marks]

SECTION B: ANSWER ANY THREE QUESTIONS

Question Two

With reference to the negotiable instruments;

- a) Summarize the various reasons a bank might dishonor a cheque [8 marks]
- b) Discuss the causes of terminating the banker and customer contract [12marks]

Question three

The banking system comprises of the network of institutions responsible for providing banking services;

- a) In relation to the statement above, explain the differences between a retail bank and a merchant bank [10 marks]
- b) Discuss the functions of the central bank [8 marks]

Question Four

As part of your university education course, you have joined the Kenya bankers training institution for internship. You are to make a presentation in class on money and payment methods,

- a) Discuss the various methods of payment [12 marks]
- b) Explain the implied terms in hire purchase agreement [8 marks]

Question five

Capital market is a market for financial assets that have a long or indefinite maturity:

- a) With reference to the statement above, discuss the various securities found in of the capital market **[12 marks]**
- b) Explain the various offences related to financial securities **[8 marks]**