



NATIONAL OPEN UNIVERSITY OF NIGERIA
91, CADASTRAL ZONE, UNIVERSITY VILLAGE, JABI, ABUJA
FACULTY OF MANAGEMENT SCIENCES
EXAMINATION 2020_2nd

COURSE CODE: BFN748

CREDIT UNIT: 2

COURSE TITLE: FINANCIAL INSTITUTIONS AND MARKETS

TIME ALLOWED: 2HOURS

Instruction: 1. Attempt question number one (1) and any other two (2)

2. Question number one (1) is compulsory and attracts 30 marks, while any other two questions attract 20 marks each

3. Present your answers any points in a clearly and orderly manner

1a. Describe briefly the nature of an efficient financial system. Outline four (4) features that qualify a financial system to be categorized as efficient. **6 marks**

1b. Distinguish between primary and secondary financial market institutions. **5 marks**

1c. The informal segment of the financial market is largely unregulated and often criticized as an expensive source of funds but it has continued to attract the patronage of a wide range of clientele. Give five (5) reasons for its continued existence. **5 marks**

1d. Write short notes on the following money market instruments:

- i. Treasury Bills
- ii. Treasury Certificates
- iii. Commercial Papers
- iv. Certificate of Deposit
- v. Bankers Acceptance

10 marks

1e. Preferred stock is often described as a hybrid instrument because of its unique features. Discuss the uniqueness of this instrument. **4 marks**

2a. Identify and explain any five (5) functions performed by the Nigerian financial system towards the growth and development of the economy? **7.5 marks**

2b. Commercial banks are basically established to promote economic growth and development. Mention and explain any five (5) of the primary functions rendered by commercial banks in Nigeria. **12.5 marks**

3a. Explain any five (5) contributions of the Nigerian financial system to the growth of economic activities in Nigeria. **7.5 marks**

3b. What is a financial system? Briefly describe the major components of the Nigerian financial system. **12.5 marks**

4a. Banks engage in a lot of activities that require huge amounts of financial commitments. List and explain five (5) sources through which banks generate income to discharge their obligations to relevant stakeholders. **7.5 marks**

4b. Identify and discuss any five (5) factors which influence the formulation of investment policy for commercial banks. **10 marks**

4c. List any five (5) functions of the Nigeria Export-Import (NEXIM) Bank. **2.5 marks**

5a. Identify and discuss the two (2) broad classes of insurance business in Nigeria. **10 marks**

5b. Explain briefly the concept of reinsurance. **5 marks**

5c. State five (5) challenges confronting the contributory pension fund in Nigeria. **5 marks**