



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**91, CADASTRAL ZONE, UNIVERSITY VILLAGE, JABI, ABUJA**  
**FACULTY OF MANAGEMENT SCIENCES**  
**EXAMINATION 2020\_2<sup>nd</sup>**

**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**