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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR
FIRST YEAR, FIRST SEMESTER EXAMINATION
FOR THE DIPLOMA IN BANKING AND FINANCE

Date: 9th August, 2024
Time: 2:30-4:30pm

DBA 1119 MANAGEMENT IN BANKING

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Savings accounts and current accounts are two types of bank accounts that serve different purposes. Explain five differences between them. (5 marks)
- b) Financial intermediation is the routing of savings to investments through financial intermediaries. It is a process through which an economy's savings are transformed into capital investments. There are two types of Financial Intermediations: Traditional Financial Intermediation and Contemporary Financial Intermediation. Describe three features which separates the two. (6 marks)
- c) BASEL III is a global regulatory standard on bank capital adequacy, stress testing and market liquidity risk agreed upon by the members of the Basel Committee on Banking Supervision in 2010. It was formulated due to the weaknesses of Basel II. Identify and explain three main objectives of BASEL III. (6 marks)
- d) Differentiate between Tier 1 and Tier 11 capital as defined in the capital adequacy. (4 marks)
- e) Outline four forms in which banks advances loan to their customers. (4 marks)
- f) Highlight five agency functions performed by commercial banks in Kenya. (5 Marks)

QUESTION TWO (20 MARKS)

- a) International experience suggests that progress toward improving the management of public pension funds relies on the presence of good governance, meaning the systems and processes that a company or the government uses to manage its affairs. Discuss the three main areas of management in insurance companies. . (6 marks)
- b) Explain the rationale of bank regulation in the Kenyan industry. (6 marks)
- c) Justify the objectives of regulation of commercial banks. (8 marks)

QUESTION THREE (20 MARKS)

- a) Internal Controls are also essential to enable management to ensure that operating units are acting within the parameters established by the board of directors and senior management. Examine aspects of internal controls that deserve special attention. (8 marks)
- b) The Central Bank of Kenya (CBK) as the regulatory body mandated to license and supervise the operations of commercial banks in Kenya through the provisions of the CBK Act (Cap 491) recently carried out an evaluation on the performance of three major commercial banks using the CAMEL rating system. The results of this evaluation based on the CAMEL scale of 1 to 5 are as given below;

BANK	CAPITAL	ASSETS	MANAGEMENT	EARNINGS	LIQUIDITY	COMPOSITE
I&M	1	2	1	1	1	1
NIC	2	1	3	3	3	3
JAMII BORA	4	4	4	5	5	4

- i) Interpret the results obtained based on individual parameters and the composite parameter . (8 marks)
- ii) Based on the interpretation made in (a) above identify the kind of supervisory attention that the CBK should direct to each bank. (4 marks)

QUESTION FOUR (20 MARKS)

- a) Financial institutions are considered to be special because of the various services they provide to sectors of the economy. Discuss five areas of specialness of these financial institutions. (5 marks)
- b) Interest rate risk is the current or prospective risk to earnings and capital arising from adverse movements in interest rates. Excessive interest rate risk can pose a significant threat to a financial institution's earnings and capital base. Analyse the classification of interest risk. (10 marks)
- c) Insurance Regulatory authority is a body which regulates the insurance companies in Kenya. Discuss the main possible functions of Insurance regulatory authority. (5 marks)

QUESTION FIVE (20 MARKS)

- a) Analyse the components of a bank condition assessed by CAMEL rating system. (10 marks)
- b) Central bank will use different techniques when controlling the money supply in the economy. Demonstrate six major tools that it will use to regulate the money circulation. (6 marks)
- c) Mention four options a bank can meet its reserve requirement. (4 marks)