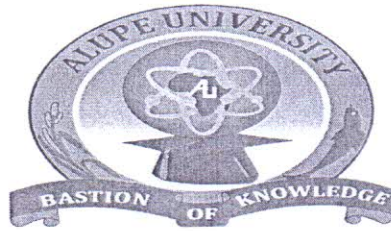


BBM 415



OFFICE OF THE DEPUTY PRINCIPAL
ACADEMICS, STUDENT AFFAIRS AND RESEARCH

UNIVERSITY EXAMINATIONS

2022 /2023 ACADEMIC YEAR

THIRD YEAR FIRST SEMESTER MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF
EDUCATION ARTS

COURSE CODE: BBM 415

COURSE TITLE: MANAGEMENT OF FINANCIAL
 INSTITUTIONS

DATE: 7TH DECEMBER 2022

TIME: 2.00 P.M TO 5.00 P.M

INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF 3 PRINTED PAGES
OVER

PLEASE TURN

MAIN EXAM

BBM 415: MANAGEMENT OF FINANCIAL INSTITUTIONS

STREAM: BBM

DURATION: 3 Hours

INSTRUCTIONS TO CANDIDATES

- i. Answer Question *ONE* and any other *TWO* questions.
- ii. Maps and diagrams should be used whenever they serve to illustrate the answer.
- iii. Do not write on the question paper.

QUESTION ONE

- (a) Bring out dissimilarities given the following risks associated with financial intermediation;
 - (i) Credit versus operational risks (4 marks)
 - (ii) Reinvestment versus market risk (4 marks)
- (b) Back the statement that securitization of debt is useful to the bank (6 marks)
- (c) Outline the key information the firm needs to pay attention as far as liquidity management is concerned (6 marks)
- (d) In the modern world, there are certain trends that have led to a massive shift in how financial institutions build out their customer growth. Discuss. (10 Marks)

QUESTION TWO

Ideally, risk management is a human activity which integrates recognition of risk, its assessment and developing of strategies to mitigate. In the aftermath of the Covid-19 pandemic, most financial institutions are in dire need of sound risk management. As a result, you have been singled out as one of the experts to the Savings and Credit Cooperative Societies (SACCOs) in Kenya's Western region. As part of your maiden speech, elaborate on the following;

- (a) Techniques to employ in controlling risk of losses most SACCOs (4 marks)
- (b) The key levels of risk awareness that form part of risk identification steps (6 marks)
- (c) How the risk managers should be tasked (10 marks)

QUESTION THREE

Write brief notes regarding to the following financial regulators in Kenya;

- (a) Capital Market Authority (CMA) (5 marks)
- (b) Insurance Regulatory Authority (IRA) (5 marks)
- (c) Sacco Societies Regulatory Authority (SASRA) (5 marks)
- (d) Retirement Benefit Authority (RBA) (5 marks)

QUESTION FOUR

- (a) Bank failures are attributed to the decline in capital adequacy ratio (CAR) In support of this statement, clarify the main causes of this decline (10 marks)
- (b) Central Bank of Kenya (CBK), gives deadline to the financial institutions under distress to address their capital adequacy. In line with, what are the key areas outlined by CBK if the institution need to avoid revocation of its banking license (10 marks)

QUESTION FIVE

- (a) Evaluate the following terms relating to derivatives;
 - (i) Underlying entity (2 marks)
 - (ii) Hedging versus speculation (4 marks)
 - (iii) Call versus put options (4 marks)
- (b) Future and forward contracts are both derivatives available for investors but they differ. Discuss. (10 marks)