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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR
FIRST YEAR, SECOND SEMESTER, END OF SEMESTER EXAMINATIONS
DIPLOMA IN BANKING AND FINANCE
DBA1119- MANAGEMENT IN BANKING

Date: 29th July 2022
Time: 2.30pm-4.30pm

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE COMPULSORY (30 MARKS)

- a) Banks and other financial institutions play a crucial role for the economy by transforming savings into capital investments through intermediation. Briefly explain the two types of financial intermediation. (4 marks)
- b) In Kenya the regulation of insurance companies falls under the Insurance Regulatory Authority (IRA). List the main functions of IRA. (6 marks)
- c) Name and explain THREE primary functions of a commercial bank (6 marks)
- d) Briefly explain THREE types of non-depository financial institutions (6 marks)
- e) What is the difference between pension and provident fund? (2 marks)
- f) List key areas in assessing bank's earnings (6 marks)

QUESTION TWO (20 MARKS)

- a) Banks face financial risks as they strive to maximize profits. These risks are uncertainties resulting in adverse variation of profitability or outright losses. Explain the following types of risks faced by financial institutions
- i) Liquidity Risk (2 marks)
- ii) Interest rate risk (3 marks)
- iii) Credit risk (3 marks)
- iv) Market risk (2 marks)
- v) Reputational risk (2 marks)
- b) Briefly explain the term operational risk (2 marks)
- c) List THREE causes and THREE effects based classifications of operational risk (6 marks)

QUESTION THREE (20 MARKS)

- a) Briefly explain the composition of;
- i) Tier I capital (3 marks)
- ii) Tier 2 capital (6 marks)
- b) Highlight THREE pillars of Basel II (6 marks)
- c) List FIVE items that liquidity policy should specifically state. (5 marks)

QUESTION FOUR (20 MARKS)

- a) The New NSSF Act 2013 establishes NSSF as both a provident fund and pension fund. Explain THREE pension benefit provided to members. (6 marks)
- b) Discuss the institutional framework of NSSF (5 marks)
- c) Briefly explain the THREE main risks faced by insurance companies (6 marks)
- d) List three ways in which management pension agency can establish internal governance structures and processes aimed at minimizing corruption, mismanagement, and fraud. (3 marks)

QUESTION FIVE (20 MARKS)

- a) List main objectives of commercial bank regulations. (6 marks)
- b) Highlight the main roles of Retirement Benefit Authority (6 marks)
- c) CAMEL rating system uses ratings of 1 to 5. Highlight the general features of a commercial bank with a rating of 1. (8 marks)