



Kasarani Campu
P. O. Box 49274, 00100
NAIROBI
Westlands Campus
Pamstech House
Woodvale Grove
Tel. 4442212
Fax: 4444175

KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR
FOR THE DIPLOMA IN BANKING AND FINANCE
DBA 1119- MANAGEMENT IN BANKING

Date: 19th April, 2022
Time: 8.30 am –10.30am

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Describe two types of financial intermediations. (4 Marks)
- b) Identify the objectives of BASEL III. (6 Marks)
- c) Differentiate between Tier 1 and Tier 11 capital as defined in the capital adequacy. (4 Marks)
- d) Outline six forms in which banks advances loan to their customers. (6 Marks)
- e) Highlight the agency functions performed by commercial banks in Kenya. (6 Marks)
- f) Mention four options a bank can meet its reserve requirement. (4 Marks)

QUESTION TWO (20 MARKS)

- a) Explain the rationale of bank regulation in the Kenyan industry. (6 Marks)
- b) Justify the objectives of regulation of commercial banks. (8 Marks)
- c) Discuss three major forms of regulation. (6 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 the various aspects of internal controls that deserve special attention. (8 Marks)

BANK	CAPI TAL	ASSETS	MANAGEMENT	EARNINGS	LIQUIDITY	COMPOSITE
EQUITY LTD	1	2	1	1	1	1
KCB LTD	2	1	3	3	3	3
FAMILY LTD	4	4	4	5	5	4

- 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;

Required

- 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) 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 rate risk. (10 Marks)
- b) Discuss the elements used by insurance firms to assist them in off-site and on-site evaluation of risks.

QUESTION FIVE (20 MARKS)

- a) Analyze 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 five major tools that it will use to regulate the money circulation. (10 Marks)