

CHUKA



UNIVERSITY

**UNIVERSITY EXAMINATIONS
CHUKA /EMBU**

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE
AND BACHELOR OF COOPERATIVE MANAGEMENT**

**BCOM 430/432: MANAGEMENT AND RELATION OF FINANCIAL INSTITUTIONS
AND MARKETS**

STREAMS:

TIME: 2 HOURS

DAY/DATE: MONDAY 4/12/2017

2.30 P.M -4.30 P.M

INSTRUCTIONS:

- **Answer question one and any other two questions**

1. (a) Briefly explain the roles each of the following play in the regulation of financial institutions and markets.
 - (i) CBK [3marks]
 - (ii) IRA [3marks]
 - (iii) CMA [3marks]
 - (iv) RBA [3marks]
 - (v) SASSRA [3marks]

(b) Explain five reasons for regulation and management of financial institutions and markets. [5marks]

(c) Explain the various ways in which evaluation of performance of financial institutions can be measured. [5marks]

(d) Explain rationale behind demutualization of Nairobi securities exchange. [5marks]

2. (a) Discuss five theories behind regulation and management of financial institutions and markets. Highlight their limitation. [10marks]

(b) Assume the book value of certain bank are as follows:

Assets	Book value (millions)
Government treasury bills	200
Obligation bonds	100
Mortgages	400
Commercial loans	300
Total book value	1000

Also you are given credit risk classification as 0%, 20%,50% and 100% respectively. Assuming that tier 1 capital requirement is 8% of the book value of assets and minimum total capital requirement is 16% of the risk weighted assets, determine the following giving managerial comments:

- (i) The risk weighted assets. [2marks]
 (ii) Minimum core capital requirement [2marks]
 (iii) Minimum total capital requirement [2marks]

(c) Differentiate institutional and functional approaches to regulation of financial institutions and markets. [4marks]

3. (a) There has been a discussion on the need to have one regulator for all financial institution in Kenya. Discuss the benefits and limitations of this approach. State your position and support your case. [10marks]

(b) The core mandate of bank supervision department (BSD) is to foster liquidity, solvency and proper functioning of a stable market based financial system as stipulated under section 4 (2) of the central bank of Kenya Act' Discuss. [10marks]

4. (a) Players in the financial sector are required to address themselves to governance issues in the course of their operations” Discuss this statement and explain governance issues addressed by the financial sector in Kenya. [10marks]

(b) In the recent past, we have experienced falling of local financial sector players. Explain possible causes of this problem and suggest possible solutions. [10marks]