CHUKA UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

BCOM 432: MANAGEMENT OF FINANCIAL INSTITUTIONS

STREAMS: BCOM (Y4S1) ODEL **TIME: 2 HOURS**

DAY/DATE: WEDNESDAY 07/08/2024 **8.30 A.M. – 10.30 A.M.**

INSTRUCTIONS: Answer Question One and any other two

Question One

a) The survival of financial institutions is threatened by various factors that take place not only within the home country but global events can cause adverse events to their existence. Discuss the various factors that pose a threat to the existence and survival of financial institutions. (10 marks)

b) Describe the features of self- regulatory organizations and the role they play in coming up with rules to be followed by financial institutions (10 marks)

c) Discuss the meaning of CAMELs rating and how regulators use them in evaluating financial institutions performance (10 marks)

Question Two

a) Financial markets play a significant role in fostering the growth and development of a country's economy. Clearly describe the functions of financial markets in the Kenyan economy. (10 marks)

b) Explain the main types of risks faced by insurance companies when conducting their operations. (10 marks)

Question Three

a) Explain the main reasons for setting rules and regulations to be followed by financial institutions (10 marks)

b) Highlight the role of the retirement benefits authority (6 marks)

c) Distinguish between a credit rating agency and a credit reference bureau. (4 marks)

Question Four

a) Describe the different types of deposit taking institutions and their impact in the economy. (8 marks)

b) Describe the two main forms of regulations to be followed by the banking sector (6 marks)

c) Distinguish the funding gap model and duration model used in measuring interest rate risk (6 marks)

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