**LAIKIPIA UNIVERSITY COLLEGE**

BCOM 430: Management of financial institutions

CAT 1

Instructions: Attempt any TWO questions

1. “The art of managing funancial institutions lies in the resolution of conflicts between liquidity and profitability”.
   1. Discuss this statement with reference to TWO theories of liquidity management (8 marks).
   2. Outline the recomended order of priority to be observed in the employment of a bank’s funds (7 marks).
2. Write short notes on the following financial institutions found in Kenya, highlighting their functions and distribution in Kenya.
   1. Commercial banks and mortgage finance institutions (3 marks).
   2. Credit reference bureaus (3 marks).
   3. Credit unions (3 marks).
   4. Microfinance institutions (3 marks).
   5. Investment banks (3 marks).
3. “The income/profit of a financial institution is the result of the revenue function and the cost function”.
   1. In light of the above statement, discuss the structure of:
      1. Income for a financial institution (8 marks).
      2. THREE Factors influencing pattern of allocation of income in financial institutions (7 mks).