BCOM 430: MANAGEMENT OF FINANCIAL INSTITUTIONS

Attempt any THREE questions.

1. Briefly discuss the following financial institutions found in Kenya, highlighting their functions and distribution in Kenya.
   1. Commercial banks and mortgage finance institutions (4 marks).
   2. Credit reference bureaus (4 marks).
   3. Credit unions (3.5 marks).
   4. Microfinance institutions (4 marks).
   5. Investment banks (4 marks).
   6. Development Banks (4 marks).
2. “The art of managing funancial institutions lies in the resolution of conflicts between liquidity and profitability”.
   1. Discuss this statement with reference to FOUR theories of liquidity management (16 marks)
   2. Outline the recomended order of priority to be observed in the employment of a bank’s funds (7.5 marks).
3. “Banks need to maintain andequate capital in order to cater for unforeseen losses”. With regard to capital andequacy, discuss:
   1. The Basel I Accord (4 marks).
   2. The Basel II accord (7 marks)
   3. The minimum capital requirements as per the laws of kenya for the following financial institutions:
      1. Commercial banks (4 marks).
      2. Micro- finance institutions (4 marks).
      3. Insurance companies (4.5 marks).
4. “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. Expenses for a financial institution (8 marks).
      3. Factors influencing pattern of allocation of income in financial institutions (7.5 mks)
5. “The existing regulatory framework for the financial sector in Kenya consists of a number of

independent regulators each charged with the supervision of their particular sub sectors”.

Discuss the structure of financial sector regulation in Kenya and highlight GAPs and OVERLAPS. (23.5 marks)