

LAIKIPIA



UNIVERSITY

UNIVERSITY EXAMINATIONS

FIRST SEMESTER 2025/2026 ACADEMIC YEAR

FOURTH YEAR EXAMINATION FOR THE DEGREE
OF BACHELOR OF COMMERCE

BFIN 411: MANAGEMENT OF FINANCIAL INSTITUTIONS

STREAM: Y4S1 BCOM

TIME: 2 HRS

DAY: FRIDAY [11.30 A.M-1.30 P.M]

DATE: 30/01/2026

THIS QUESTION PAPER CONSISTS OF THREE (3) PAGES

PLEASE DO NOT OPEN UNTIL THE INVIGILATOR SAYS SO.

Instructions:

- 1. Answer question one (compulsory) and any other two**
- 2. Start a new question on a new page**
- 3. Do all the workings in the booklet**

QUESTION ONE

- a) Financial institutions also called financial intermediaries are firms that tap and accumulate savings and disburse or lend to the public in the short, medium and long term for investment or consumption of assets.

Required:

What are the various functions of these financial intermediaries or company

(10marks)

- b) The regulatory framework governing financial institutions in Kenya is well structured aimed at ensuring stability, transparency and fairness in the financial sector.

Required:

Explain the regulatory framework structure for savings and credit cooperatives in Kenya.

(10marks)

- c) Liquidity management for financial institutions is very critical to avoid financial distress, cash shortfalls and the inability to meet obligations when they fall due.

Required:

Explain the various ways a bank can solve its liquidity problem.

(10marks)

QUESTION TWO

- a) The CAMELS rating system is a bank assessment tool used by regulators to evaluate a financial institution's overall health and soundness by rating their key components.

Required:

Explain how the regulator use this rating system to confirm the financial health of a bank.

(10marks)

- b) Financial risk management is a process to deal with the uncertainties resulting from the financial market.

Required:

- i) What is the source of these financial risks **(3marks)**
ii) How can these risks be managed **(7marks)**

QUESTION THREE

- a) The Capital Market Authority (CMA) is the regulator for capital markets

Required:

Explain how the CMA manages the securities market

(10marks)

- b) Insurance is considered as a contract of indemnity. This means that, the insured is given a promise to compensate for loss or damage incurred to specific events or act while managing insurance companies, the regulator using CAMELS analysis for rating.

Required:

By use of CAMELS analysis, what will confirm the financial performance and health of the insurance company.

(10marks)

QUESTION FOUR

- a) Assets management is the practise of increasing total wealth of an institution over time by acquiring, maintaining and trading investments that have potential to grow in value.

Required:

Explain how assets management is implemented by the financial institutions in Kenya.

(10marks)

- b) Pensions funds management is the professional service of investing and growing the contributions made towards your retirement. These are fund contributed by employees or individuals to enable income after retirement.

Required:

What are the current challenges faced by pension funds managers in Kenya.

(10marks)