



The Co-operative University of Kenya

SUPPLEMENTARY / SPECIAL EXAMINATION AUGUST- 2019 EXAMINATION FOR THE DIPLOMA IN BANKING & FINANCE

UNIT CODE: DMBF 1202

UNIT TITLE: ASSETS & LIABILITIES MANAGEMENT

DATE: 30TH AUGUST, 2019

TIME: 9:00 AM – 11:00 AM

INSTRUCTIONS:

- Answer question **ONE (compulsory)** and any other **TWO** questions

QUESTION ONE

- a) Discuss factors affecting accounts receivables level (10 marks)
- b) State and explain the various ALM core functions (10 marks)
- c) State and explain FIVE factors affecting length of credit period (10marks)

QUESTION TWO

- a) Define the term financial Intermediation (2 marks)
- b) Briefly explain the following types of Ratios, explain how to interpret them (You need to explain in each case the measuring and effect of a bigger and smaller answer, Example a current ratio of 2:1 vs a current ratio of 1:2)
 - i) Accounts Payables (Creditors)
 - ii) Stock turnover
 - iii) Current ratio
 - iv) Debt/ Equity Ratio
 - v) Acid test/Liquidity ratio (10marks)
- c) Briefly explain three types of financial risks (8marks)

QUESTION THREE

- a) Discuss the following terms as used in Assets and Liabilities management (ALM).
 - i) Customers of Banks (4marks)
 - ii) Types of Banks (4marks)
 - iii) Competitors of Banks (4marks)
 - iv) Loan products (4marks)
- b) State four primary functions of banks (4 marks)

QUESTION FOUR

- a) Discuss the following terminologies as used in liability management citing relevant examples where necessary (9 marks)
 - i) Characteristics of assets
 - ii) Quality of liabilities
 - iii) Measurement of liabilities
- b) Discuss the funding and capital management in a Microfinance Institution of your own choice (8 marks)
- c) State any three members of Financial system (3marks)

QUESTION FIVE

- a) Briefly explain **Five** core functions of assets and liabilities management (10 marks)
- b) Define banking systems. (2 marks)
- c) State and explain FOUR functions of Financial Intermediation (8marks)