

The Co-operative University of Kenya
END OF SEMESTER EXAMINATION AUGUST-2018
EXAMINATION FOR THE DIPLOMA IN BANKING AND FINANCE
(YR II SEM I)

UNIT CODE: DMBF 1202

UNIT TITLE: ASSETS AND LIABILITIES MANAGEMENT

DATE: 27TH AUGUST, 2018

TIME: 2:00 PM – 4:00 PM

INSTRUCTIONS:

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

QUESTION ONE

- (a) Discuss the following ALM concepts highlighting relevant examples
- i. Banking system
 - ii. Types of banks
 - iii. Customers of banks
 - iv. Competitors of banks
- (b) State and explain FIVE functions of financial intermediation (10 marks)
- (c) State FIVE components of asset concentration in a banking sector (5 marks)
- (d) Discuss the concept of Assets and liability management highlighting its application in the banking industry

QUESTION TWO

- (a) Explain the following types of banking risks
- i. Capital adequacy risk
 - ii. Default risk
 - iii. Liquidity risky
 - iv. Efficiency and profitability (10 marks)
- (b) State FIVE examples of non-interest earning assets in any organization of your choice (5 marks)
- (c) State and explain TWO ways of measuring liquidity risk and two factors to take into account (5 marks)

QUESTION THREE

- (a) Discuss the objectives and scope of assets and liabilities management (10 marks)
- (b) Explain the main principal sources of funding in ALM (10 marks)

QUESTION FOUR

- (a) Discuss the following terminologies as used in liability management (12 marks)
- i. Characteristics of assets
 - ii. Quality of liabilities
 - iii. Liability concentration

- iv. Liability maturity management
- (b) State and explain FOUR assets and liability management core functions (8 marks)

QUESTION FIVE

- (a) Asset management (4 marks)
- (b) Type of assets (4 marks)
- (c) Characteristics of assets (4 marks)
- (d) Non-interest earning assets (4 marks)
- (e) Asset quality (4 marks)