

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
DEPARTMENT OF FINANCE AND ACCOUNTING
BACHELOR OF COMMERCE

DFI 406: COMMERCIAL BANK FINANCE
MAY- AUGUST 2016 TRIMESTER

ASSIGNMENT

DUE DATE: 13TH AUGUST, 2016

INSTRUCTIONS:

Answer **BOTH** questions in groups of **THREE**

QUESTION ONE

- a) Discuss the causes of the 2007/8 global financial crisis and consider whether the regulations put in place since 2008 will prevent a further crisis on this scale. (25 marks)
- b) Examine the role of asymmetric information in explaining financial intermediation. (15 marks)

QUESTION TWO

- a) Discuss the main sources of risk in commercial banking, and critically evaluate the approaches used to conduct risk-adjusted performance measurement. (25 marks)
- b) Using appropriate examples, explain how banks use forward and swap contracts to manage credit risk, exchange rate risk and interest rate risk. (15 marks)