



UNIVERSITY OF EMBU

2017/2018 ACADEMIC YEAR

SECOND SEMESTER EXAMINATIONS

**FOURTH YEAR EXAMINATION FOR THE DEGREE OF BACHELOR OF
COMMERCE**

DFI 406: COMMERCIAL BANK FINANCE

DATE: APRIL 11, 2018

TIME: 8:30 AM – 10:30 AM

INSTRUCTIONS:

Answer Question ONE and ANY Other TWO Questions.

QUESTION ONE (30 MARKS)

Over the years, Banks in Kenya have relied on “Interest income” as the main source of income. The dynamic of financial market in the country has been changing until the recent ascent of Bank interest bill by the president.

- a) Kindly discuss the advantages of the new bank interest finance bill 2015 on the performance of banks in Kenya (5 marks)
 - b) Briefly state previous regulations attempt by the government though the central bank of Kenya (5 marks)
 - c) As a finance students, banks have to turn to alternative sources of income commonly referred to as “Non-Funded income”. Discuss two types of Non-Funded income sources. (5 marks)
 - d) Kindly discuss services offered by Commercial banks in Kenya (5 marks)
 - e) Briefly state the requirements of starting a bank branch in Kenya for commercial banks (5 marks)
 - f) Financial markets across the world are highly regulated, discuss (5 marks)
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QUESTION TWO (20 MARKS)

The financial Market in Kenya has evolved in the last ten years. Kenya has a strategic vision 2030 to achieve and financial sector is one of the key players.

- a) In light of the evolving financial market in Kenya, Kindly discuss the powerful forces reshaping the Banking industry in Kenya. (13 marks)
- b) Which of these forces do you think will continue into the future? (7 marks)

QUESTION THREE (20 MARKS)

- a) For effective growth of a financial market, there is need for regulation, clearly explain the role of Central Bank of Kenya as the regulator of financial market in Kenya (12 marks)
- b) What are the challenges of political forces on regulation of the financial sector in Kenya (8 marks)

QUESTION FOUR (20 MARKS)

Kenyan Banking sector has experienced major shakeup in the recent past with the closure or some banks being put under receivership. The future seems to be introduction of mergers.

- a) As a finance student, kindly discuss the implication of the shakeup in the whole finance market (8 marks)
- b) What was the role of the financial market regulator before, during and after the shakeup? (4 marks)
- c) What factors should a financial firm consider when choosing a good merger partner? (8 Marks)

QUESTION FIVE (20 MARKS)

- a) There has been cases of collapse of Banks companies in Kenya, what is the role of financial regulation to protect Bank customers in an economy? (8 marks)
- b) Highlight reasons why Kenyan government would prefer to raise infrastructural capital in the international market whereas we have over 42 Banks in Kenya (12 marks)

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