KENYATTA UNIVERSITY
SPECIAL/SUPPLEMENTARY EXAMINATION 2023/2024
EXAMINATION FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

BAC 817: FINANCIAL INTERMEDIATION

APRIL/MAY 2024 **TIME: 3 HOURS**

INSTRUCTIONS:

This Paper has FOUR Questions

Answer ALL Questions

QUESTION ONE

An extract of the Nairobi Securities Exchange is provided below :

AGRICULTURAL		
Eaagads Ltd Ord 1.25 AIMS	23.00	25.00
Kakuzi Ltd Ord.5.00	321.00	332.00
Kapchorua Tea Co. Ltd Ord Ord 5.00AIMS	224.00	224.00
The Limuru Tea Co. Ltd Ord 20.00AIMS	1085.00	1085.00
INVESTMENT		
Centum Investment Co Ltd Ord 0.50 CD	47.00	46.50
Home Afrika Ltd Ord 1.00GEMS	2.00	1.70
Kurwitu Ventures Ltd Ord 100.00GEMS	1500.00	1500.00
Olympia Capital Holdings Ltd Ord 5.00	4.25	4.20
Trans-Century Ltd Ord 0.50AIMS	9.00	9.00
INVESTMENT SERVICES		
Nairobi Securities Exchange Ltd Ord 4.00	24.50	23.75
Unga Group Ltd Ord 5.00 CD	30.50	35.00
REAL ESTATE INVESTMENT TRUST		
STANLIB FAHARI I-REIT. Ord.20.00	20.75	20.75

Required :

a) Some of the firms have AIMS and GEMS, Provide a distinction of the two (6 marks)

b) i) What does the CD against Centum Investment Co Ltd's share price mean? (1 marks)

ii) Under the yesterday's column for Express Kenya Ltd., there is a dash (-).

Explain. (1 marks)

iii) Uchumi Supermarket is indicated as suspended. Explain why a company may be suspended from the stock exchange. (3 marks)

iv) Explain what is REITs where STANLIB FAHARI. Is listed (2marks)

v) What is the meaning of the Ord. Sh.10 indicated against the Barclays Bank?

(2 marks)

(Total 15 Marks)

QUESTION TWO

Growth Group holding , a commercial bank operating in Kenya, had the following financial statements for the year 2017 to 2020. Using CAMEL, determine the performance trend and recommend the appropriate action. (20 Mark)

	2017	2018	2019	2020
	Millions Ksh	Millions Ksh	Millions Ksh	Millions Ksh
Core capital	800	900	1,200	1,875
Gross Non-perfoming loan portfolio	567	800	679	560
Total risk weighted assets	12,000	16,750	23,875	35,845
Supplementary	600	700	678	875

capital				
Loan loss provisions	286	389	240	209
Total loans	8,765	9,787	17,890	27,879
Total deposits	7, 859	9,567	13,789	17,679
Net liquid assets	2,345	3,569	4,009	5,435
Earnings before interest and tax	2543	3456	4341	4678

(Total 20 Marks)

QUESTION THREE

Commercial Bank of Nairobi had the following assets in its financial statements . The commercial bank has adopted the risk based approach , as required by the Central Bank of Kenya .

Assets	Ksh Millions
Cash	25
Treasury bills	5
Other eligible bills	70
Secured loans to discount market	100
Other investment -government	25
-companies	25
Commercial loans	400
Personal loans	200
Mortgage loans	100
Total assets	1000
Off-balance sheet risks	
Guarantess of commercial loans	20
Standby letters of credits	50

Required : Calculate the risk weighted asset of the commercial bank and determine the total amount of capital required to be held to satisfy regulation. (20 Marks

QUESTION FOUR

Global financial system concern for stability has led to classification of financial institutions , specifically , commercial banks into Global systemically important Banks (G-SIBs), Domestic systemically important Banks (D-SIBs) and Non systemically important Banks (N-SIBs). In Africa, the focus is on D-SIBs,

Required : Discuss Four factors that make a commercial bank to be classified as Domestic systemically important Banks (D-SIBs). (5 Marks)

Having an efficient and deep financial markets is usually a common prerequisite for sustained economic growth, Countries with higher GDP per capita usually have much deeper financial markets. Most of the same Africa financial economies are characterized by shallow financial markets.

Explain the concepts of Financial deepening , Financial Broadening , Financial Inclusion and Financial Efficiency . (2 X 3Marks=6 Marks)

Keynesian-Tobin-Stiglitz school of thought provides a number of economic rationales to justify some sort of financial repression. Identify and discuss seven dimensions of financial repression.

(1X 4Marks=4 Marks))

(Total 10 Marks)