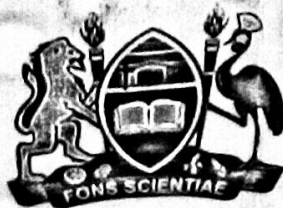


**KISII**



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**UNIVERSITY EXAMINATIONS**

**THIRD YEAR EXAMINATION FOR THE AWARD OF THE  
DEGREE OF BACHELOR OF COMMERCE/ BUSINESS AND MANAGEMENT  
SECOND SEMESTER 2016/2017  
(JANUARY - APRIL, 2017)**

**BBAM/BCOM 334; BANKING LAW AND PRACTICE**

**STREAM: Y3S2**

**TIME: 2 HOURS**

**DAY: FRIDAY, 9:00-11:00 PM**

**DATE: 12/05/2017**

**INSTRUCTIONS**

- 1. Do not write anything on this question Paper.**
- 2. Answer question ONE and any other THREE questions.**

**QUESTION ONE**

- (a) As a banker, what reasons would you give for returning the cheques mentioned below. [4 marks]
- Cheque dated February 2014 and presented on 1<sup>st</sup> March 2014
  - Cheque dated 3<sup>rd</sup> June 2013 and presented on 4<sup>th</sup> December 2013
  - Cheque dated 12<sup>th</sup> March 2014 and presented on 7<sup>th</sup> January 2014
  - Cheque dates 17<sup>th</sup> April 2014 and presented on 8<sup>th</sup> July 2014
- (b) The Central bank is the custodian of cash reserves of commercial banks. Explain this statement and state the advantages of centralization of cash reserves. [5 marks]
- (c) Describe the balance sheet structure of a bank using a diagram and elaborate on the proportion of the assets that can ensure profitability. [6 marks]
- (d) Explain the precautions to be taken by the paying banker while making payment of his customer's cheque. [5 marks]

- (e) Describe the role of the Deposit Protection Fund <sup>Board</sup> as per the Banking Act Part VIII. [5 marks]

### QUESTION TWO

- (a) Discuss the instruments and requirements of banking regulation. [7 marks]
- b) Describe the information & reporting requirements as per the banking act.

### QUESTION THREE

- (a) No person in Kenya shall conduct any banking or financial business without a licence from the CBK. Explain the requirements to be met before the KCB issues the licence. [5 marks]
- (b) With the help of a diagram, explain the different types of crossings and their significance. [6 marks]
- (c) Explain the rights and duties of the banker as a pledgee. [4 marks]

### QUESTION FOUR

- (a) The commercial banks should taken necessary precautions to ensure customer privacy is upheld. Discuss. [5 marks]
- (b) Discuss the different financial instruments used in the discharge of business obligations. [6 marks]
- (c) Explain the styles of credit that are prevalent in the Kenyan banking sector. [4 marks]

### QUESTION FIVE

- (a) The bank uses different modes in order to take charge of the assets that have been placed as security by their clients. Explain. [8 marks]
- (b) As the manager in a local bank, what principles will you uphold as loans are issued to the customers to ensure safety of the bank's financial resources. [7 marks]