

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**THIRD YEAR EXAMINATION FOR THE AWARD OF DEGREE OF
BACHELOR OF COMMERCE**

BCOM 334: BANKING LAW AND PRACTICE

STREAMS: BCOM Y3S2

TIME: 2 HOURS

DAY/DATE: TUESDAY 09/08/2016

2.30 PM – 4.30 PM

INSTRUCTIONS:

- **Answer Question One and any other Two Questions**
- **Do not write on the question paper**

Question One

- (a) Discuss the factors to be considered by a bank as it takes securities. [8 marks]
- (b) Explain the canons of the duty of confidentiality. [10 marks]
- (c) The crossing on a cheque is intended to ensure that payment is made to the right payee, discuss the types of crossing. [8 marks]
- (d) A lecturer walked into the banking hall and opened an account with the intention of depositing money, filled the forms and handed to the accountant. Thieves walked in and robbed him is the bank liable? [4 marks]

Question Two

- (a) “The banker’s lien entitles the banker to retain in his possession securities, in respect of the general balance due by the owner to the banker.” Discuss the limitations to the right. [8 marks]
- (b) P a fraudster stole a cheque which he used to open an account with the defendant bank. The cheque was cleared and the money was deposited into P’s account. P then withdrew all the money from the account and disappeared. Was the bank entitled to debit the customer’s account? [4 marks]

- (c) Forecasting on the Kenyan scenario which banking system would you advise an investor interested in banking business not to adopt and why? [8 marks]

Question Three

- (a) A customer's wife usually kept his cheque book and she used to give him the cheque leafs when he needed them. In one occasion he asked for a cheque and facilitate withdrawal of ksh 2000 where upon the wife told him there was no money in the account and then she confessed that she had forged cheques in his name and that she took the money to assist her sister in legal proceedings. He did not inform the bank of the forgery afterwards, he discovered that there were no legal proceeding by his wife's sister and he threatened to inform the bank of the forgery and upon the threat the wife shot herself dead. After a few months, he sued the bank for a declaration that he was entitled to be credited with the forged cheque's amount. Will he succeed? [5 marks]
- (b) Discuss how the adoption of cheque truncation will improve the whole cheque clearing system. [5 marks]
- (c) Explain the classification of loans and advances. [10 marks]

Question Four

- (a) Explain a floating charge and when it can crystallize. [12 marks]
- (b) Discuss correspondence and unit banking giving their advantages and disadvantages. [8 marks]
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