



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2016/2017

**THIRD YEAR SECOND SEMESTER EXAMINATION FOR THE
DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION WITH
INFORMATION TECHNOLOGY**

MAIN CAMPUS

ABA 328: BANKING LAW

Date: 21st June, 2017

Time: 8.30 - 11.30am

INSTRUCTIONS:

- Answer Question ONE and any other THREE.
- Question one carries 25 marks and the rest 15 marks each



1(a) Discuss functions of a commercial bank. (15 marks)

1(b) Discuss features of a savings account. (6 marks)

1(c) "A" has an account with Kenya Commercial Bank Kisumu Branch. The banker has made payment of certain forged cheques. "A" does not raise any objection even after receipts of the statement from the bank and having known of forged payments. Subsequently banker makes payments of certain cheques bearing forged signatures. Explain whether the banker is entitled to debit "A"'s account. (4 marks)

2(a) Discuss the types of frauds which may be committed in case of current account and how such frauds can be counteracted. (15 marks)

3(a) Discuss the object of crossing of a cheque. (8 marks)

3(b) "A" draws a bill of exchange payable to "B" only". The bill is accepted by "C". The bill bears the words "Not negotiable" "B" endorses the bill to "E". The bill is dishonored on maturity. "E" sues "C" thereon. Will he succeed? Give reasons to your answer. (7 marks)

4(a) "The primary relationship between a banker and its customer is that of a debtor and a creditor". Discuss the above statement with the special reference to the obligation of a banker to honour cheques by the customer. (8 marks)

4(b) Discuss the circumstances where a banker may dispense with the rule of "secrecy". (7 marks)

5(a) Explain functions of the Central Bank of Kenya. (10 marks)

5(b) Explain how the Central Bank can restrict the money supply in the economy. (5 marks)

6(a) Discuss the objectives of the exchange control system. (9 marks)

6(b) Give main reasons for fluctuation of rate of exchange. (5 marks)