



**MASENO UNIVERSITY**  
**UNIVERSITY EXAMINATIONS 2017/2018**

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

**CITY CAMPUS**

**ABA 328: BANKING LAW AND PRACTICE**

Date: 8<sup>th</sup> May 2018

Time 5.30 - 7.30pm

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**INSTRUCTIONS:**

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



### QUESTION ONE

- (a) Explain the term banking. (5 marks)
- (b) Explain the characteristics of banking business. (10 marks)
- (c) Explain the forms of business in which the banking company may engage. (10 marks)

### QUESTION TWO

- (a) "The primary relationship between a banker and its customer is that of a debtor and a creditor". Explain the statement with special reference to the obligations of a banker towards its customers. (10 marks)
- (b) "Mr. Jalaram has stow accounts with Fina Bank. He gave a cheque of Kshs. 150,000/= to Mr. Kartum dated 15<sup>th</sup> May 2014, when the cheque was presented for payment by Mr. Kartum, the bank discovered that Mr. Jalaram had Kshs. 149,999/= in the account, the bank paid the entire amount to Mr. Kartum." Explain whether the bank was right in honoring the cheque by paying Kshs. 149,999/= to Mr. Kartum. (5marks)

### QUESTION THREE

- (a) There is a dormant savings bank account at your branch in the names of Mr. J.B. Bana and Mrs Dorah B. Bana payable to either or survivor, with a balance of Kshs. 7 million since 2010. The account was opened in 2000. In June 2014, one Mr. Opielo (aged 19 years) claiming to be the only son of J.B. Bana approached you and informed you as under:-
- i) He holds the pass book of this account
  - ii) His mother Dorah dies in 2011
  - iii) His father has left the house since 2005 and his whereabouts are not known
  - iv) He has information that a safe deposit locker was also in their names. The key of the locker is not traceable.
  - v) He has a death certificate in respect of his mother and a confirmation report that his father has been missing since 2005.

He requests you, as a branch manager, to make payment of the balance in the account to him and also to deliver the articles lying in the locker to him.

How will you deal with the matter? (5 marks)

- (b) Explain the formalities which are required to be completed before a current account is opened in a bank. (10 marks)

#### **QUESTION FOUR**

- Explain the main objects of the Central Bank of Kenya. (15 marks)

#### **QUESTION FIVE**

- (a) Mr. Mamuar draws a bill of exchange "payable to Kelly only". The bill is accepted by Lawy. The bill bears the word "Not negotiable". Kelly endorses the bill of exchange to Mariam. The bill is dishonoured on maturity. Mariam sues Lawy thereon. Will she succeed? (5 marks)
- (b) Explain the circumstances under which the Central Bank may revoke or suspend the licence of the authorized dealer. (5 marks)
- (c) Explain the duties of authorized dealer. (5 marks)

#### **QUESTION SIX**

- "You have been appointed by the Central Bank to inspect the books, accounts and records of the authorized dealer. "What report would you submit in your findings to the bank? (15 marks)