



GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS JANUARY – APRIL 2019 SEMESTER

CERTIFICATE IN BANKING AND FINANCE

COURSE CODE: CIBF 002

COURSE TITLE: ESSENTIALS OF BANKING LAW

DATE: 10 APRIL 2019

TIME: 3. 00 PM – 6.00 PM

INSTRUCTIONS TO CANDIDATES

1. SECTION A IS **COMPULSORY**.
2. SECTION B: ANSWER ANY OTHER **THREE** QUESTIONS.
3. **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
4. ALL ROUGH WORK SHOULD BE AT THE BACK OF YOUR ANSWER BOOKLET AND CROSSED OUT.

CAUTION: *All exam rooms are under CCTV surveillance during the examination period.*

SECTION A: COMPULSORY

Question One

- a) Tulu management wants to open a bank account. One of the employees have discouraged them to open the account in Kikwetu SACCO claiming that a SACCO is not a bank. They got some information that you are taking essentials for banking law and have come to you for advice on the following matters
- i) What is a bank [2 marks]
 - ii) Who regulates the banks operations [2 marks]
 - iii) The duties and rights of a banker [8 marks]
 - iv) The duties and rights of a bank customer [8 marks]
- b) Explain the circumstances in which the banker can lift the veil of secrecy [8 marks]
- c) Kamau wants to open a bank account and comes to you for advice on the possible requirements that the bank must require him to give them. Explain [8 marks]
- d) Explain the following terms as used in banking law
- i) Specific guarantee [2 marks]
 - ii) A continuing guarantee [2 marks]

SECTION B: ANSWER ANY THREE QUESTIONS

Question Two

- a) Explain the term negotiable instrument [3 marks]
- b) Kimenyi has come to you for an explanation of the following issues
- i) What is a Bill of exchange [1 marks]
 - ii) The difference between a bill of exchange and a promisory notes [2 marks]
 - iii) Parties to a bill of exchange and promisory note. Explain [6 marks]
 - iv) Different types of cheques Explain atleast three [6 marks]
- c) What are the obligation of a paying banker [2 marks]

Question Three

- a) Explain the disadvantages of using land as a security [8 marks]
- b) Explain three types of guarantee [6 marks]
- c) A Aand S bank received an order in relation to the accounts of maumini ltd. Explain the procedure that should be followed upon the receipt [6 marks]

Question Four

a) Every bank is expected to carry out their operations in the right way to avoid the unnecessary losses associated with careless operations. Explain the operations of a bank in relation to banking law.

[10 marks]

b) A banker may lose their protection of the collecting banker by the cheque ACT 4 if deemed to ACT negligently. Explain the acts of negligence related to the above statement

[10 marks]

Question Five

a) Explain the common law rule of survivorship

[10

marks]

b) Explain the position of a minor as an account holder

[10 marks]