



GRE TSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS MAY – AUGUST 2023 SEMESTER

DIPLOMA IN BANKING AND FINANCE

COURSE CODE: DBFI 014

COURSE TITLE: BUSINESS LENDING THEORY & PRACTICE

DATE: 31 JULY 2023

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) Explain the concept of business lending and its significance in the financial sector. **[10 Marks]**
- b) Explain the key roles and responsibilities of a lender in the lending process **[10 Marks]**
- c) Describe the factors that lenders consider when evaluating a business loan application. **[10 Marks]**
- d) Explain the importance of creditworthiness, collateral, and cash flow analysis in the lending decision. **[10 Marks]**

SECTION B: ANSWER ANY THREE QUESTIONS

QUESTION TWO

- a) Analyze the relationship between interest rates and business lending. **[8 Marks]**
- b) Explain how changes in interest rates can impact borrowing costs for businesses and affect the overall lending environment. **[12 Marks]**

QUESTION THREE

- a) Discuss the challenges and opportunities in small business lending. **[8 Marks]**
- b) Explain the unique considerations and risk factors associated with lending to small and medium-sized enterprises (SMEs). **[10 marks]**

QUESTION FOUR

- a) Explain the concept of loan pricing and the factors that determine the interest rate charged on a business loan. **[10 Marks]**
- b) Explain the difference between fixed and variable interest rates and their implications for borrowers. **[10 Marks]**

QUESTION FIVE

- a) Discuss the role of financial statements and credit reports in the business lending process. **[10 Marks]**
- b) What are the key financial ratios and metrics that lenders use to assess a borrower's financial health and repayment capacity? **[10 Marks]**