



GRE TSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS

MAY - AUGUST 2023 SEMESTER

DIPLOMA IN BUSINESS MANAGEMENT

COURSE CODE: DBFI 015

COURSE TITLE: BANKING LAW

DATE:

TIME:

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

Banking law is a wide-ranging and constantly changing area of law. It focuses on an activity which has been at the heart of a strong economy since ancient times and which intersects with the lives of most individuals;

a) In reference to the information above, discuss the importance of banking law in the economy. **[12 marks]**

b) Explain the various collections of legal principles which constitute banking law. **[8 marks]**

The central bank of Kenya is one of the main regulatory agencies for the financial system in Kenya;

c) From the statement above, explain the major functions of the central bank of Kenya. **[12marks]**

d) A person becomes a customer and a contract is created when an account is created. From this statement, explain the duties of a customer of a bank. **[8 marks]**

SECTION B: ANSWER ANY THREE QUESTIONS

Question Two

a) Endorsement involves the act of writing on the face of a bill to enable negotiability from the endorser to a third party. In relation to this statement, elaborate three types of endorsement. **[12 marks]**

b) Crossing a cheque is meant to reduce fraud and provide additional safeguards to the drawer. In reference to this statement, explain two types of crossings. **[8 marks]**

a)

Question three

Many unincorporated bodies such as clubs and societies exist for carrying out non-commercial activities. They have no separate entity and cannot therefore be sued or sue in their own names;

- a) In relation to the statement above, discuss the procedure for opening an account for a society. **[12 marks]**
- b) Explain the procedure for opening an account for a limited company. **[8 marks]**

Question Four

A bill of exchange is an instrument containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money to or to the order of a certain person or to the bearer of the instrument;

- a) In light of the information above, explain the characteristics of a bill of exchange. **[12 marks]**
- b) From the information stated above, explain the parties to a bill of exchange. **[8 marks]**

Question five

Insurance refers to a contractual arrangements in which one party, that is, insurance company or the insurer, agrees to compensate the loss or damage sustained to another party, that is, the insured, by paying a definite amount, in exchange for an adequate consideration called premium.

- a) In reference to the statement above, discuss the advantages of life policies as security. **[12 marks]**
- b) Explain the disadvantages of life polices as security. **[8 marks]**

... etc. ...