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KIRIRI WOMEN'S UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR
FOR THE FOR THE DIPLOMA OF BANKING AND FINANCE
DBF1105: LENDING

Date: 13th April, 2022
Time: 11.30 am – 1.30

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Define the term lending (2Marks)
- b) Describe three methods used in monitoring the borrowers account. (6Marks)
- c) Highlight the risks involved in open-ended bridge-overloads. (6 Marks)
- d) Define the following terms as applied in enforcement of a judgement.
- i) Garnishee order (2 Marks)
- ii) Charging order (2 Marks)
- iii) Attachment of earning order (2 Marks)
- e) Outline the various forms of security available from corporate lending. (5 Marks)
- f) Demonstrate the use of both non-financial and financial information, in lending appraisals.(5 Marks)

QUESTION TWO (20 MARKS)

- a) Discuss the main legal steps that can be taken against a customer who ignores a formal demand for loan repayment. (10Marks)
- b) Using Illustrations, evaluate any four techniques used in assessing credit worthiness of a customer. (10Marks)

QUESTION THREE (20 MARKS)

- a) In the lending practice, a loan takes three to four stages to completion. Using a diagram explain these stages stating their relevance. (8 Marks)
- b) Examine whether lending is an art not a science. (6 Marks)
- c) Explain features of lending (6 Marks)

QUESTION FOUR (20 MARKS)

- a) You are the branch manager in charge of the monitoring of loan portfolios of your corporate customers. Explain FIVE “warning” signs that a problem overdraft account will show.(10 Marks)
- b) Demonstrate several techniques employed in assessing lending propositions. (10 Marks)

QUESTION FIVE (20 MARKS)

- a) June has operated a current account at your branch for the last 7 years. Through her account, an average monthly salary amounting to Kshs 126,000 is received. You have arranged an appointment to discuss the account operation which is usually overdrawn in anticipation of the monthly salary. On examination of his account, you notice the following regular payments.

House	8,000
Hire purchase	5,000
Electricity	800
Water	2,000
Petrol	2,500

The account is overdrawn by Kshs 64,000 and a cheque of Kshs 1,600 in favour of an insurance company is in the day's clearing. Her salary is due in 4 days. At the meeting, June apologises for the overdrawn position and explains that he took his family for a holiday in Mauritius which cost more than he anticipated. The holiday strained his finances but he is now recovering slowly. The following also emerged from the discussions.

- i) She bought a new house two years ago which has an outstanding mortgage of Ksh680,000.
- ii) A new set of furniture was purchased a year ago through hire purchase
- iii) She contributes Kshs. 4,000 per month towards housekeeping.
- iv) Road license for his car amounting to Kshs. 4,800.
- v) She is due to receive a salary increase of 5% in three-month time.

June is now asking for a loan of Kshs. 400,000, repayable at Kshs. 20,000 per month:

Required: Respond to June request (10 Marks)

- b) Explain reasons why a lender should obtain security. (10 Marks)