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KIRIRI WOMEN'S UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR
FIRST YEAR, SECOND SEMESTER EXAMINATION
FOR THE DIPLOMA IN BANKING AND FINANCE
DBF 1105- LENDING

Date: 8TH DECEMBER, 2022
Time: 2:30pm-4:30pm

INSTRUCTIONS TO CANDIDATES
ANSWER QUESTIONONE (COMPULSORY) AND ANYOTHER TWO QUESTIONS
QUESTION ONE (30 MARKS)

a) A lender "lends" money and does not give it away, he/she applies judgment that at some future date repayment will take place. While there are guidelines to be followed there is no "magic" formula. Justify this statement.   (3 Marks)

b) It's unrealistic to monitor every personal customer, concentrate effort of those accounts which are likely to accuse for concern. Describethree methods used in monitoring the borrowers account.   (6 Marks)

c) For individuals planning to apply for loans, there are a few things they should first look into. Explain five Things to Consider Before Applying for a Loan.   (5 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)

f) Recall the various forms of security available from corporate lending.   (5 Marks)

e) Demonstrate the use of both non-financial and financial information, in appraising lending.
                                                                                      (5 Marks)

QUESTION TWO (20 MARKS)

a) Discusssix main legal steps that can be taken against a customer who ignores a formal demand for loan repayment.   (6Marks)

b) Using Illustrations, evaluate any four techniques used in assessing credit worthiness of a customer.   (8 Marks)

c) Distinguish between open ended bridge and close ended bridge loans.   (6 Marks)

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) In appraising proposals for lending financial and non-financial information is taken into consideration. Explain three such non-financial information which is considered.   (6 Marks)

QUESTION FOUR (20 MARKS)

a) You are the branch manager in charge of the monitoring of loan port folios of your corporate customers. Explain FIVE "warning" signs that a problem overdraft account will show.

(10 Marks)

b) Demonstratefive techniques employed in analysing a new lending propositionbefore giving out the loan. (10 Marks)

QUESTION FIVE (20 MARKS)

a) June has operated a current account at your branch for the last 7 years. Through his 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 apologies for the overdrawn position and explains that he took his family fora holiday in Mauritius which cost more than he anticipated. The holiday strained hisfinances but he is now recovering slowly. The following also emerged from thediscussions.

i) Shebought 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)