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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR
FIRST YEAR, FIRST SEMESTER EXAMINATION
FOR THE DIPLOMA IN BANKING AND FINANCE
DBF 1101- LAW RELATING TO BANKING SERVICES

Date: 8TH DECEMBER, 2022
Time: 8:30am-10:30am

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- With examples, highlight the six main components of a financial system. (6 Marks)
- Differentiate between the terms “financial deepening” and “financial broadening”. (4 Marks)
- Highlight four categories of services provided by banking institutions in Kenya. (4 Marks)
- In a banker-customer relationship, a banker is expected to keep a depositor’s dealings private except in special circumstances. Briefly describe three instances where the bank would be obligated to disclose a client’s information. (6 Marks)
- Provide three reasons why financial institutions and markets need to be regulated. (6 Marks)
- Distinguish between “utilitarianism” and “egoism” as concepts in ethical behavior and standards. (4 Marks)

QUESTION TWO (20 MARKS)

- Using examples, highlight any four reasons that would compel a person or bank to be unethical in its dealings or transactions. (8 Marks)
- Identify and explain any three traits of negotiable instruments. (6 Marks)
- Cheques are a common method of payment used in the banking sector. Describe three ways in which a cheque differs from a bill of exchange. (6 Marks)

QUESTION THREE (20 MARKS)

- Fraud in Kenya is categorized with regards to provisions by the law. Briefly explain four of the most common classes of fraud in Kenya. (8 Marks)
- Financial regulation is important and a key requirement for a well-functioning financial system. Briefly explain four types of regulations implemented by the Kenyan government to this effect. (8 Marks)
- Elucidate on two cultures used by banks to issue credit and how they use these to manage their risk. (4 Marks)

QUESTION FOUR (20 MARKS)

- Explain any four functions of a financial system in the Kenyan economic context. (8 Marks)
- When borrowing from a financial institution, a number of factors are evaluated before an individual can secure a loan. Briefly explain three relevant factors required in credit analysis. (6 Marks)
- Identify and explain any three actionable steps in which fraud can be prevented. (6 Marks)

QUESTION FIVE (20 MARKS)

- a) What are the five main requirements that need to be met in the case that a company wishes to open a bank account. (10 Marks)
- b) The banker-customer relationship is a contractual agreement between a bank and its clients. Briefly explain five types of relationship that may exist between these two parties. (10 Marks)