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KIRIRI WOMEN'S UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR
FIRST YEAR, SECOND SEMESTER EXAMINATION
FOR THE DIPLOMA IN BANKING AND FINANCE
DBF 1105: LENDING

Date: 14TH APRIL 2023
Time: 11:30AM-1:30PM

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Define the term lending (2 Marks)
- b) Describe three methods used in monitoring the borrowers account. (6 Marks)
- c) Highlight the risks involved in open ended bridge over loans. (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) Recall the various forms of security available from corporate lending. (5 Marks)
- f) Demonstrate the use of both non-financial and financial information, in appraising lending. (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. (8 Marks)
- b) Using Illustrations, Evaluate any four techniques used in evaluation of application by the lender. (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 six stages to completion. Using an illustrations explain these stages stating their relevance. (6 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 four such non-financial information which is considered. (8 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) Demonstrate Several techniques employed in reviewing the application of the borrower. (10 Marks)

QUESTION FIVE (20 MARKS)

Mr. and Mrs. Smith have been customers of your branch for 15 years. A house they have always liked has come on the market and they wish to buy it. The vendor is looking for a quick sale and will sell to the first people who can exchange contracts. The Smiths wish to offer the asking price of Kshs 8.5m. A local estate agent has suggested that their present house is worth Kshs. 5m, there is a mortgage of Kshs 2.5m outstanding. Smith is 40 years old and currently earns Kshs.2.3m per year. His wife is 38years old and earns Kshs.500, 000 per year. Smith has approached his building society which has agreed to lend him Kshs.5.5m to acquire the new property. You are aware that Smith has just over Kshs 1m invested in the building society. The estate agent will charge 2% of the sale value and the Smith lawyer has indicated that he will charge Kshs 50,000 on the sale and Kshs 75,000 on the purchase. 23 Assume stamp duty is 1% and base rate is expected to be 10% for foreseeable future. The Smith wish to exchange contract for the purchase as soon as possible. They call to see you and ask for a bringing loan.

Required:

- a) Identify the type of bringing loan and justify your answer. (10 Marks)
- b) Explain five reasons why a lender should obtain security (10 Marks)