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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR
END OF SEMESTER EXAMINATION
FOR THE DIPLOMA OF BANKING AND FINANCE

UNIT CODE: DBF 1105
UNIT TITLE: LENDING
EXAM TYPE: MAIN EXAMINATION
LECTURERS NAME: ENID KIRIMO
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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) One should lend 100% of security value. Explain why you would not agree with that statement (6marks)
- d) The countries economy stands to benefit from the practice of lending. Explain any three such benefits (6 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 assessing credit worthiness of a customer. (8 Marks)

c) Distinguish between open ended bridge and close ended bridge loans.(4 marks)

QUESTION THREE (20 MARKS)

- a) In the lending practice,the lender applies different techniques in reviewing the application.Explain these techniques 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) Demonstrate Several techniques employed in assessing lending propositions. (10 Marks)

QUESTION FIVE (20 MARKS)

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 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:

a) Respond to June request (10 marks)

b) Explain reasons why a lender should obtain security (10 marks)