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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR
FIRST YEAR, SECOND SEMESTER EXAMINATION
FOR THE CERTIFICATE IN BANKING AND FINANCE**

Date: 11th April, 2024
Time: 2:30Pm -4:30pm

CBF 201 - ELEMENTS OF BANKING

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Your customer wants to transfer USD 2,000 to USA to pay fees for her daughter
- i) State the information you require in order to carry out your customer's request (6 marks)
 - ii) Recommend a bank facility to your customer that will enable her to transfer the fees periodically without visiting the bank (3 marks)
- b) State four functions of money (4 marks)
- c) Distinguish between credit creation and credit control (4 marks)
- d) Explain six characteristics of negotiable instruments (9 marks)
- e) List 4 types of non-bank financial institutions in Kenya (4 marks)

QUESTION TWO (20 MARKS)

- a) Explain five differences between central bank and commercial banks (10 marks)
- b) Highlight five reasons that may lead to the dishonor of a cheque (10 marks)

QUESTION THREE (20 MARKS)

- a) KWA Welfare Society have approached you with a request to open an account with your bank. Describe the procedure you would follow to open this account. (10 marks)

- b) Outline four disadvantages of using land as security against a bank loan (4 marks)
- c) Explain four functions of the central bank of Kenya (6 marks)

QUESTION FOUR (20 MARKS)

- a) One of the functions of the central bank of Kenya is that of "Lender of last Resort" to the commercial banks. Explain
 - i) How the bank "achieves this function". (3 marks)
 - ii) Why commercial banks are reluctant to borrow from the central bank. (6 marks)
- b) Outline four methods that can be used to transfer funds abroad (8 marks)
- c) Give three advantages of E-banking (3 marks)

QUESTION FIVE (20 MARKS)

- a) Explain THREE types of accounts you can open in a commercial bank (6 marks)
- b) Describe three rights of a customer in the bank customer relationship (6 marks)
- c) Describe any four reasons that would make a bank dishonor payment of a cheque. (8 Marks)