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**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**SCHOOL OF BUSINESS AND ECONOMICS**

**UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION – WITH IT**

**4TH YEAR 2ND SEMESTER 2013/2014 ACADEMIC YEAR**

**BUSIA L.C.**

**COURSE CODE: ABA 328**

**COURSE TITLE: BANKING LAW AND PRACTICE**

**EXAM VENUE:LR STREAM: (BBA )**

**DATE: 15/8/14 EXAM SESSION: 9.00 – 11.00AM/PM**

**TIME: 2 HOURS**

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**Instructions:**

**1.Answer question 1 (compulsory) and any other 2 questions .**

**2.Candidates are advised not to write on the question paper.**

**3.Candidates must hand in their answer booklets to the invigilator while in the examination room.**

**Q1.(a)** A borrower desired to have a short term advance against the security of his property and suggested that the bank should grant him against an equitable mortgage of his residential house inherited from the family . He, therefore, had no documents of title but only certified copies of the last conveyance which was held by one of the members of the family. The Branch Manager suggests that he preferred a legal mortgage. Please discuss briefly the advantages and disadvantages, if any, of these types of mortgage**. (6 Marks)**

**(b)** A Junior trainee officer in the Advances Department of a bank said that when goods are hypothecated to a limited company, the possession is with the borrower .The borrower can borrow against the same goods from the bank .There will be double finance against the same goods. However, when the goods are pledged with the bank, the bank is fully secured as the goods are in the possession of the bank. The trainee officer is not sure how a “search” is carried in the office of the Registrar of Companies.

**(i)** Do you agree with him**? (6Marks)**

**(ii)** State what advice you would give as to how a bank protects itself from the possibilities of

double finance . **(6 Marks).**

**(c**) Discuss three the circumstances under which the security of a bank may be challenged.

**(6 Marks)**

**(d**) What role is played by banks in the economic development of the society?**(6 Marks)**

**Q2 (a) “***The role played by the merchant, money lender and goldsmith in the evolution and development of modern day banking practice and law cannot be ignored***”.** Do you agree**?**

**(10 Marks)**

**(b)** Discuss five functions of the Central Bank of Kenya .**(10 Marks)**

**Q3** (a) Discuss implied duties on a banker and a customer**. (10 Marks)**

**(b)** Examine five circumstances under which the relationship between a banker and a

customer may be terminated. **(10 Marks)**

**Q4 (a).** It is obligatory for the banker not to disclose the state of the customer’s account with it

since such disclosure may adversely affect the customer’s credit and business. With the

aid of decided cases state and explain four exceptions to this rule**. (10 Marks)**

**(b)** .Explain how a current account with a commercial bank is opened**(10 Marks)**

**Q5.** Write explanatory and concise notes on any **FOUR** of the following**: - (20 Marks)**

(a) Bank lien **(5 Marks)**

(b) Distinction between legal mortgage and equitable mortgage**(5 Marks)**

(c) Features of a negotiable instrument**(5 Marks**)

(d) Challenges posed by e- banking**(5 Marks)**

(e) Proposed reforms in the banking industry in Kenya.**(5 Marks**)