

QUESTION ONE

- a) Explain the circumstances under which a banker is permitted to close an account without instructions from the customers.
(10 marks)
- b) Discuss the precautions which a banker should take while granting advances with special reference to the various types of securities that a banker takes to secure the advance.
(10 marks)
- c) A cheque is an instrument used for most of banking transactions. Explain the different type of cheques along with their legal implications. Also explain the legal provisions which allow the cheque to be transferred.
(10 marks)

QUESTION TWO

- a) A bank maintains the following accounts:
- i) Individual account of Basil with a balance of kshs: 10,000
 - ii) A joint account of Basil and Murule with a balance of kshs: 20,000
 - iii) Individual account of Oduori with a balance of kshs: 125,000
 - iv) An account of partnership firm where Basil, Murule and Oduori are partners with a balance of kshs: 50,000
 - v) A loan account of Basil has a balance of kshs: 45,000. The bank has recalled the same as a result of non-repayment of interest and installments.

The bank has received the following orders:

- i) A court order is received to attach the property of Basil for kshs: 150,000
- ii) An order from income tax department to attach the assets of the partnership firm for kshs:170,000

Explain:

- a) The different requirements for opening Individual, Joint and partnership accounts
(7 marks)
- b) How the bank will appropriate the amounts in the various accounts
(7 marks)
- c) What in your view is the bank's opinion on Basil, Murule and Oduori with regard to current and future relationships
(6 marks)

QUESTION THREE

- a) Okoth has availed three loans from his bank amounting to kshs: 2 million; kshs: 3 million and kshs: 5 million carrying interest of 12%, 13% and 15% respectively. Further, the loan of kshs: 2 million has become time barred. Okoth pays kshs: 5 million without indicating the loan for which he has made payment. The bank appropriates payments towards the first two loans. Okoth disputes this and explains that the amount was meant to pay-off the third loan where interest rate was highest. Explain the position of the Banker.

(10 marks)

- b) A banker has different relationship in various capacities with customers. Explain these relationships in brief.

(10 marks)

QUESTION FOUR

Kenya' Bankers and customers are today faced with a regulated interest rates regime after decades of free market trade. Discuss

(20 marks)

QUESTION FIVE

- a) Discuss the strategy pursued by the Central Bank of Kenya towards stimulating the growth of the economy.

(10 marks)

- b) Define the term NPLs. What are its causes and how does it affect banks.

(10 marks)