



**STRATHMORE BUSINESS SCHOOL
BACHELOR OF FINANCIAL SERVICES
END OF SEMESTER EXAMINATION
BNK 3101: PRINCIPLES AND PRACTICE OF BANKING**

DATE: Thursday, 27th July 2023

TIME: 2 Hours

Instructions

1. This examination consists of **FIVE** questions.
2. Answer **Question ONE (COMPULSORY)** and any other **TWO** questions.

QUESTION ONE (30 MARKS)

- a) What are the main reasons for the current banking crisis? Provide examples. **(5 marks)**
- b) Discuss **FIVE** legal issues that can affect bank account operation and closing the account in Kenya? Explain each issue briefly and provide an example. **(5 marks)**
- c) Explain the general legal relationship between a banker and a customer. List and describe **THREE** duties of a banker in a banker-customer relationship. **(7 marks)**
- d) What are the **FIVE** fundamental characteristics that most prospective lenders concentrate on when reviewing a loan application? **(5 marks)**
- e) Define money laundering and explain **THREE** steps involved in the process of money laundering **(8 marks)**

QUESTION TWO (20 Marks)

- a) What are the principles of Islamic banking and how do they differ from conventional banking? **(10 marks)**
- b) Explain **FIVE** ways in which understanding risks and limitations of correspondent banking can help mitigate concerns of potential banking partners and access to vital global financial services. **(10 marks)**

QUESTION THREE (20 marks)

- a) What is Basel III? Explain its purpose and the measures it aims to achieve **(10 marks)**
- b) Explain the importance of bank regulation. **(10 marks)**

QUESTION FOUR (20 marks)

- a) Discuss the 5C's of bank credit, giving examples in each case. **(10 marks)**
- b) Commercial banks in Kenya offer various types of credit facilities to individuals and businesses. Discuss any **FIVE** such credit facilities. **(10 marks)**

QUESTION FIVE (20 marks)

- a) Explain the historical evolution of banking operations in Kenya. **(10 marks)**
- b) Write short notes on the following: (each 2 marks)
- i) Retail banks,
 - ii) Commercial banks,
 - iii) Development banks
 - iv) Credit unions,
 - v) Investment banks
- (10 marks)**