



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

**DATE:** Thurs, 25<sup>th</sup> July 2024

**TIME:** 13:00 – 15:00

**Instructions**

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

**QUESTION ONE (30 MARKS)**

- a) Describe **SEVEN** causes of bank failures and suggest corresponding remedies for each of the identified causes **(14 marks)**
- b) Describe how the following legal issues affect account operation:
- i) Insolvency of the customer **(2 marks)**
  - ii) When customer becomes insane **(2 marks)**
  - iii) Garnishee order. **(2 marks)**
  - iv) Withdrawal of power of attorney **(2 marks)**
  - v) On winding up of a company **(2 marks)**
  - vi) When the customer assigns his entire credit balance **(2 marks)**
  - vii) Death of a customer **(2 marks)**
  - viii) Dissolution of partnership **(2 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) Define money laundering and explain **THREE** steps involved in the process of money laundering. **(10 marks)**