



The Co-operative University College of Kenya
(A Constituent College of Jomo Kenyatta University of Agriculture & Technology)

END OF SEMESTER EXAMINATION APRIL, 2016

**EXAMINATION FOR THE DEGREE OF BACHELOR OF CO-OPERATIVE
BUSINESS (YR III SEM II / YR III SEM I)**

UNIT CODE: HCOB 2339

UNIT TITLE: BANKING LAW AND PRACTICE

DATE: 12TH APRIL, 2016

TIME: 2:00 PM – 4:00 PM

INSTRUCTIONS:

Answer Question **ONE** and any other **TWO** questions.

QUESTION ONE

- a) What are the precautions that a banker should bear in mind when opening an account for a minor? (10 Marks)
- b) When in banking law will a person qualify to be called a customer of the bank? (5 Marks)
- c) What factors lead to the termination of the banker/ customer relationship? (8 Marks)
- d) Under what circumstances can the appointment of a Central Bank Director be terminated (7 Marks)

QUESTION TWO

- a) Mr. Kariuki has an old savings account with National Bank – Nakuru branch in his name. he used to cash his cheques personally or on many occasions through his wife Mrs. Kariuki, Mrs. Kariuki somehow got hold of Mr. Kariuki's cheque book and over a period of time she managed to withdraw cash of Kshs. 240,000/= which amount she withdrew 50 times by forging Mr. Kariuki's signature on cheques. The bank did not notice the forgery and Mr. Kariuki brought to the notice of the bank the debits to his account were sent to him. After the death of Mrs. Kariuki, Mr. Kariuki brought to the notice of the bank the debits to his account which were not authorized by him. Upon investigations by the bank, it was revealed with the help of handwriting experts that the signatures on the cheque were forged. Mr. Kariuki demanded a refund of Kshs 2240,000/= from the bank contending that the bank was negligent in making the payments, the subject of the complaint. On inquiry the Bank found that Mrs. Kariuki had not used the money for some personal purposes and that Mr. Kariuki was aware of this fact but that notwithstanding, he kept silent. Subsequently, however, when he refused her (Mrs. Kariuki) more money and threatened to inform the police about the matter, she committed suicide.

- Discuss the liability of the bank, if any, to Mr. Kariuki (10 Marks)
- b) “The banker’s lien entitles the banker to retain in his possession securities etc, in respect of the general due by the owner to the banker. The right extends to all securities placed in his hands as a banker by his customer which are not specifically appropriated” discuss the legal limitations to the right. (10 Marks)

QUESTION THREE

- a) A banker’s obligation to honor cheques drawn by his customer is not absolute.” Discuss (10 Marks)
- b) What is meant by the term “Banking Business”? (10 Marks)

QUESTION FOUR

- a) What are the essential characteristics of a negotiable instrument? (10 Marks)
- b) Discuss ways in which a bill of exchange may be discharged (5 Marks)
- c) Distinguish between a bill and a cheque (5 Marks)

QUESTION FIVE

- a) Under what circumstances is a surety discharged (10 Marks)
- b) Discuss the function of Central Bank (10 Marks)