



MURANG'A UNIVERSITY OF TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF COMMERCE

UNIVERSITY ORDINARY EXAMINATION

2023/2024 ACADEMIC YEAR

**FIRST YEAR FIRST SEMESTER EXAMINATION FOR DIPLOMA IN
BANKING AND FINANCE (TVET) LEVEL 6**

BUS/OS/AC/CR/01/6/A – PROCESS CREDIT FACILITIES 1

DURATION: 3 HOURS

INSTRUCTIONS TO CANDIDATES:

1. Answer Any Four questions.
2. Mobile phones are not allowed in the examination room.
3. You are not allowed to write on this examination question paper.

SECTION A: (40 MARKS)

1. Outline five (5) key requirements for an effective customer screening (5 marks)
2. List five (5) benefits of know your customer (K.Y.C) (5 marks)
3. Identify five (5) types of banks (5 marks)
4. Name five types of bank customers (5 marks)
5. Highlight five (5) disadvantages of credit application (5 marks)
6. State five key services under E-Banking (5 marks)
7. List five (5) benefits of using collateral for a business loan (5 marks)
8. Outline five (5) principles followed by the banks for lending money (5 marks)

SECTION B: (60 MARKS)

1. Describe the Banker Customer Relationship (10 marks)
2. Explain five (5) types of bank credit (10 marks)
3. Discuss five (5) key components of risk management process in banking (10 marks)
4. Analyse five (5) benefits of E-Banking to customers (10 marks)
5. The following trial balance was extracted from the books of Sidai Ltd, a furniture store on 31st December, 2022. The authorized share capital is 350,000 ordinary share at Ksh. 5 each.

Trial Balance of Swan Ltd as at 31st December, 2022		
	Dr (ksh)	Cr (ksh)
Cash Sales		320,000
Cash Purchases	160,000	
Import Duty	6,000	
Opening Stock 1/1/2022	14,000	
Loan Interest	7,000	
Wages	16,800	
Advertising	12,000	
Reserves		18,000
Motor Vehicles	200,000	
Equipment	230,000	

Cash	2,000	
Bank Overdraft		2,800
Debtors and Creditors	6,000	3,000
Dividends Paid	20,000	
14% 40 – year loan		50,000
Issued share capital: 250,000 ordinary shares		280,000
	673,800	673,800

Required:

- i. An income statement for the year ending 31st December 2022 (10 marks)
- ii. A statement of financial position as at that date (10 marks)