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*(Knowledge for Development)*

# **KIBABII UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**2020/2021 ACADEMIC YEAR**

**THIRD YEAR FIRST SEMESTER**

**SPECIAL/SUPPLEMENTARY EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF COMMERCE**

**COURSE CODE: BCF 335** /312/314

**COURSE TITLE: FINANCIAL LAW**

**DATE: 17<sup>TH</sup> FEBRUARY, 2021**

**TIME: 2.00PM - 4.00PM**

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## **INSTRUCTIONS TO CANDIDATES**

Answer Question One in Section A and Any other **WO** (2) Questions in Section B

TIME: 2 Hours



KIBU observes ZERO tolerance to examination cheating

## SECTION A

### QUESTION ONE

- a) Briefly explain the precondition for the existence of efficient financial laws (6 Marks)
- b) The relationship between the banker and customer creates obligations and rights on both parties. Briefly explain (4 Marks)
- c) In relation to the law governing negotiable instrument, outline the circumstance under which a banker is justified in not honouring a customer cheque (4Marks)
- d) With the aid of statutory and judicial authority explain the following terms
  - i). Bank (2 Marks)
  - ii). Bank Business (3 Marks)
  - iii). Bank Customer (3 Marks)
- e) Outline the potential sanctions or liabilities for participating in corporate or business fraud in Kenya ( 8 Marks)

## SECTION B

### QUESTION TWO

In relation to the Securities Exchange Law

- i). Discuss the powers of the Nairobi Securities Exchange (12 Marks)
- i). Explain the qualifications for admission as a trading participant or authorized securities dealer (8 Marks)

### QUESTION THREE

Without appropriate regulatory framework the capital market would not thrive in any economy. Explain this statement noting to capture the historical development of capital markets in Kenya, the role played by the relevant legal framework and institutions in this sector and your recommendations for further development (20 Marks)

### QUESTION FOUR

In relation to the Banking Act 2014

- ii). Explain the steps a foreign banking institution is required to follow in applying for authority to open a representative office in Kenya (12 Marks)
- iii). Discuss the four sources of laundered money (8 Marks)

### QUESTION FIVE

Zambezi Ltd Company is a public company in need of capital to finance mass production of its newly invented computer software whose market research indicates possibilities of high demand in the economy. Advise the company on the following

- i). The various forms of securities(collateral) required to secure funds
- ii). The various sources of finance for a public company

(10 Marks)

(10 Marks)