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(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2020/2021 ACADEMIC YEAR
THIRD YEAR FIRST SEMESTER
MAIN EXAMS

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCF 314

COURSE TITLE: FINANCIAL LAW

DATE: 02/08/2020

TIME: 9.00 - 11.00 A.M

INSTRUCTIONS TO CANDIDATES

Answer Question One and any other Two (2) Questions

TIME: 2 Hours

KIBU observes ZERO tolerance to examination cheating

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SECTION A

QUESTION ONE (COMPULSORY)

- (i) A crossing is a direction to the paying banker to pay the money to the banker or a particular banker as the case may be but not to the holder across the counter. State and explain the kind of crossing of cheques available. (8 Marks).
- (ii) Demonstrate your understanding of the following terms as used under negotiable instruments
- a) Negotiation (2 Marks)
 - b) Endorsement (2 Marks)
 - c) Holder (2 Marks)
 - d) Holder in due Course (2 Marks)
 - e) Payment in due Course (2 Marks)
- (iii) Money laundering is a process that criminals use in an attempt to hide the illegal source of their income. Corruption is one of the sources of money laundering, state and explain the techniques used in money laundering under corruption. (6 Marks)
- (iv) Securities may be represented by a certificate or, more typically, they may be "non-certificated", that is in electronic (dematerialized) or "book entry only" form. State and explain the Securities dealt with at the Kenyan Capital Markets. (6 Marks)

SECTION B (CHOOSE ANY TWO QUESTIONS)

QUESTION TWO

Firms need money. They need money to pay wages, to buy raw materials, to pay for promotional activities, to fund research and development and to enable them to invest in new machinery and equipment. All these different activities require different sources of finance. Some will be internal (from within the firm), and some external (from outside the firm).

Required

- (i) State and explain the various sources of finance available for public company (10Marks)
- (ii) The various forms of collateral required to secure funds (10Marks).

QUESTION THREE

- (i) State the steps to follow in applying for a license to start a commercial bank, mortgage finance company, or non-bank financial institution (8 Marks).
- (ii) In accord to securities exchange law, discuss the power of the Nairobi Securities Exchange (12 Marks)

QUESTION FOUR

- (i) The capital market is part of the financial market that provides funds for long-term development. This is a market that brings together lenders (investors) of capital and borrowers (companies that sell securities to the public) of capital. What are some of the functions of the Capital Market Authority in Kenya? (10 Marks).
- (ii) Explain the qualification for admission as a market participant (10 Marks)

QUESTION FIVE

In relation to the banking Act 2015

- (i) Explain the steps a foreign banking institution is required to follow in applying for authority to open a representative office in Kenya (12 Marks)
- (ii) Without appropriate regulatory framework the capital market would not thrive in any economy. Discuss (6 Marks).