



(Knowledge for Development)  
**KIBABII UNIVERSITY**  
**UNIVERSITY EXAMINATIONS**  
**2022/2023 ACADEMIC YEAR**  
**THIRD YEAR FIRST SEMESTER**  
**MAIN EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF COMMERCE AND**  
**BACHELOR OF BUSINESS MANAGEMENT.**  
**COURSE CODE : BCF 314 / BBF 312**

**COURSE TITLE : FINANCIAL LAW.**

**DATE: 16<sup>TH</sup> DECEMBER, 2022.**

**TIME 2.00PM – 4.00PM**

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**INSTRUCTIONS TO CANDIDATES**

1. Answer Question One in Section A and Any other TWO (2) Questions in Section B
2. Question one carries 30marks and each of the other two questions carry 20 marks each.

## SECTION A

### QUESTION ONE.

- (a) Financial law serves as an operating mechanism in an economy and source of law that facilitates the efficient operation of the financial system and its components generally. Discuss. **(8 Marks).**
- (b) A Bill of Exchange is payable to Henry Wafula or order. At Maturity another person of the same name wrongfully gets possession of the bill and presents it the acceptor for payment. After making due inquiries and being satisfied that the presenter of the bill is Henry Wafula, the acceptor makes payment on it. Is the acceptor discharged? **(4 Marks).**
- (c) The right of set offs is a statutory right which enables a banker to combine two accounts in the name of one customer and to adjust the debit balance of one account with the credit balance of the other account.  
With reference to the banker's right to set off:  
(i) Highlight four conditions necessary to exercise the right of set off. **(4 Marks).**  
(ii) Describe four circumstances that will cause automatic set off by the banker. **(4 Marks).**
- (d) With specific reference to the Kenyan Economy, discuss at least five major incidents of financial fraud hampering the efficiency of Kenyan capital market. **(10 Marks).**

### QUESTION TWO.

- (a) The growth of the Kenyan economy largely depends on it having a sound financial system that provides Mechanism by which savings are transformed into investments and other productive activities. Explain how the Nairobi Securities Exchange makes this possible. **(12 Marks).**
- (b) Suggest four benefits that accrue to Companies that list on the N.S.E. **(8 Marks).**

### QUESTION THREE.

- (a) A sound Financial System of an economy is underpinned by the existence of a strong legal framework which derives its strength from the existence of certain legal preconditions.  
Discuss this statement in the context of necessary legal preconditions that should be in place in the economy. **(12 Marks).**
- (b) Discuss the role of banks in a financial system. **(8 Marks).**

### QUESTION FOUR.

- (a) With specific reference to the Bank Lending and Advances Law, describe at least five methods and means employed by banks to protect Depositors' funds. **(10 Marks).**
- (b) Explain the following terms in relation to the banker-customer relationship:

- |       |                          |   |            |
|-------|--------------------------|---|------------|
| (i)   | Banker's Lien.           | - | (2 Marks). |
| (ii)  | Duty of safe custody.    | - | (2 Marks). |
| (iii) | Duty to honour cheques.  | - | (2 Marks). |
| (iv)  | Duty to collect cheques. | - | (2 Marks). |
| (v)   | Duty of skill and care.  | - | (2 Marks). |

**QUESTION FIVE.**

- (a) A Bill is payable to Moses or order. It is stolen from Moses and the thief forges Moses's signature and endorses it to Brian who takes it as a holder in due course. Discuss the rights of Brian on the Bill. **(6 Marks).**
- (b) Discuss in detail various disadvantages associated with listing by Companies on the Nairobi Securities Exchange. **(14 Marks).**