

FIB - Principles of Banking

T040

Wednesday, 09/11/2016

14:00 – 17:00

WORKFORCE DEVELOPMENT AUTHORITY



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**ADVANCED LEVEL NATIONAL EXAMINATIONS, 2016,
TECHNICAL AND PROFESSIONAL STUDIES**

EXAM TITLE: Principles of Banking

OPTION: Finance and Banking (FIB)

DURATION: 3hours

INSTRUCTIONS:

The paper is composed of **three (3) main Sections** as follows:

Section I: Fourteen (14) compulsory questions. 55 marks

Section II: Attempt any three (3) out of five questions. 30 marks

Section III: Attempt any one (1) out of three questions. 15 marks

Note:

Every candidate is required to carefully comply with the above instructions. Penalty measures will be applied on their strict consideration.

01. Briefly explain the following terms.

- a) A cheque
- b) Endorsing a cheque
- c) A paying in slip
- d) The drawer of a cheque
- e) The payee of a cheque

5marks

02. Explain why cheques are sometimes crossed.

2marks

03. What is meant by “deposit”?

2marks

04. Fill in the following statements with the correct answers:

4marks

(A) A current account is

- a bank account on which cheques can be drawn
- a bank account on which cheques cannot be drawn
- a bank account on which does not pay interest

(B) A current overdraft.....

- is an asset
- can exist on either a saving account or a current account
- means that money has been paid out of a bank current account than has been deposited into it

05. Is there any difference between debit card and credit card? (Yes/No). Explain your answer.

4marks

06. Define a “bank” and distinguish between a “Foreign bank” and “Rwandan bank”. Support your answer by an example for each.

6marks

07. Retail banking is one of the various types of banking services offered by commercial banks in Rwanda. Explain what retail banking is and outline at least three (3) examples of retail banking services.

5marks

08. List any four (4) commercial banks licensed by BNR.

2marks

09. What do you understand by international banking?

2marks

10. The bank collects deposits from the public. These deposits can be of different types, such as: Saving Deposits, Fixed Deposits, Current Deposits, and Recurring Deposits.

Distinguish saving deposits from fixed deposits

6marks

11. What is a credit or default risk within banks? **2marks**
12. In an economic system money serves for four main functions. Outline the four (4) main functions of money. **4marks**
13. Banks and financial services industry face strict government policy and regulations than other sectors. State the six (6) principal reasons for banking and financial service regulations. **6marks**
14. T-bill and T-bond are financial securities issued by government through central banks. What is the similarity and difference between the two financial securities? **5marks**

Section II. Choose and answer any three (3) questions. **30marks**

15. Describe in detail the role of banking. **10marks**
16. Are there any differences and/or similarities between cash credit, overdraft and discounting of bills? Yes/ No. Explain your answer. **10marks**
17. What do you understand by E-banking security? Explain E-banking security features below: **10marks**
- a. Authentication
 - b. Authorization
 - c. Encryption
18. Explain the primary responsibility of the National Bank of Rwanda? **10marks**
19. Indicate the main reasons for regulating banking institutions. **10marks**

Section III. Choose and answer any one (1) question. **15marks**

20. In most cases a bank act as agents of their customers. What are the services rendered by a bank acting as an agent to customers?
21. The central bank performs different functions for the economic development of a country, including the satisfaction of the services provided to its customers and stakeholders. Discuss at least ten (10) services provided by the central bank of Rwanda.
22. What is mobile banking? What are the services made possible through mobile banking?

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