

SECTION T. FOURTEEN (14) COMPULSORY
QUESTIONS (55 MKS)

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Q1. Briefly explain the following terms.

a) A cheque is a written order by an account holder instructing the bank to pay a stated amount of money to a named person. /1mk

b) Endorsing a cheque: the special specification/mention on the back of the cheque in order to transmit all the rights of the current beneficiary. /1mk

c) A paying in slip: is a document filled by the customer of the bank when she is going to make a deposit. /1mk

d) The drawer of the cheque: is the account holder who issues a cheque instructions the bank to pay a stated amount of money to a named person/business. /1mk

If you pay someone by cheque you are the drawer of the cheque.

e) The payee of a cheque: This is a person or a business named on the cheque that is supposed to receive payment against the cheque. /1mk

Q2. The cheques are sometimes crossed because:

The crossed cheque is a cheque which cannot be presented for payment but it must be banked and the payee gets the money from

5/5

from the account on which the cheque is banked. (See draft) / 2 marks

Q3. A deposit is any amount of money a person deposits in the bank promise not to withdraw it until an agreed time. (2 marks)

2/2

Q4. A. A current account is a bank account on which does not pay interest. 2 marks

B. A current overdraft means that money has been paid out of a bank current account than has been deposited into it. 2 marks

4/4

Q5. Yes. 2 marks

Debit Card	Credit Card
It is paid promptly. 1 mark	It grants author authority to the holder to buy goods at shops up to a agreed maximum amounts and the bills of the selling shop will be presented to institution issued the credit card for the payment. 1 mark

4/4

Q6 A bank is any financial institution that receives, collects, transfers, pay exchange, lends, invests and safeguards money for its customers. 2 marks

* FOREIGN BANK: This is the bank belonging to foreign country that has

its representation/branches within the Rwandan boundaries. **1mk**

Example: - KCB (Kenya Commercial bank)
- Equity bank
- Eco bank. **1mk**

9/6

* Rwandan Bank: This is the financial belonging to Rwandan citizens who are investors or owners. **1mk**

Example: - BPR (Banque populaire du Rwanda)
- BK (Banque of Kigali)
- BRD **1mk**
- BCR (I&M Bank)

07. Retail banking & 3 examples of retailing services.

* Retail banking: also known as customer banking is the typical mass-market banking in which individual customers use local branches of large commercial banks. **2mks**

5/5

* services in Retail banking

- Savings **1mk**
- checking accounts **1mk** **3/3**
- personal loans **1mk**
- Debit & credits cards
- ~~Mortgages~~
- Certificate of deposits.

9/6

08. Four Commercial bank licensed by BNR:

- Bank of Kigali 0,5 MK
- ILM bank 0,5 MK
- Equity bank 0,5 MK
- G.T bank 0,5 MK
- BPR
- KCB etc.

2/2

09. International banking: These are the financial institutions, working internationally world wide with country by providing banking services such as services provided by IMF, world bank etc (2 MKS)

2/2

10. - Savings deposits: Holders can withdraw their money from a saving a/c simply by presenting their "passbook" or by using their ATM card. They can not withdraw the entire amount from the A/c. (3 MKS)

3/3

- Fixed deposit a/c: (Certificate of deposit) CD. The depositor and the bank agree that the money deposited will not be withdrawn for a given period of time. Depositor earns more interests than all other types of accounts. (3 MKS)

11. Credit or default risk within banks:

The risk that those who owe money to the bank might not repays. Some bank borrowers default or do not pay at the time they are expected to pay back. This also affects the bank's liquidity because it does

2/2

not get the money it expected to get at that particular time. (2mks)

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12) Functions of money are:

- Medium of exchange 1mk
- Store of value 1mk
- unit of account & measure of value 1mk
- serves as a tool of monetary policy 1mk
- Standard of deferred payments
- Facilitates specialization.
- Facilitates borrowing/lending.

4/4

13) Reasons for banking & financial service regulation.

- To ensure that people who bank their money in banks are not cheated or adversely affected by the failure or collapse of the bank. (2mks)
- To ensure that small investors are not wiped out in the event of a bank failure.
- To lend banks enough money to avoid bankruptcy. (2mks)

6/6

14)

T-bill and T-bond

* Similarity

Both are debt instruments (2mks)

* Difference

* T-Bill: Short term debt instruments issued by the government to borrow money in the public, money to be repaid back with interest. (1.5mks)

5/5

* T-bond: long term debt instrument issued by the government to borrow money in the public (paid back with interest in the future) (1,5 MKS)

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SECTION II. CHOOSE AND ANSWER ANY THREE (3) QUESTIONS.

15) The role of banking:

- Accepting deposits (2 MKS)
- Advancing loans (2 MKS)
- Exchanging foreign currencies (2 MKS)
- providing safe deposit boxes (2 MKS)
- Convenient means of transferring funds (using FFIS, ATMs, RTGS, Traveler's cheque)
- providing cash management services
- convenient means of payment (2 MKS)
- providing credit enhancement services
- providing financial advice
- discounting bills.
- Implementary monetary policy

16) Yes, there are differences & similarities (4 MKS)

* Cash credit: money borrowed that has to be paid at a future date often with interest (2 MKS)

* Overdraft: is a facility that allows an account holder to withdraw more money than is currently available on his/her account. (2 MKS)

* Discounting of a bill: consist to buy

a promissory note or a bill of exchange before its maturity date.

The bank retains an interest (discount) and the present value is given to the negotiator (2mks)

(17) E-banking security is also known as internet banking. Virtual banking or online banking is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution website. (2mks)

E-banking security features:

a) Authentication: This is any process by which a system verifies the identity of a user who wishes to access it. (2mks)

b) Authorization: It is the function of specifying access rights to resources related to information security and computer security in general and to access control in particular. (2mks)

c) Encryption: is the most effective way to achieve data security. To read an encrypted file you must have access to a secret key or password that enables you to decrypt. (2mks)

100/100

18) The primary responsibility of the NBR is:
* printing money

- It acts as the repository for bank reserves, supervisor, regulator of banks
- Facilitates inter-bank services e.g. cheque clearing & money transfers.
- Lender of last resort to official banks.
- It design & implements monetary policy on behalf of the gov.
- It is a banker to international agencies working within the country e.g. UN agencies.
- It supervises and monitor the performance of official banks on the level of liquidity & service delivery
- It ensures bank customers are not cheated by ensuring the official bank operate as by the law.
- It carries out research educates and trains bankers so as to increase their efficiency in the banking sector.
- It is the sole bank responsible for issuing money in accordance with the level of economic activities.
- Depository for bank reserve
- Stimulates the economic growth
- Solving BOP problems by encouraging exports and discouraging imports.

(2 x 5 = 10 marks)

19 Main reasons for regulating banking institutions.

- To ensure that people who bank their money in banks are not cheated or adversely affected by the failure or collapses of the bank.
- To ensure that smaller investors are not wiped out in the event of a bank failure.
- To lend banks enough money to avoid bankruptcy.
- Controlling the inflation
- Credit Control $(2 \times 5 = 10 \text{ MKs})$

2

SECTION III CHOOSE AND ANSWER ANY
THREE (3) QUESTIONS.

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20 Services rendered by a bank acting
as an agent to customers.

- Accepting deposits 3mks
- Advancing loans 3mks
- Exchanging foreign currencies 3mks
- Providing safe deposit boxes 3mks
- Convenient means of transferring funds. 3mks
- Providing cash management services
- financial advice.
- Discounting bills
- Implementing monetary policy.

(3 x 5mks = 15mks)

15
15

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Services provided by the Central bank of Rwanda;

- Issuing currency; Central bank prints the paper notes and coins we use in the country. It also makes replacement of worn out notes.

- Banker to the gov: Central gov keeps it's money with the central bank. Gov collection from taxes, donations and grants are maintained in the central bank.

- Advisor to the gov: The central bank adviser the gov in the economic policies to ensure that the economy is stable or achieve the deserves goals.

- Banker to other banks: Other banks maintain a/c with the central bank. This help it to function as the clearing house for banks. Banks settle their obligations against each other through the central bank.

- Controls and regulates other financial institutions:

The central bank regulates, guides, monitors, supervises and controls other financial institutions to make sure that they are doing their business in a proper way and for law of the country.

- Stability of the Country Currency

Is exchange for other currencies.
The rate at which one currency exchanges for another varies and this affects trade.

- Credit Control: It regulates the amount of money that central banks lends. It carries out research, educate, and trains bankers. So as to increase their efficiency in the banking sector. It is the sole bank responsible for issuing money in accordance with the level of economic activities.

1,5 mks / stating 3 mks x 5 = 15 mks
1,5 mks / explaining

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Mobile Banking refers to the use of

* smart phone or other cellular device to perform online banking tasks. 5 mks

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* services made possible through mobile banking

10/10

- Checking balance of your account 2 mks
- transfer funds 2 mks
- Bill payment 2 mks
- Cash / money deposit (Saving money) 2 mks
- cash money withdrawals 2 mks

17. What do you understand by E-banking security? Explain E-banking security features below;

- Authentication
- Authorization
- Encryption.

Proposed answers;

- E-banking security is the protection of e-banking assets from unauthorized access, use alteration, or destruction.

a. Authentication verifies who you say you are. It enforces that you are the only one allowed to logon to your internet banking account.

b. Authorization allow only to manipulate your resources in specific ways. This prevents you from increasing the balance of your account or deleting a bill.

c. Encryption deals with information hiding it ensures you cannot spy on others through internet.

H. a). A Current account is a bank account in which cheques can be drawn.

DRAFT

JOUZY : 5, 6, 17, 18

CHRISTINE : 10, 11, 12, 20

DAMASCENE : 7, 8, 9, 19

ROBERT : 1, 2, 13, 14

ERIC : 3, 4, 15, 16