



**CHARTERED INSTITUTE OF BANKERS, GHANA**

**ASSOCIATESHIP EXAMINATION**

**LEVEL I**

**ELEMENTS OF BANKING**

**OCTOBER 2022**

**N.B.**

1. Read carefully the instructions on the cover of the answer book.
2. **Answer Question One and Four other questions.**
3. All questions carry equal marks.
4. Time allowed: **THREE HOURS.**
5. Candidates must ensure that they answer questions in the appropriate answer book and **NOT on loose sheets** which are used only as supplementary sheets. Such answers will be cancelled.
6. **DO NOT WRITE YOUR NAME ON THE ANSWER BOOK.**
7. **DO NOT OPEN THIS QUESTION PAPER UNTIL INSTRUCTED TO DO SO.**

**INSTRUCTIONS: ANSWER QUESTION 1 AND ANY OTHER FOUR QUESTIONS.**

**QUESTION 1** *Answer ALL questions*

- I. When a Bank issues a guarantee on behalf of the customer to a third party, the customer is also known as
  - a. Depositor
  - b. Bailor
  - c. Creditor
  - d. Principal Debtor
  
- II. The process of transferring the ----- of an order cheque from one person to another is known as endorsement.
  - a. Transferability
  - b. Title
  - c. Endorsement
  - d. Negotiability
  
- III. What is the term given to the risk associated with a bank customer not paying a loan installment on its due date.?
  - a. Operational risk
  - b. Credit risk
  - c. Reputational risk
  - d. Failure risk
  
- IV. When a bank assumes a secondary liability for a debt, default, or miscarriage of a customer, it is said to be
  - a. General crossing
  - b. Guarantor
  - c. Indemnifier
  - d. Restrictive crossing

- V. What do you call the tool used by the Central Bank to sell treasury bills and other short term financial instruments through the Universal Banks?
- a. Inside Trading
  - b. Discounting
  - c. Treasury Services
  - d. Open Market Operations
- VI. It is an agreement that confers the right but not an obligation between a bank and a customer for the sale or purchase of foreign currency at a rate agreed today but implemented after two working days. What is it?
- a. Forward Exchange Contract
  - b. Rate Based Agreement
  - c. Options Contract
  - d. Bank and Customer Agreement.
- VII. A “stale” cheque refers to a cheque with the following characteristics:
- a. Bearing date within the past three months
  - b. Bearing a date in excess of six months
  - c. Bearing a future date
  - d. Bearing no date at all
- VIII. Account payee cheques are to be paid .....
- a. Across the counter
  - b. By the paying cashier
  - c. Into an account
  - d. As a form of cash

IX. What is the specific term given to a crossing on a cheque where the drawer places two parallel lines with or without the words 'and co'?

- a. Qualified crossing
- b. Special crossing
- c. Restrictive crossing
- d. General crossing

X. When a bank issues a fixed deposit certificate to a customer, the bank is a

- a. Depositor
- b. Bailor
- c. Bailee
- d. Debtor

**(2 marks each, total 20 marks)**

## **QUESTION 2**

State and explain any five challenges faced by Rural dwellers in accessing finance from Universal banks. **(20 marks)**

## **QUESTION 3**

As a financial consultant of the banks in West Africa, state and explain any three advantages and two disadvantages of the introduction of a tax on mobile money services. **(20 marks)**

## **QUESTION 4**

- i. MMM Limited (a grocery dealer) has applied for a loan of One Million Ghana Cedis from Axis Bank Limited. State any five documents that the bank is likely to ask the company to provide in support of their facility request. **(10 marks)**
- ii. State and explain any two risks a bank faces when it gives loan facilities to personal customers. **(10 marks)**

**(Total: 20 marks)**

### **QUESTION 5**

As the Branch manager of your bank, state and explain any five ways by which the banks and other deposit taking institutions support both domestic and international trade. **(20 marks)**

### **QUESTION 6**

Write short notes on the following:

- i.** Bill of Lading **(5 marks)**
- ii.** Mandate **(5 marks)**
- iii.** Set Off **(5 marks)**
- iv.** Power of Attorney **(5 marks)**

**(Total: 20 marks)**

### **QUESTION 7**

State and explain any five reasons why Know Your Customer (KYC) is important for banking and banking operations.

**(Total 20marks)**

### **QUESTION 8**

**State True or False**

1. A Credit Card holder must always have sufficient balance in his or her account before can withdraw funds from their bank accounts.
2. The Ministry of Finance in Ghana issues operating licences to all Universal Banks before they commence their operations.

3. A Credit Union is among the number of financial institutions issued with licences to participate in cheque clearing or as a member of the Clearing house.
4. When the **Incoterm** is **ex-warehouse**, the seller or exporter is responsible for all the expenses incurred on the goods until the goods get to their destination.
5. In Ghana, the law that defines a cheque as a Bill of Exchange drawn on a banker payable on demand is the Bill of Exchange Act 1882.
6. When the Bank of Ghana decreases the bank rate from 27% to 25%, the likely impact on the money market is to make the banks become more illiquid.
7. A commercial paper is a short-term debt instrument issued by a bank on behalf of the Central Bank.
8. When a bank and a customer sign facility agreement regarding an overdraft limit, it is known as an anticipatory limit.
9. It is a legal requirement in Ghana that syndicated lending involves a maximum of only three lending institutions.
10. When the **Incoterm** is **delivered duty paid**, the seller or exporter is responsible for all the expenses incurred on the goods until the goods get to their destination.

**(2 marks each, total 20 marks)**