



CHARTERED INSTITUTE OF BANKERS, GHANA

ASSOCIATESHIP EXAMINATION

LEVEL I

ELEMENTS OF BANKING

APRIL 2024

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.**

ANSWER QUESTION 1 AND ANY OTHER FOUR QUESTIONS

QUESTION 1

Fill in the blank spaces with the correct answers.

During the staff orientation ceremony, there were so many questions about the Banking System. One of them relates to a document that is a Negotiable Instrument issued from a creditor to a debtor, but it is not channelled through the Clearing System, however, it can be discounted. This is known as -----**a**----- . Kojo was amazed to be told that one can assume a Secondary Liability for a debt, default and miscarriage of another person and he is known as -----**b**----- . As part of the Anti-Money Laundering processes, -----**c**----- is the process of identifying your clients and checking they are who they say they are. It was stated that Financial Instruments to be sold could either be for a short term or long term and the market for Short Term Securities is called -----**d**----- . Whereas the market where the instruments are initially traded before they can be re-sold is also known as -----**e**----- . It is also refreshing to note that there exist a Financial Instrument which is also short term in nature under which credit worthy borrowers are able to borrow directly from corporate bodies. It is known as -----**f**----- . During the discussion it came to light that as a Lender of Last Resort the -----**g**----- decided to increase the rates at which it provided loans to the other banks. One of the customers exclaimed that as a -----**h**----- , he has deposited his land document at the bank for Safe Keeping, and should he decide to use it to secure a business Loan Facility he will be known as -----**i**----- and the bank will be called.....**j**..... .

(20 marks)

QUESTION 2

You have been invited by the Chief of Asempayena, a rural farming community in the Ashanti Region of Ghana to give a talk on **Challenges that affect Banking in the Rural Areas.**

Required:

Briefly state and explain any five (5) challenges that affect banking in the rural areas of the country.
(20 marks)

QUESTION 3

a. As a student of Banking, list any six (6) features/characteristics of Negotiable Instruments.
(6 marks)

b. Explain the main difference between an Indemnity and a Counter Indemnity Agreement.
(6 Marks)

c. With reference to the Banks and Specialized Taking Institutions Act (Act 930), define the following:

i. Bank **(4 marks)**

ii. Deposit Taking Business **(4 marks)**

(Total: 20marks)

QUESTION 4

a. Briefly explain these Forms of Lending:

i. Fund Based Lending

ii. Structured Lending

iii. Non-Fund Based Lending **(6 marks)**

b. Briefly explain any seven (7) principal criteria by which a bank will decide to lend or not to lend to a prospective customer who approaches the bank for a Credit Facility.

(14 marks)

(Total: 20 marks)

QUESTION 5

- a. Various legitimate reasons account for the return or dishonour of cheques by banks.
List any ten (10) of them. **(10 marks)**
- b. Explain any five (5) duties a bank owes to its customers. **(10 marks)**
(Total: 20 marks)

QUESTION 6

State and explain any five (5) benefits that have resulted from the change from Manual Based System of Banking to Electronic or Digital Based Banking System in Ghana. **(20 marks)**

QUESTION 7

- a. The Banks and Specialized Deposit Taking Institutions Act (Act 930) defines “banking law” as an enactment related to the banking system.
State any other four (4) laws (Acts of Parliament) that are related to the Banking System in Ghana. **(4 marks)**
- b. Banks and Micro Finance Institutions are all players in the Banking Industry with similarities and differences. Identify and explain any four (4) differences between a Bank and a Micro Finance Institution. **(16 marks)**
(Total: 20 marks)

QUESTION 8

Write short notes on the following International Commercial Terms:

- a. Free Carrier
b. Delivered Ex Quay
c. Delivered at Frontier of a Named Country
d. Free on Board **(20 Marks)**