



CENTRAL UNIVERSITY COLLEGE

RESIT EXAMINATIONS: 2016

DEPARTMENT OF BANKING AND FINANCE

SBBF 308

BANKING OPERATIONS & ETHICS (3 Credits)

LEVEL 200 (MATAHEKO & MIOTSO)

(MORNING, AFTERNOON, EVENING & WEEKEND)

August 2016

3 Hours

STUDENT ID No.....

INSTRUCTIONS

SECTION A

Answer ALL questions from this section (Answers should be provided on the question paper)

SECTION B

Answer TWO questions from this section (Answers should be provided in the booklet)

DO NOT TURN OVER THIS PAGE UNTIL YOU HAVE BEEN TOLD TO DO SO BY THE
INVIGILATOR

SECTION 'A'

Answer all questions in this section for 60 Marks

1. All three must be satisfied in order for an institution to be considered a bank in Ghana except
 - a. Keep running accounts for their customers
 - b. Honour and Collect cheques drawn by and for their customers
 - c. Licensed under Banking act 2004 Act 673.
 - d. Managing assets and liabilities of companies.

2. All are characteristics of a debtor creditor relation except
 - a. The banker unlike an ordinary debtor is not supposed to seek out his creditor and replay his loan when it becomes due.
 - b. The banker unlike an ordinary debtor is supposed to seek out his creditor and replay his loan when it becomes due.
 - c. The money does not become due at any time and place. It is repayable between advertised periods.
 - d. The customer (creditor) must write out a written order for withdrawals.

3. In a bailor / bailee relationship, the bank is the and the customer is the
 - a. Bailor , bailee
 - b. Bailee, bailor
 - c. Bailiff, bailer
 - d. Bailer, bailiff

4. A bank would be liable as to the beneficiaries if it knowingly allowed a trustee to wrongfully appropriate trust funds held in an account for the trustee's own benefit.
 - a. Active trustee
 - b. Passive trustee
 - c. constructive trustee
 - d. leading trustee

5. Negligence in the banks duty of care to its customer establishing that the bank gave an unduly unfavorable reference, which reduced his standing in the eyes of right thinking people is.....
- Breach of secrecy
 - Libel
 - ego assassination
 - misrepresentation
6. The banks duty of care to a third party that arises because the bank has given an unduly favorable reference about its customer, and the recipient relying on this extends credit to the customer who defaults may be a liability in
- Fraudulent misrepresentation and in negligence.
 - Libel and in tort
 - Breach of secrecy and in tort
 - Negligence and tort
7. References (LOI) may be obtained from the following sources except from
- Existing customer of the bank
 - Employers
 - Auditors
 - relationship banker
8. The major risk facing a Bailee in a bailment agreement includes;
- Misrepresentation and Libel
 - Negligence and Conversion
 - Conversion and Misrepresentation
 - Negligence and Libel
9. The bank becomes an agent for its customer in all cases except
- Where the banker arranges for an insurance for his customer
 - Where the customer draws a cheque payable to a third party
 - Where the bank makes an advance to its customer
 - Where a customer pays in a cheque for collection.

10. All except one is not a banker/ customer relationship.
- Principal / agent
 - Debtor/ creditor
 - Consignee/ consignor
 - Mortgagee/mortgagor
11. is a reference, which a bank provides about its customer upon receipt of confidential enquiry from a bank or a recognized trade protection society.
- Status enquiry
 - Bankers opinion
 - Bankers reference
 - Status opinion
12. The three basic requirements for account opening are;
- Identity, character and means of livelihood
 - Identification, address verification and references
 - Letter of introduction, character and ability to pay
 - Character, ability to pay and outgoingness
13. is essentially an arrangement where two or more individuals, operate a bank account in the name of the joint account holders with the object of making profit, who are bound by jointly and severally liability clause to the bank.
- Joint account
 - Company's account
 - Partnership account
 - Minor's account
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- Joint account
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15. The mandate that has to be made clear on the issue of paying any existing balance on an account to survivor in case of death of a banks customer who are jointly and severally liable is.....
- a. Partner,s constitution
 - b. Companies regulation
 - c. Rights of survivorship
 - d. Power of attorney
16. A director of a company acts as an agent when signing cheques on the company's behalf hence the death of the director has..... on the account.
- a. an immense effect
 - b. a minimal effect
 - c. a profound effect
 - d. a legal effect
17. In closing an unsatisfactory account, the customer must be given reasonable notice for all these reasons except
- a. To state the last date the bank intends to transact business with the customer.
 - b. Request for the return of unused cheques and plastic cards
 - c. To enable the customer plan for his next of kins
 - d. To enable the customer make arrangements for the collection of any balance on the account
18. All are steps the bank takes in order to successfully close an unsatisfactory accounts except,
- a. Give customer a written notice
 - b. After the closure dates accept any cheque received for payment
 - c. Any credit received after the closure should be put in a suspense account
 - d. After the closure dates return any cheque received for payment
19. is written out formally on the bank's standard third party form allowing another party to operate the customers account without being party to the account.
- a. Company's code
 - b. Partnership deed
 - c. Power of attorney
 - d. Rights of survivorship

20. An automatic right to combine or set off accounts exist in all the following circumstances except when
- liquidation of a company customer begins
 - a customer is bereaved
 - notice of mental incapacitation of a customer is received
 - notice of the death of a customer is received.
21. The death of a customer terminates the bank's mandate and it is the....., not the actual death, which fixes the date of the mandates termination of transactions.
- receipt of notice
 - production of a probate
 - production of letter of administration
 - production of a death certificate.
22. Mental incapacity of a personal account holder terminates the banks mandate and no further cheque is paid until the appointment of a/an by the courts and has presented this authority to the bank.
- Next of kin
 - receiver
 - estate executor
 - lawyer
23. is a security deposited by a third party to secure a customer account.
- Secured security
 - Collateral security
 - Direct security
 - Unsecured security
24. is merely a claim on a property where the mortgagor deposits title documents to a property to a bank stating it could be held as a security.
- Equitable Mortgage
 - Pledge
 - Assignment
 - Legal Mortgage

25. gives the bank ownership of the property used as security, and rights without recourse.
- a. Equitable Mortgage
 - b. Pledge
 - c. Lien
 - d. Legal Mortgage
26. The right of the creditor to retain possession of the debtor's property until such time as the debt is repaid is a/an
- a. Equitable Mortgage
 - b. Pledge
 - c. Lien
 - d. Legal Mortgage
27. is a personal security of primary liability that needs not be in writing arising where a person accepts direct personal responsibility for the obligation of another.
- a. Guarantee
 - b. Charge
 - c. Indemnity
 - d. Legal Mortgage
28. is the promise to pay by one person on behalf of another for the present or future debt.
- a. Guarantee
 - b. Charge
 - c. Indemnity
 - d. Legal Mortgage
29. It is a statement of the assets and liability of a business and its owner's capital and reserves at a specific point in time is the
- a. Income surplus account
 - b. Trading profit and loss account
 - c. Balance sheet
 - d. Cash flow statements

30. All except one are tools used to review and control account
- Anticipatory limits
 - Examination of vouchers
 - Perfecting securities
 - Agreed limits
31. Which of these is not a feature of an ideal security?
- Easy to realize
 - Easy to charge
 - Easy to value
 - Easy to move
32. Which doctrine is established under the Tournier v National Provincial and Union Bank of England (1924)?
- Doctrine of Secrecy
 - Doctrine of Estoppel
 - Doctrine of Duty of Care
 - Doctrine of Diligence
33. All are rights of a banker except.
- Right to repayment on demand by a customer
 - Right to exercise lien over customer's goods until they make full payment.
 - Right to honor standing orders even when the customer account is nil.
 - Right to dispose off customers money as it pleases provided it can pay on demand
34. The breach of the duty of care of items for safe keeping is
- Misrepresentation
 - Libel
 - Negligence
 - Conversion
35. A statement made with the knowledge of its falsity is
- Misrepresentation
 - Libel
 - Negligence
 - Fraudulent Misrepresentation

36. Which duty of the customer does London Joint Stock Bank Ltd v Macmillan & Arthur (1918) seek to explain?
- Inform the bank of any known forgery
 - To seek out the bank when he requires payments
 - To exercise reasonable care when drawing cheque to prevent fraud
 - To pay reasonable interest and commission.
37. The transfer of one person's right under a contract is
- Assignment
 - Pledge
 - Charge
 - Hire purchase.
38. All except this are the steps taken to countermand a cheque,
- Call to stop the cheque by stating the cheque number
 - Follow it up with a written note also quoting the cheque number.
 - State reasons for stopping the cheque
 - Send an email to stop the cheque.
39. Name one contractual relationship between the banker and the customer.
- Debtor/ Creditor relationship
 - Principal /Agent relationship
 - Mortgagee/Mortgagor relationship
 - Pledgee/ Pledgor relationship
40. Name one fiduciary relationship between the banker and the customer.
- Debtor/ Creditor relationship
 - Principal /Agent relationship
 - Mortgagee/Mortgagor relationship
 - Pledgee/ Pledgor relationship
41. Why is it important to examine the memorandum of association, before opening an account for a company customer?
- To know the powers of the directors
 - To study the stated capital
 - To understand the regulations of the company
 - To get the signature of all shareholders.

42. The ruling in the case of *Tai Hing Cotton Mill Ltd v Liu Chong Hing Bank Ltd and others* (1986) specifies all except
- By express terms, bank statements are not conclusive evidence.
 - The customer is not estopped by his own negligence from asserting that the bank acted without authority.
 - The customer has no duty to inspect bank statements and to supervise employees so as to prevent forgeries
 - The customer has a duty to inspect bank statements
43. Appropriation occurs in all the following instances except when
- a customer has both a current account and a loan account, and pays a cheque specifically into his current account
 - a customer pays expressly to meet a particular cheque.
 - a customer pays in expressly to cover interest debited to his account so that he can be issued with a certificate of interest paid.
 - a customer draws a cheque in a spouses favour
44. Negotiable instruments whose ownership is transferred by mere delivery are
- Order Instrument
 - Bearer Instrument
 - Negotiated bills
 - Delivery bills
45. Negotiable instruments whose ownership is transferred by endorsement and delivery are
- Order Instrument
 - Bearer Instrument
 - Negotiated bills
 - Delivery bills
46. A bill accepted gratuitously with no consideration given for acceptance, which enables the drawer raise money or obtain a period of credit where the drawer is mostly the payee is a/an
- Accommodation bills
 - Domicile bills
 - Inland bills
 - Order bills

47. A bill which is or on the face of it is purported to be both drawn and payable within the country or drawn in the country upon some person resident therein is
- Accommodation bills
 - Domicile bills
 - Inland bills
 - Order bills
48. A thief who steals a cheque with a "not negotiable" crossingto a transferee even if the transferee took the cheque in good faith and for value.
- can pass good title
 - cannot pass good title
 - cannot endorse and deliver
 - can endorse and deliver
49. Section 72 of the Bills of Exchange Act 1961 defines a as " an unconditional order in writing, addressed by a person to a banker, signed by the person giving it, requiring the banker whom it is addressed to pay on demand a sum certain in money to, or to the order of a specified person or to bearer"
- Bill of exchange
 - Bankers draft
 - Cheque
 - Promissory note
50. A payable on demand drawn by a banker upon himself payable at the head office or some other office of his bank.
- Bill of exchange
 - Bankers draft
 - Cheque
 - Promissory note
51. An endorsement which allows the holder to merely signs the back of bill and made payable to bearer is
- Restrictive endorsement
 - Blank endorsement
 - Special endorsement
 - Promised endorsement

52. An endorsement that prohibits further transfer of the bill by the emphasis on the addition of the word "only" is

- a. Restrictive endorsement
- b. Blank endorsement
- c. Special endorsement
- d. Promised endorsement

53. A is an instruction from a customer to his bank to make regular payments, usually at monthly, quarterly or annual intervals from his account to the account of a payee at the same or another bank. The amount to be paid can be altered by varying the instructions to the bank.

- a. Standing order
- b. Direct debit
- c. Promissory note
- d. Dividend warrant

54. arise when the customer authorizes his bank to make payments from his account in settlement of claims presented to the bank, usually at regular intervals, by a designated payee and again sends to the payee written authority to present the latter's claims to the bank for the amount owing.

- a. Standing orders
- b. Direct debits
- c. Promissory notes
- d. Dividend warrants

55. facility is for short – term purposes only generally in an "in case of need" basis allowing the account to fluctuate between debit and credit within an agree limit, anticipating salary or other funds.

- a. Bridging loans
- b. Loans
- c. Overdraft
- d. Documentary credits

56. is a vital part to understanding how the accounts have been drawn up and provide useful additional information not detailed elsewhere.

- a. Cash flow statement
- b. Balance sheet
- c. Notes to an account
- d. Trading profit and loss

57. The printout of the statistical summary of every account in the branch over a period covered by a report which is extremely useful and has varied information that assist in monitoring the trends on the customer's account is the.....

- a. Bank statements
- b. Quarterly commission report
- c. Repayment schedules
- d. Loan reports

58. The breach of the duty to take care of items for safekeeping

- a. Misrepresentation
- b. Libel
- c. Negligence
- d. Conversion

59. Who is a collecting banker?

- a. Payees bank
- b. Drawee's bank
- c. Drawer's bank
- d. Bankers bank

60. Who is a paying banker?

- a. Payees bank
- b. Drawee's bank
- c. Drawer's bank
- d. Bankers bank

SECTION 'B'

Answer any two questions from this section for 40 Marks

- 1 a. What is ethics in banking? State and briefly five (3) ethical issues engaging the attention of bankers in Ghana. [5 marks]
- b. List the principal criteria which governs a bankers decision whether or not to lend to a prospective customer. [5 marks]
- c. What is a hardcore? And how do we remedy a hardcore. [5 marks]
- d. Write to distinguish those of the debt you classify as Doubtful or Bad debt. [5 marks]
- 2a. What is a bill of exchange? Explain in three ways how it differs from a cheque. [5 marks]
- b. Identify the various types of cheque crossing and explain the essence of crossing the face of a cheque [4 marks]
- c i. Illustrate how a cheque drawn in favour of Mary Mantey can be endorsed and delivered to Grace Atsu and subsequently endorsed in blank. [4 marks]
- ii. Identify who may cross a cheque. [2 marks]
- d. Regular endorsement is very essential in the business of banking, explain endorsement and identify the types of endorsements. [5 marks]
3. Explain the steps that must be taken to ensure that Bank of Ghana AML/CFT Guidelines are complied with for the following to open an account:
- i. Personal Account [5 marks]
 - ii. Limited Liability [5 marks]
 - iii. Partnerships [5 marks]
 - iv. Trusts [5 marks]

- 4.i. What is Money Laundering? [2 marks]
- ii. Under what circumstances is money laundering a crime for a bank employee? [2 marks]
- iii. Explain the role of banks in mitigating money laundering? [3 marks]
- iv. What are the short term socio-economic effects of money laundering? [5marks]
- v. Explain the three traditional stages of the money laundering process? [3 marks]
- vi. List five (5) Politically Exposed Persons, per 2011 Bank of Ghana AML/CFT Guide. [5 marks]