

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**SECOND YEAR EXAMINATION FOR THE AWARD OF DEGREE OF
BACHELOR OF COOPERATIVE MANAGEMENT**

BCOP 232: COOPERATIVE BANKING

STREAMS: BCOP Y2S1

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 31/3/2021

2.30 PM – 4.30 PM

INSTRUCTIONS:

Answer Question ONE and Any Other Two

QUESTION ONE

- a) Cooperative banking is of significant importance to the Kenyan economy. Though it is faced with challenges but measures have been put in place to facilitate its continuity and growth. In view of this statement discuss the future of cooperative banks in Kenya. [10 Marks]
- b) Discuss the need for establishing a cooperative bank in Kenya and the role it plays in society. [10 Marks]
- c) Explain how a cooperative bank is able to establish that a person is of good character before they qualify for a loan. [4 Marks]
- d) Heron Limited makes cash payment of sh.15,400 per day. The interest rate on marketable securities is 20.85% per month and every time the company sells marketable securities it incurs a cost of sh.36. Using baumol model
- i) Determine the optimal cash amount. [3 Marks]
- ii) The total cost of maintaining a cash balance. [3 Marks]

QUESTION TWO

- a) Explain 4 distinguishing characteristics of a commercial bank and a cooperative bank. [8 Marks]
- b) Describe 4 factors to consider in setting optimum levels of cash liquidity. [8 Marks]
- c) Outline the principles of lending [4 Marks]

QUESTION THREE

- a) Explain the main reason for existence of credit programmes in the cooperative sector. [8 Marks]
- b) Describe the main aim of a cooperative saving scheme. [6 Marks]
- c) Highlight the advantages of a member's personal account. [6 Marks]

QUESTION FOUR

- a) Explain the different way a person can disguise the source of their wealth. [10 Marks]
- b) Explain the main reasons why a borrower may fail to pay back principal and interest within the stipulated time. [10 Marks]

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