

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

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

BCOP 232: COOPERATIVE BANKING

STREAMS: BCOP

TIME: 2 HOURS

DAY/DATE: TUESDAY 10/12/2019

11.30 AM – 1.30 PM

INSTRUCTIONS:

Answer Question One and any other Two

QUESTION ONE

- (a) Funds availability is normally limited in a cooperative bank hence loan approval process should be established. Explain the guiding principles for establishing this process. [8 marks]
- (b) Explain what lending institutions consider when determining the character of a borrower. [4 marks]
- (c) Financial institutions have to put in place rules and structures that help in cash management to prevent loss. In view of this statement explain the various forms of cash control. [10 marks]
- (d) Describe the Baumol model and state any 2 of its assumptions. [2 marks]

Sakofa limited makes cash payments of sh 5000 per day. The interest rate on marketable securities is 15% per month and every time the company sells marketable securities it incurs a cost of sh. 30/

Using Baumol model

- (i) Determine the optimal cash amount [3 marks]
- (ii) Determine the total cost of maintaining a cash balance [3 marks]

QUESTION TWO

- (a) In planning how to convert assets into cash, an organization adopts various levels of cash. Determine factors to consider when setting optimum cash levels. [10 marks]
- (b) There exists various programmes established by the government and other organizations to extend credit in the cooperative sector. Explain the different types of credit. [10 marks]

QUESTION THREE

- (a) Failure of borrowers to repay the loan have an effect to the cooperative, as a cooperative student explain how it would affect the cooperative. [10 marks]
- (b) Explain the different ways funds can be transferred by hiding the source of ownership. [10 marks]

QUESTION FOUR

- (a) A cooperative bank can employ various methods to deal with delinquent accounts. Discuss. [10 marks]
 - (b) Clearly explain the broad aims of a cooperative banking system. [10 marks]
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