MACHAKOS UNIVERSITY COLLEGE

(A Constituent College of Kenyatta University)
University Examinations for 2015/2016 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ENTREPRENEURSHIP AND MANAGEMENT SCIENCES

SECOND SEMESTER EXAMINATION FOR DIPLOMA IN CO-OPERATIVE MANAGEMENT

2807/304 CO-OPERATIVE BANKING

Date: 5/8/2016 **Time: 2:00 M- 4:00 PM**

INSTRUCTIONS

Answer any five questions

1. (a) Explain four reasons why the government prefers to channel funds for agricultural development through the union banking sections. (8 marks)

   (b) Explain six measures that may be taken by a union banking section to improve its gross interest margin (12 marks)

2. (a) Describe four types of securities that are required by the Co-operative Bank of Kenya Ltd before granting production loans to members (8 marks)

   (b) Outline six factors that should be considered by the manager of a union banking section when renewing an insurance cover for the section (12 marks)

3. (a) Explain six measures that should be taken by the management committee of a marketing co-operative society to ensure produce payment to members is made promptly. (12 marks)

   (b) Explain four ways in which the management committee of a co-operative society may invest members` funds. (8 marks)

4. (a) Explain six measures that may be taken by the credit committee of a union banking section to minimize loan defaulting. (12 marks)

(b) Highlight four items that should be checked by a book-keeper in a cash journal when making entries into the main ledger. (8 marks)

5. (a) Before a member is allowed to open an account he/she must have attained eighteen years of age. Explain the reason for such a condition. (10 marks)

(b) Explain five benefits that may accrue to a union banking section that uses a decentralized banking system in its operation. (10 marks)

6. (a) Explain five factors that should be considered by a credit committee when granting loans to members. (10 marks)

(b) Outline the procedure that should be followed by an account holder in authorizing a third party to operate his/her account in a union banking section. (10 marks)

7. (a) Explain six reasons why co-operative societies are required to prepare loan priority lists in order to access funds from credit programs. (12 marks)

(b) Explain the problems that may be associated with the method of giving loans to members in cash. (8 marks)