



ZIMBABWE EZEKIEL GUTI UNIVERSITY

COLLEGE FOR LIFELONG LEARNING

FACULTY OF LAW, BUSINESS INTELLIGENCE AND ECONOMICS

DIPLOMA IN BANKING AND FINANCE

EXAMINATION PAPER

COURSE CODE : DBF124
COURSE TITLE : PRACTICE OF BANKING
SPECIAL REQUIREMENTS : NONE
DURATION : 2 Hours
LEVEL : 1.2
DATE :

10 JUN 2025

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue
2. Use of silent, non-programmable calculators is allowed
3. Answer 2 questions.
4. Begin each question on a new page.
5. The number of marks for each question or part question is shown in brackets []

Answer all questions.

Question 1

- a) A number of Banks in Zimbabwe today have embraced **Digitization Technology** in their strategies, as a result an increasing number of customers interface with their banks through electronic systems and devices.
What **Threats** and **Opportunities** does this create for possible customer contact in the Financial Services Sector? **(15 marks)**
- b) Evaluate the following statement in the context of the **Business Entity Concept**:
"Shareholder's Loans should not be considered as part of shareholder's Equity."
Evaluate this statement in the context of the "Business Entity Concept" and loan capital repayment. Under what circumstances would it be acceptable to consider Shareholder's Loans as equity? **(5 marks)**
- c) Briefly describe Off- Balance Sheet Financing, giving examples to illustrate your answer. Of what benefit is this form of financing to the lending banker? **(5 marks)**
- d) What is "**Prescription**" and how does it affect the lending banker? **(5 marks)**
- e) When a company goes into liquidation, what item take precedence over a Notarial General Covering Bond (NGCB)? **(5 marks)**
- f) Your customer, William Nzara has been adjudicated bankrupt. His current account balance is \$20 000 debit at present. As security for the facility, you hold an unlimited guarantee for William Nzara's liabilities from his brother, Robert Nzara.
What action would you take? **(5 marks)**
- g) James is a student at the CLL. His lecturer has asked him to make a Presentation on the fight against money laundering. You are requested to write the presentation for him.
Clearly define money laundering giving examples. **(5 marks)**

Question 2

- a. In January 2023, you agreed to grant your customer Peter Mweya a short-term loan of \$180 000 repayable in equal monthly instalments until 31 January 2024, to assist his company with working capital.

As security for the loan, you agreed to a charge over the Mweya's family home, the deeds of which were in the joint names of Peter Mweya and Jane Mweya (Husband and wife). Mr Mweya signed the mortgage form at the bank, and you took the form to Mweya's home in order to obtain Jane Mweya's signature.

Regrettably, Mr Mweya's business fortunes did not improve and as a result the repayment of the loan fell into arrears. Formal demand for repayment brought no response and consequently the bank applied to the courts for a possession order over the Mweya's family home.

Today, you receive a letter from Jane Mweya's lawyer claiming that the bank's mortgage is invalid because Mrs Mweya's signature was obtained by undue influence of the bank and she should have received independent legal advice.

Required:

- (i) State what you understand about the terms "undue influence" and "independent legal advice" **(10 marks)**

- (ii) On what grounds do you think that the lawyer is making his claim? What points would you consider in dealing with this letter? Do you believe that the claim is likely to succeed? Give reasons for your answer **(10 marks)**

- b. Outline the basic reasons for Bank failures in Zimbabwe. Discuss the legal framework existing in Zimbabwe to avoid such Bank failures **(10 marks)**
- c. What is prescription and how could it affect the Lending Banker? **(5 marks)**
- d. List the factors that influence the degree of business risk **(5 marks)**
- e. The external environment plays an important role in making accurate credit decisions. List five (5) factors, giving examples, that you need to take into consideration. **(5 marks)**
- f. List five (5) threats in your opinion that Banks are facing in Zimbabwe today and in the developing world (Africa) in general **(5 Marks)**