

**INSTITUTE OF BANKERS IN MALAWI**

**ADVANCED DIPLOMA IN BANKING EXAMINATION**

**SUBJECT: LAW OF CREDIT AND SECURITY (IOBM – AD315)**

**Date: Sunday, 16th November 2014**

**Time Allocated: 3 hours (13:30- 16:30 hours)**

**INSTRUCTIONS TO CANDIDATES**

1 This paper consists of **TWO** Sections, A and B.

2 Section A consists of 4 questions, each question carries 15 marks.

Answer **ALL** questions.

3 Section B consists of 4 questions, each question carries 20 marks. Answer **ANY TWO** questions.

4 You will be allowed **10 minutes** to go through the paper before the start of the examination, you may write on this paper but not in the answer book.

5 Begin each answer on a new page.

6 **Please write your examination number on each answer book used. Answer books without examination numbers will not be marked.**

7 All persons writing examinations without payment will risk expulsion from the Institute.

8 If you are caught cheating, you will be automatically disqualified in all subjects seated this semester.

9 DO NOT open this question paper until instructed to do so.

**SECTION A (60 MARKS)**

Answer **ALL** questions from this section.

**QUESTION 1**

Explain any **five** characteristics of a clean bill of lading.

**(Total 15 marks)**

**QUESTION 2**

The Head of Credit at ISCO bank has provided a check list to the members of his department. At the top of the checklist there is a statement in capital letters and bold to the following effect: ‘**ALL CREDIT FACILITIES MUST HAVE SECURITY.’** Explain the purpose of security to a bank as a lender.

**(Total 15 marks)**

**QUESTION 3**

Van Bosco has acquired a consignment of building materials from China under a CIF contract. Advise Van Bosco on any **five** duties that he has as a buyer.

**(Total 15 marks)**

**QUESTION 4**

1. Mention any **five** specialist registers for registration of security. *(5 marks)*
2. Briefly compare and contrast a fixed charge and a floating charge. *(10 marks)*

**(Total 15 marks)**

**SECTION B (40 MARKS)**

Answer **ANY TWO** questions from this section

**QUESTION 5**

Explain the following:

1. Joint and several guarantees. *(10 marks)*
2. Montoya Limited was a guarantor to Zurutuza Investments in the sum of K18 million that was advanced to the latter by Rodondo Bank. Zurutuza Investments defaulted on the payments and Rodondo Bank enforced the guarantee and recovered the funds from Montoya Limited. Advise Montoya on its legal rights and the way forward. *(10 marks)*

**(Total 20 marks)**

**QUESTION 6**

1. Explain the following terms in relation to a floating charge:
2. Crystallization of a floating charge. *(5 marks)*
3. Effect of a winding up order (Liquidation) of a company on a floating charge. *(5 marks)*
4. United Bank advanced MK10 million credit facility to Zako Nzanga Bus Company. The facility was secured by a floating charge (debenture) over any and all assets of Zako Nzanga Bus Company. Upon default, the bank issued a demand notice and repossessed one of the buses. Advise United Bank on the consequences of these events. *(10 marks)*

**(Total 20 marks)**

**QUESTION 7**

Explain the relevance of perfection of a security interest.

**(Total 20 marks)**

**QUESTION 8**

‘Receivables can be mortgaged either by novation or by assignment’. Compare and contrast mortgage by novation and mortgage by assignment.

**(Total 20 marks)**

**END OF THE EXAMINATION PAPER**