REPUBLIC OF KENYA

LEARNING GUIDE

FOR

BANKING AND FINANCE

LEVEL 6

TVET CDACC
P.O BOX 15745-00100
NAIROBI

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Council Secretary/CEO
TVET Curriculum Development, Assessment and Certification Council
P.O. Box, 15745

FOREWORD

PREFACE

Kenya Vision 2030 is anticipated to transform the country into a newly industrializing;

ACKNOWLEDGEMENT

This learning guide has been designed to support and enhance uniformity, standardization and coherence in implementing TVET Competency Based Education and training in Kenya. In developing the learning guide, significant involvement and support was received from various organizations.

I recognize with appreciation the critical role of the participants drawn from technical training institutes, universities, private sector and consultants in ensuring that this learning guide is in-line with the competencies required by the industry as stipulated in the occupational standards and curriculum. I also thank all stakeholders in the banking and finance sector for their valuable input and all those who participated in the process of developing this learning guide.

I am convinced that this learning guide will go a long way in ensuring that workers in banking and finance sector acquire competencies that will enable them to perform their work more efficiently and make them enjoy competitive advantage in the world of work.

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ACRONYMS

AML Anti-Money Laundry
APR Annual Percentage Rate
ARM Adjustable Rate Mortgages
BC Banking and finance
BG Background
CBET Competency Based Education and Training
CDACC Curriculum Development, Assessment and Certification Council
CDD Customer Due Diligence CFO
Chief Financial Officer
CIP Customer Identification Program
CPA Canadian Payment Association
CR Core Unit
CRB Credit Reference Bureau
CU Curriculum
DACUM Developing a Curriculum
FIU Finance Intelligence Units
KRA Kenya Revenue Authority
KYC Know Your Customer LEBR
London Euro Bond Rate
LER London Euro rate
LIBOR London Interbank Offered Rate
LLBR London Long-term Bond Rate
MOU Memorandum of Understanding
NOPAT Net Operating Profit after Taxes
NPS Net promoter score
NSF Not Sufficient Fund
OS Occupational Standards
OSHA Occupation Safety and Health Act
OSHS Occupation Safety and Health Standards
POS Point of Sale PRC Proceeds
Realization Certificate
SLA Service Level Agreement
SOPs Standard Operating Procedures
SWOT Strengths, Weaknesses, Opportunities and Threats
TVET Technical and Vocational Education and Training
WACC Weighted Average Cost of Capital
ZBA Zero Balance Account
CAR Capital Adequacy Ratio
SAP Systems Applications and Products

CHAPTER 1: INTRODUCTION

1.1. Background Information

This learning guide has been developed in line with the functions of TVET CDACC as stipulated in Article 45 (1a) of the Technical and Vocational Education and Training (TVET) Act No. 29 of 2013 and the Sessional Paper No. 2 of 2015 that embraces Competency Based Education and Training (CBET) system. It is, therefore, the sole intent of this document to provide guidelines for a Competency-Based banking and finance curriculum for level 6.

Banking and finance Level 6 qualification consists of competencies that an individual must achieve to enable him/her to manage cash, balance cash drawers, keep detailed records oversee daily cash deposits and verify amounts to maintain accurate records of reserves and cash deposits. It also ameliorate the information problems between investors and borrowers by monitoring the latter and ensure a proper use of the depositors' funds, provide intertemporal smoothing of risk that cannot be diversified at a given point in time as well as insurance to depositors against unexpected consumption shocks, contribute to the growth of the economy, and perform an important role in corporate governance. This learning guide consists of interactive learning activities, content, further reading, self assessment, relevant and related references that enhance implemention of banking and finance Level 6 qualification. It enables the trainee to acquire the competencies that enables him/her to undertake the various processes in banking and finance. The Guide further provides illustrations, web links, case studies, examples and resources on how to implement all the learning outcomes/elements described in the Curriculum and Occupational Standards with a particular focus on the trainee.

1.2. The Purpose of Developing the Learning Guide

Banking and finance Level 6 curriculum development process was initiated using the DACUM methodology where jobs/occupations were identified. Further, job analysis charts and occupational standards were generated in collaboration with the industry players under the guidance of TVET CDACC (Curriculum Development Assessment and Certification Council). The result of the process was banking and finance Level 6 Occupational Standard (OS) and Curriculum. The Curriculum was further broken down into units of learning. To effectively implement banking and finance Level 6 Occupational standard and Curriculum, learning guides are required to provide training content, guide the learners and trainers on the learning process aimed at imparting the relevant knowledge, requisite skills and the right work behaviour/attitude to the industry. Learning guides are part of the training materials.

1.3. Layout of the Learning Guide

The learning guide is organized as per chapters. Chapter one presents the background information and purpose of developing the learninga guide. Each of the units of learning/unit of competency is presented as a chapter on its own. Each chapter presents the introduction of the unit of learning/unit of competency, performance standard and list of the learning outcome/elements in the occupational standards.

1.4. Learning Activities

For each learning outcome, the learning activities are presented by covering the

1.7. Core Units of Learning Summary of Core Units of Competencies

Table 1: Summary of Core Units of Competencies

Unit of Learning Code	Unit of Learning Title
BUS/CU/BF/CR/01/6/A	Credit Facilities
BUS/CU/BF/CR/02/6/A	Bank Products
BUS/CU/BF/CR/03/6/A	Credit Administration
BUS/CU/BF/CR/04/6/A	Credit Collateralization
BUS/CU/BF/CR/05/6/A	Customer Relationship
BUS/CU/BF/CR/06/6/A	Customer Service
BUS/CU/BF/CR/07/6/A	Tellering Service
BUS/CU/BF/CR/08/6/A	Back Office Management
BUS/CU/BF/CR/09/6/A	Electronic Banking
BUS/CU/BF/CR/10/6/A	Bank Compliance

CHAPTER 2: CREDIT FACILITIES

2.1 Introduction of the Unit of Learning/Unit of Competency

Credit facilities is a unit of competency covered in TVET level 6 banking and finance course qualification. This unit specifies the competencies required to process credit facilities. It involves conducting customer screening, advising client on credit, conducting security perfection, conducting credit appraisal, facilitating valuation of security and communicating credit decision. The significance of credit facilities to TVET level 6 banking and finance curriculum is to equip the learner with knowledge and skills to demonstrate accuracy, numeracy and communication skills, teamwork and self-management so as to fit well in the world of work.

The critical aspect of competency to be covered include: demonstrated ability to conduct customer screening and customer search, obtain consent of using security and credit administartion approval, value the credit security, carry out joint registration and obtain approval to disburse. Basic resources required include; scanners, computers credit application forms, stationery, printer, internet connectivity, furniture and electricity.

The unit of competency covers 6 learning outcomes. Each of the learning outcome presents; learning activities that covers performance criteria statements creating trainees an opportunity to demonstrate competecies stipulated in the occupational standards and content in curriculum. Information sheet provides; definition of key terms, content and illustration to guide in training. The competency may be assessed through written test, demonstration, practical assignment, interview/oral questioning and case study. Self assessment is provided at the end of each learning outcome. Holistic assessment with other units relevant to the industry sector workplace and job role is recommended.

2.2 Performance Standard

Conduct customer screening, credits, valuation of security, credit appraisal and credit decision as per the KYC policy and customers need.

2.3 Learning Outcomes

2.3.1 List of Learning Outcomes

a. Conduct customer screening
b. Advise client on credit
c. Conduct security/collateral perfection
d. Facilitate valuation of security
e. Conduct credit appraisal
f. Communicate credit decision

2.3.2 Learning Outcome No 1: Conduct Customer Screening

2.3.2.1 Learning Activities

Learning Outcome No 1: Conduct Customer Screening **Learning Activities**	**Special Instructions**
1.1 Obtain ***customer details (***name, age, marital status, physical address, contact, nature of work) as per KYC policy 1.2 Identify purpose of the credit as per the customer needs 1.3 Request amount of credit is established as per customer needs	Written assessment Group discussion

2.3.2.2 Information Sheet No2 /LO1: Conduct Customer Needs

Introduction

This learning outcome covers: customer screening, KYC process, importance of KYC, customer needs, purpose of credit, classifications of credit, steps in customer screening and identification of customer needs.

Definition of key terms

Customer screening: It is the process of performing a search to get information on certain clients due to diligence.

KYC: It is the process of searching information. This is mostly done by banks.

Customer needs: These are the things a customer wants or expects in a product or service.

Content/Procedures/Methods/Illustrations

1.1 Customer details are obtained as per KYC policy

Customer Due Diligence (CDD): This ensures that an organization is protected from terrorists, criminals who might bring about risk. CDD has three levels. They include:

Elements/components of KYC screening

Classification of credit

Figure 1: Classification of credit

Credit classification is discussed as follows:

1.2 Purpose of the credit is identified as per the customer needs

Identification of customer needs

There are crucial things a customer need. They include:

2. Which one of the following is not true about KYC?
   a. It is known as Know Your Customer
   b. Its importance is to reduce business risks
   c. It is a control scale
   d. All of the above
   e. None of the above
3. Customer need is the process of screening.
   a. True
   b. False
   c. Not sure
4. Which of the following is a verification check?
   a. Address
   b. Identity
   c. All of the above
5. Which of the following is not a customer need?
   a. Fair prices
   b. Good services
   c. Good life
6. Classify the different categories of customer needs.
7. Analyse five customer needs.
8. Evaluate the steps used for customer screening.
9. Identify five elements of KYC screening.
10. Highlight and examine importance of KYC screening.

Oral Assessment

1. What does KYC stand for?
2. What is a customer want?

Practical Assessment

In a group of five students, select a bank of choice in your area or school, learn on how the customer screening is done and get to elaborate all the importance of customer screening.

2.3.2.4 Tools, Equipment, Supplies and Materials

2.3.2.5 References

Dehoitte & Touché. (2001*). Twelve White Paper on Issues in Education Finance*

Gauthier, S. J. (2001). *Government Accounting, Authority & Financial Reporting. Government Finance Officer Association.* ISBN

2.3.3 Learning Outcome No 2: Advise Client on Credit

2.3.3.1 Learning Activities

Learning Outcome No 2: Advise Client on Credit

Learning Activities	**Special Instructions**
2.1 Inform customers on the repercussion of non-disclosure of information as per credit policy 2.2 Inform customers on credit repayment amount as per credit policy 2.3 Inform customers on credit repayment period as per credit policy 2.4 Inform customers on credit repayment date as per credit policy 2.5 Inform customers on interest rates and other costs as per credit policy	Oral assessment Lectures Presentation

2.3.3.2 Information Sheet No2/LO2: Advise Client on Credit

Introduction

This learning outcome covers: Categories of bank customer credit, types of credits offered by financial institutions, requirements for credit application, process of credit application, pros and cons and terms and conditions of credit.

Definition of Key Terms

Credit application: This is a contract between a customer/client and a bank for a request extension of credit. This request can be done orally or in a written form.

Credit: This is a contractual agreement in which a borrower receives something of value now and agrees to repay the lender at a later date with interest.

Interest rate: It is the amount of interest due per period. It is the rate at which the bank or other financial institutions charges their clients to take its credit.

Credit Policy: It is the set of principles on the basis of which it determines who it will lend money to or give its credit.

Content/Procedures/Methods/Illustrations

2.1 Customers are informed on the repercussion of non-disclosure of information as per credit policy

Bank customer is a person who buys goods or services from a bank. They can be categorized as follows;

Categories of bank customers

iv. The credit provider will assess the report and decide whether the application is risk free and if it should be accepted or declined.

v. When the provider decides to grant the client credit, the credit provider will be used in order to determine the interest rate the consumer qualifies for and the deposit that needs to be put down in order to borrow the credit.

vi. The credit provider will notify the consumer of the terms of business.

Importance of informing customer on repercussions of non-disclosure of information

a. Equity gold card

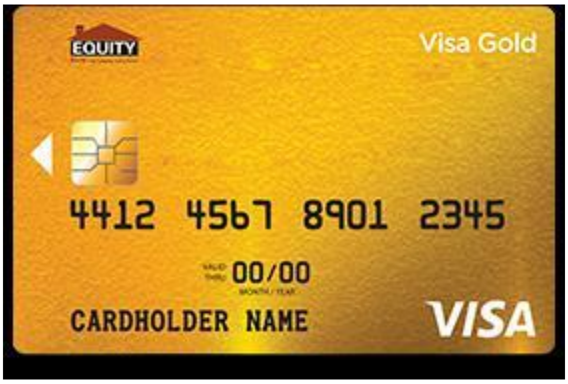

Figure 2: Equity Bank gold card
Source: businessdailyafrica.com

b. KCB platinum visa card

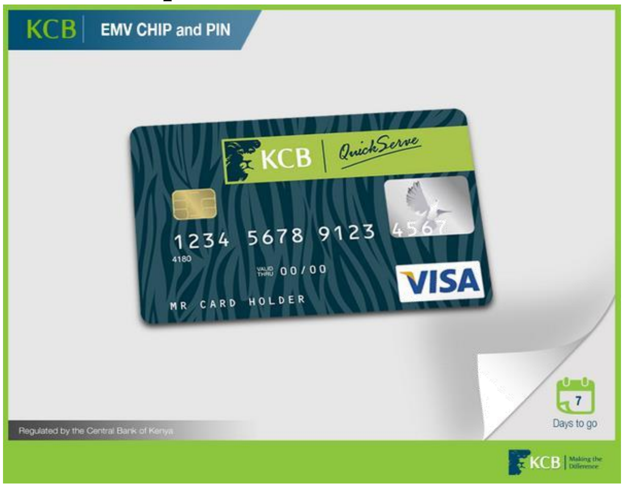

Figure 3: Platinum visa card. Ke
Source: kcbgroup.com

c. Standard chartered platinum card

Figure 4: Credit card.
Source: standard chartered. Sc.com

d. I &M visa infinite

Figure 5: I & M Bank
Source: imbank.com

e. Family bank visa card

Figure 6: Family bank credit card
Source: familybank.co.ke

f. Barclays signature visa card

Figure 7: Barclaycards credit card
Source: barclays.co.ke

g. **National bank visa card**

Figure 8: Visa classic national bank
Source: nationalbank.co.ke

h. **MPESA cards**

Figure 9: Mpesa visa card
Source: jamiiforums

2.3 Customers are informed on credit repayment period as per credit policy

Credit policy: It is a set of principles on the basis of each as it determines who it will lend money. The credit repayment period is determined by the customers but the bank itself has also limitations to time but depends on which type of credit one has taken. Monthly payments are often calculated based on the length duration your loan and the interest rate e.g. A credit given of Ksh. 100,000 paid with 10% interest rate for 1 year will have different monthly payments from one given Ksh. 100,000 12% interest rate for 2 years.

Information is passed to the client through Emails, phone calls, in person meetings and official letters.

Credit repayment period

Further Reading

1. Read more on credit facility from Consumer credit Act 2006

2.3.3.3 Self-Assessment

Written Assessment

1. A loan backed by collateral is called a?
    a. Line of credit
    b. Dividend
    c. Secured loan
    d. Trade credit
2. Under COD terms the seller?
    a. Extends credit to the buyer on open account
    b. Extends credit to the buyer subject to bank approval
    c. Requires the buyer to make partial payment at fixed intervals
    d. Bears the risk of the buyers refusing the goods shipped
3. The government requires that the lender provide you with information on this rate
    a. The prime rate
    b. The national contract rates
    c. The discount rates
    d. The annual percentage rates
4. Which one of the following was not added as a category of exempt agreement by the Consumer Credit Act 2006?
    a. Business
    b. Charities
    c. High net worth debtors and hirers
    d. Investment properties
5. What is the interest rate that world class banks in London pay each other for Euro dollars?
    a. London Interbank offered rate (LIBOR)
    b. London Long-term bond rate (LLBR)
    c. London Euro rate (LER)
    d. London Euro bond rate (LEBR)

6. The interest rate used as an index in calculating rate changes to adjustable rate mortgages (ARM) and other variables rate short term loans is known as the
   a. Federal Fund rates
   b. Index Rate
   c. Margin Rate
   d. Prime Rate
7. Which of the following terms best applies to the short-term interest rate charged by banks to large credit worth customers?
   a. Discount basis interest rate
   b. Long term bond rate
   c. Prime rate
   d. Fed funds rate
8. Interpret credit policy
9. Classify and analyse five collaterals that are acceptable by a bank.
10. Discuss on non-disclosure agreement and evaluate its importance.
11. Classify ways in which a bank informs or communicates to a customer.
12. Elaborate the key factors that determines

2.3.3.5 References

Agarwal. S, Charm, sengpel. S.S & Wang. S.Q (2016) is secured Lending Secure? Evidence from small businesses

Ducla, A. D (2017). Mortgage as a collateral of bank claims. Doctoral dissertation, Zaarkled Prawa

Knight, l. G., & Knight, R, A. (2000). Counselling clients on credit. Journal of Accountancy, 189(2), 61.

2.3.4 Learning Outcome No 3: Conduct security/collateral perfection.

2.3.4.1 Learning Activities

Learning Outcome No 3: Conduct security/collateral perfection

Learning Activities	**Special Instructions**
3.1 Identify security as per bank policy 3.2 Ascertain acceptability of the security as per bank policy 3.3 Establish sufficiency of the security as per bank policy 3.4 Create legal documentation on the security as per bank policy 3.5 Conduct security visit as per bank policy 3.6 Verify ownership of the security as per bank policy Existence of *encumbrances* (Caveat Joint ownership) 3.7 Establish legality of ownership as per bank policy	Oral assessment Written assessment

2.3.4.2 Information Sheet No2/LO3: Conduct security/collateral perfection

Introduction

This learning outcome covers; collateral, acceptability of security, sufficiency of security, legal documentation, security visit, ownership of the security and legality of ownership.

Definition of key terms

Collateral: This is pledge of the borrower on a particular property to the lending firm in securing loan repayment. It effectively serves as a protection for the loan thus in case of default, the property is liquidated to repay the loan.

Legal: In relation to the collateral, legal implies that property that can be permitted by law to pledge on a loan repayment.

Collateral perfection: It relates to an agreement between the lender and the borrower that lets the borrower possess the pledged property at the same time ensuring that no enforceable security interest that can arise regarding the property.

Content/Procedures/Methods/Illustrations

3.1 Security are identified as per bank policy

With the revised loaning policies by the Central Bank of Kenya, any loan taken from a bank must have collateral to it. This is to ensure that the loan is secured to avoid high chances of non-performing loans in banks. Therefore, collaterals should be identified and attached on the loan applied for to complete loan application and issuance as per the bank policy.

Methods of valuing a security

Procedures for acceptability

i. **Pledging of the property:** When and individual wants a loan from the bank, they state the property to be used in securing that loan in the whole repayment period.

ii. **Securing valuation:** When the property meets the required features that a security should have, valuers do their noble thing of determining the property worth.

iii. **Comparison of details:** Once the property worth has been ascertained the details are compared with the loan details to determine whether the property is worth securing the loan.

iv. **Security acceptance:** When all the conditions have been met the property is approved with the loan details to determine whether the property is worth securing the loan.

Types of collateral

3.4 Legal documentation on the security is created as per bank policy

Security documentation deals with capturing of security details in a manner permitted by the law to avoid any issues of interest conflict. Legal documentation follows due process of validation and capturing of details as they are regarding the security.

Legal aspects of collateral

3.6 Ownership of the security is verified as per bank policy

Verification of ownership of a security is very important as it helps the bank to ascertain that the security belongs to the party seeking a loan. Therefore, the verification process is very simple as it requires presentation of proof of ownership examples being logbooks for cars, title deeds for land, receipts for items purchased. This ownership is verified by checking the originality of the documents presented and then approval of the documents.

3.7 Legality of ownership is established as per bank policy

Legality of ownership is centered on whether the property to be pledged is rightly acquired by loanee and can be used by the loanee as a security. To show legal ownership, the loanee must present proof of ownership and also ensure that the property is constitutionally permitted to be owned. The legality of ownership should also be shown by showing that the right process was followed in acquiring the property and that the property is directly ascribed to the party intending to request for a loan.

Conclusion

This learning outcome covered; collateral, acceptability of security, sufficiency of security, legal documentation, security visit, ownership of the security and legality of ownership.

Further Reading

1. Read on Legality of ownership contained in the following article: Steinberg, A. B. (2008). For sale-One level 5 barbarian for 94, 800 Won: The International effects of virtual property and the legality of

2. Which of the following is not a feature for security?
    a. Identification
    b. Value stability
    c. Durability
    d. Tangibility
3. Which of the following is not a type of collateral?
    a. Cash collateral
    b. Real estate
    c. Copyright collateral
    d. Inventory collateral
4. Which of the following is not an importance of collateral?
    a. Collateral owners can sell
    b. High payment profitability
    c. Increase of bank assets
    d. Profits for the bank
5. Which one is not a legal aspect of collateral?
    a. Financial legislation
    b. Form of the property
    c. Financial solvency
    d. Monetary value
6. Which one is not a method of perfecting various types of collaterals?
    a. Market value method
    b. Value exchange method
    c. Security agreement method
    d. Debtors rights method
7. Analyse the word collateral.
8. Classify procedure for collateral acceptability.
9. Elaborate on invoice collateral.
10. Demonstrate the importance of collateral to the borrower.
11. Plan ways of perfecting collateral.

Oral Assessment

1. Name the examples of documents that show legal ownership of a collateral.
2. Name examples of illegal collaterals.

Practical Assessment

In a group of five students visit a local lending firm and examine some loan collaterals in possession with the firm. Learn and compose a report on the features of such collaterals.

2.3.4.4 Tools, Equipment, Supplies and Materials

2.3.5 Learning Outcome No 4: Conduct Credit Appraisal

2.3.5.1 Learning Activities

Learning Outcome No 4: Conduct credit appraisal .

Learning Activities	**Special Instructions**
4.1 Ascertain customer ability to pay as per bank policy 4.2 Ascertain customer risk profile as per bank credit policy 4.3 Establish purpose of credit facility as per bank policy	Written assessment Illustration

2.3.5.2 Information Sheet No2/LO4: Conduct Credit Appraisal

Introduction

This learning outcome covers: Principles of lending, preparation of financial position, income statement, cash flow statement, cash flow projection, ratio analysis.

Definition of key terms

Financial statements: They are also known as financial records. They provide a clear picture of financial activities and performance of business.

Ratio analysis: It is a calculation done using financial statements items to establish financial performance of a business. It can be profitability analysis, liquidity analysis and debt analysis.

Bank policy: These are the procedures established by individual banks which are part

ii. Bank should establish the existing debt level of the customer which may also include the customer listing their current liabilities.
iii. Bank should proceed to request the credit history of the customer from the Credit Reference Bureau (CRB).
iv. Bank should carry out a debt to income ratio where the debt to income ratio is high, then the customer has a high possibility of default.
v. Bank should also consider the value of collateral that the customer is willing to provide as security for the loan. If the asset is of high value; then the customer will ensure a repayment to avoid auctioning his/her asset.
vi. The bank should also establish the importance/purpose of the loan. This should answer the question such as why is the customer requesting a loan.
vii. The bank should finally follow up to ensure that the customer uses the loan for the reasons the customer stated on loan application form.

Based on the procedures above, the bank will make a reasonable decision whether the customer has the ability to pay.

The bank must also put into consideration the principles of lending

The main business of a bank rather than taking deposits is issuance of loans. The following principles of lending are applied by banks to ensure that its operations remain afloat.

Procedure of ascertaining customer risk profile

i. **Establish risk categories:** The bank should come up with different categories of risk. This may be variant from different bank but should be within the CBK regulation e.g. standard/ normal risk and higher risk.

ii. **Establish high risk indicators:** These are factors that the bank will use as bases to determine a high-risk customer profile. For business, the bank should analyze the financial statements e.g. nature of business.

iii. **Relevance:** Ensure that the risk indicators are relevant to the bank clientele.

Analysis of customer risk profile

The bank should use various financial statements to analyze the risk level of a customer/ business.

Preparation of statement of financial position

The bank can use various financial statements to analyze the risk level of a customer/ business. In such cases, the bank can analyze to see the source of financing the business uses. If it has a high long-term debt financing then it can be categorized as high risk.

Table 3: Sample of financial statements

ABC Ltd

Statement of financial position

As at 31st Dec 2019

Fixed Assets	Sh	
Property, plant and equipment	XXX	
Premises	XXX	
Vehicles	XXX	XXX
Current Assets Inventory	XXX	
Trade receivables	XXX	XXX
Total assets		XXX
Non- current liabilities Bank loan (5 years)		XXX
Current liabilities		XXX
Trade payable		XXX XXX
Accruals		
XXX Financed by		
XXX Common stock		
Total liabilities and equity		

a. Income statement

Through the analysis of the income statement, the bank can establish the sources of revenue and carry out different analysis e.g. profitability analysis to see a trend of performance of the organization over time. If by comparing income statements of different periods the organizations profits have declined substantially, then it will be a red flag on issuance of another loan.

Table 4: Statement of comprehensive income

XYZ Ltd

Income statement

For the year ended 31st December

Revenue	**Ksh**	**Ksh**
Sales		XXX
Less: Expenses	XXX	
Cost of goods sold		
Depreciation expense	XXX	
Wage expense	XXX	
Interest expense	XXX	
Net income (profit)	XXX	XXX

b) Cash flow statement

This is also known as statement of cash flows. It shows how any change in items of the statement of financial position and income statement affect cash and cash equivalents. Cash flow statement shows effect on cash flow from operation, cash flow from financing and cash flow from investment. Net cash flow results from deducting cash flow financing and investment cash flow from operations. If the net cash flow is negative then it means that the company is not well financing its operations.

Table 5: Statement of the cash flows

ABC Ltd Cash flow statement For the year ended 31st Dec 2019 Operating activities	**Ksh**	**Ksh**
Sales receipts **Less:** **Payment for products**	XXX	
Payment for operation	XXX	
Taxes	XXX	
Net cash flows from operating activities		XXX
Investing activities **Purchase of machinery**	XXX	
Interest received	XXX	
Net cash flow from investing activities		XXX
Financing activities		
Short term debt		
Long term debt **Net cash flow from financing activities** **Net increase (decrease) in cash**		XXX
Cash at the beginning of the year		XXX
Cash at the year end of the year		XXX

Cash flow projection Procedure of preparing cash flow projection

i. Prepare sales forecast for the business.
ii. Add any other estimated cash inflow.
iii. Less any estimated cash outflow as expense.
iv. Result is the cash flow projection for the projection.

4.3 Purpose of credit facility is established as per bank policy credit facility

It is an agreement between the bank and the customer to allow the customer to borrow specific amount for different purpose for a particular period of time.

Purpose of credit facility:

Bank credit enables large scale production of goods and services because the corporate has enough funds to facilitate its business.

Further reading

1. Read on ratio analysis contained in the publication by Nassim,D., & Penman, S. H. (2001). Ratio analysis and equity valuation: From research to practice. *Review of accounting studies*, 6(1), 109-154.
2. Read more on cash flow projection based on the publication by Friend, E.H., & McCroy, R. T (1998). US. Patent No. 5,774,881. Washington, DC: U.S. Patent and Trademark office.

2.3.5.3 Self-Assessment

Written Assessment

1. Which one of the following is not a profitability ratio?
    a. Gross profit margin
    b. Net profit margin
    c. Quick ratio
    d. Return on equity ratio
2. Which among the following is not a financial statement?
    4. Changes in equity
    5. Cash flow projection
    6. Statement of financial position
    7. Statement of comprehensive income
3. Which among the following is an efficiency ratio?
    a. Quick ratio
    b. Asset turnover
    c. Current ratio
    d. Cash ratio
4. Which among the following is not true among importance of credit facility?
    a. For financing new ventures
    b. For financing old business operations
    c. For production in large scale
    d. None of the above
5. What is the correct answer among the following principles of lending?
    a. Repayment period
    b. Risk categories
    c. High risk indicators
    d. Relevance

6. Which among the following is not part of financial position statement items?
    a. Profit
    b. Capital
    c. Asset
    d. Creditors
7. Which among the following statement is not true?
    a. Bank will establish current income of the customer during establishing ability to pay
    b. Bank should not consider the value of collateral during lending
    c. Bank should follow up on the way the loan is being used
    d. Bank should carry out debt to income analysis during lending
8. Prepare the producers of ascertaining customer ability to pay.
9. Categorize the different principles of lending.
10. Analyse the procedure of ascertaining customer risk profile.
11. Compose the importance of liquidity ratios.
12. Demonstrate why a company should conduct ratio analysis during credit appraisal.

Oral Assessment

1. What is bank policy
2. Why is bank policy important?

Practical Assessment

In a group of at least three; predict the financial performance of the XYZ Company from the statement of financial position provided below: Concentrate on liquidity, profitability and efficiency ratios.

Table 6. Statement of financial position

XYZ Ltd

Statement of financial position

As at 31st December

	2013	**2014**	**2015**
Fixed assets			

2.3.5.5 References

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2.3.6 Learning Outcome No 5: Facilitate Valuation of Security

2.3.6.1 Learning Activities

Learning Outcome No 5: Facilitate valuation of security Learning Activities	Special Instructions
5.1 Appoint security valuer as per bank requirements 5.2 Obtain details of the security as per the location of the security 5.3 Prepare valuation report as per valuer information 5.4 Filed valuation report as per banking procedures 5.5 Make amendments on credit as per the valuation report	Group discussions Case study

2.3.6.2 Information Sheet No2 /LO5: Facilitate Valuation of Security

Introduction

This learning outcome covers: Valuations, types of valuation, categories of valuation, requirement for valuation, importance of valuation, and role of valuer, valuation report, and parties involved in valuation of a collateral, various methods/approaches of valuation.

Definition of key terms

Valuation: This is the process of establishing the market value of a company or asset.

Valuer: Refers to an individual who has been professionally trained and qualified to help establishing the worth/value of something (property).

Asset: This refers to a valuable item that is passed by an individual or an entity and is considered to hold economic value that would be beneficial in the future.

Content/Procedures/Methods/Illustrations

5.1 Security valuer is appointed as per bank requirements

Banks looks for experts experienced and qualified and registered valuers and property consultants e.g. Amazon valuers limited member whose role is similar code of have training and practiced monitoring processes equal to valuation, banks employees or use them as external property valuers.

Ways of appointing

The valuer is considered experts in the specific property asset class or location (rural, industrial, retail and commercial) and be qualified appropriately. This step ensures that valuations are given by experienced valuers with no influence from banks. They are appointed for example through a meeting. A security is a financial instrument that is suitable to be bought or sold. A security valuer is termed as an individual that will help in determining the benefits and uncertainties that are associated with a security. The following are some of the importance of appointing security valuers.

Importance of appointing security valuers

Types of collateral

There are various types of collateral that an individual can use while borrowing, these are;

Process of filing valuation report

i. **Step 1:** First determine the purpose of the appraisal. Usually entails estimating of market value of the property such as other types of value including use value, value in use investment value, value in use, investment value, going concern, insurable value, assed value and failure.

ii. **Step 2:** Secondly, should know the function of appraisal, is the client looking to buy property or mortgage, do you need to file insurance claim for damages, and will you appeal for property taxes? By knowing the purpose and function of appraisal will ensure correct interpreted results and complete picture to whomever is receiving the valuation report when complete.

iii. **Step 3:** Thirdly, significant factor is the purpose of the property currently.

The steps of valuation process

i. Understand the purpose and function of your appraisal
ii. Comprehensive onsite inspection at your property.
iii. Collect data on your property
iv. Compose and submit your valuation report.

5.5 Amendments are made on credit as per the valuation report

The amendment proposes that the claims that the value adopted should not exceed the fair market value of the property as of the date of transfer. It is important to estimate the value of the asset planned to be invested upon, hence preparing valuation report includes;

Table 7. Sample of valuation report

Valuation and appraisal report

Property: CLINIC HOSPITAL

Tenure: freehold, held as an investment

Net internal area: 640 sqm

Gross external area: 740 sqm

User area: apartment

Tenancy: duke on assignment from g.k.c for a term of 10 years from 16 September 2010 on internal and external lease as 100,000 plus VAT at year monthly in advance on the 5th day of the month.

Rent reviews: ever quarter year the rent is updated to 50% of the install price variation index

Estimated market rent: 115,000 on similar terms

Estimated yields: initial yield 3.1 % (2010) ROA 3.4%. Annual debt service 8.5% equated yield 12 % (2014)

Valuation: 3, 400, 00(three million and four hundred thousand.

Ways of doing amendments

Where valuation roll has changed e.g. name has changed or changing of email address or where any error has been detected on notice printed from valuation roll information. National land agency must be advised. When claimed that name is incorrect on roll is incorrectly spelt national identification should be presented to prove claim and establish amendment. Request to change mailing address do not require supporting documents. The following are the main issues which will require changes to the valuation roll:

2.3.6.3 Self-Assessment

Written Assessment

1. What are roles of a valuer?
    a. To state the number of assets in a company
    b. To establish the true of a company
    c. To provide underwriting services
    d. To offer advice on investment matters
2. Which among the following is not a method of valuation?
    a. Comparable analysis
    b. Ratio analysis
    c. Precedent transaction.
    d. Discounted cash-flows
3. Who among the following is NOT a party collateral valuation?
    a. Borrowers
    b. Giver
    c. Valuer
    d. Underwriter
4. Which among the following are types of valuation?
    a. Pre-money valuation
    b. Post money collateral
    c. Post money valuation
    d. None of the above
5. Which of the following explains comparable analysis?
    a. Compare the value of the current and already sold out businesses
    b. Compare the business value to valuation report
    c. Compares the current value of business to other related business
    d. Establishes the true value of the asset
6. Which of the following terms explains the term valuation?
    a. Helps the company establish what to sell out
    b. Establish the true value of the asset
    c. Determine what to consider valuable in the company
    d. None of the above
7. Which among the following are categories of valuation?
    a. Absolute valuation
    b. Pre money valuation
    c. Post money valuation
    d. All the above
8. Elaborate the term valuation and discuss its importance.
9. Demonstrate the roles of a valuer.
10. Categorize valuation.

11. Differentiate five reasons why valuation is important.
12. Analyse the methods of valuation?

Oral Assessment

1. State the categories of valuation.
2. Identify the issues which will require changes to the valuation roll.

Case Study Assessment

In 2007 after general elections Kenya had economic crisis, which led to financial aid and control by World Bank, China and International Monetary Fund. The companies and stock exchange were generally affected leading to economic problems in the country. During this special period in history companies were analysed and compared on how they were evaluated in the market, to their fair value. The Kenyan company e.g. Jane Ngigi, director of the Kenya Flower Council announced less of 10 billion Kenya Shillings. Many companies made losses e.g. Standard, Business Sunday Nation, the East African Limited, among others. During that period, PTs valuation and its fair value found to be close to market price quoted. Hence recommendation to investors was to hold.

2.3.6.4 Tools, Equipment, Supplies and Materials

2.3.7 Learning Outcome No 6: Communicate Credit Decision

2.3.7.1 Learning Activities

Learning Outcome No 6: Communicate credit decision.	
Learning Activities	**Special Instructions**
6.1 Receive credit decision from approval authority as per standard operating procedure 6.2 Interpret credit decision as per standard operating procedure 6.3 Take ***action*** *(a*pproval, decline, security addition) as per standard operating procedure	Oral Assessments Group discussions

2.3.7.2 Information Sheet No2 /LO6: Communicate Credit Decision

Introduction

This learning outcome covers; types of credit decisions, channels of communication, importance of communicating credit decision.

Definition of key terms

Credit decisions: It is an expression of future payment for property transferred or of fulfillment or promises given.

Channel of communication: It refers to a physical transmission medium such as wire or logical connection over a channel.

Content/Procedures/Methods/Illustrations

6.1 Credit decision is received from approval authority as per standard operating procedure

Approval authority is the means an authority, government or otherwise that regulates credit decision. The following are some of the credit authority credit decisions.

Types of credit decisions

a. **Revolving credit:** You are given a maximum borrowing limit and you can make charges up to that limit. You have to make a minimum payment each month, but the amount you pay can be any portion of your outstanding charges up to the full amount.

b. **Charge credit:** It is commonly used by retailers for use exclusively in their

c. **Service credit:** Your contracts with service provider such as gas & electric
utilities, cable etc. all are credit agreement. The companies provide their services to you each month with the understanding that you will pay for them after the fact.

d. **Installment credits:** It is a loan for a specific sum of money you agree to repay plus interest and fees in a series of equal monthly installments over a set period of time.

6.2 Credit decision is interpreted as per standard operating procedure

Credit decision interpretation **:** It is referring to the process of understanding of the future payment for properties of promises given. These are commitments by someone or an organization to do or not do something with a fulfillment of not exposing.

Properties of the promises given

Channel of credit communication

2.3.7.3 Self-Assessment

Written Assessment

1. Credit decision is the expectation of future payment for property transferred.
    a. False
    b. True
    c. Not sure
2. Which one of the following is a type of credit decisions?
    a. Service credit
    b. Charge credit
    c. Revolving credit
    d. ALL of the above
3.

2.3.7.4 Tools, Equipment, Supplies and Materials

CHAPTER 3: BANK PRODUCTS

3.1 Introduction of the Unit of Learning/Unit of Competency

Bank products is a unit of competency offered in TVET level 6 banking and finance course qualification. This unit specifies the competencies required to market bank products. It involves identifying potential customer, identifying customer need and closing the sale. The significance of market bank product marketing to TVET level 6 banking and finance curriculum is to equip learner with knowledge and skills to demonstrate cash handling, bank product, market niche, business competitors, critical thinking, communication, negotiation, persuading and selling so as to fit well in the world of work.

The critical aspects of competency to be covered include demonstrated ability to identify potential customer, need and close the sale. The basic resources required include: stationery, internet connectivity, transport facility, communication gadget and computers.

The unit of competency covers 3 learning outcomes. Each of the learning outcome presents learning activities that covers performance criteria statements creating trainees an opportunity to demonstrate competecies stipulated in the occupational standards and content in curriculum. Information sheet provides; definition of key terms, content and illustration to guide in training. The competency may be assessed through written test, demonstration, practical assignment, interview/oral questioning and case study. Self assessment is provided at the end of each learning outcome. Holistic assessment with other units relevant to the industry sector workplace and job role is recommended.

3.2 Performance Standard

Potential customer need and close sale as per the bank policy and the organizational procedures.

3.3 Learning Outcomes

3.3.1 List of Learning Outcomes

a. Identify potential customer
b. Identify customer need
c. Close the sale

3.3.2 Learning Outcome No 1: Identify potential customer

3.3.2.1 Learning Activities

Learning Outcome No 1: Identify potential customer

Learning Activities	Special Instructions
1.1 Perform data mining as per bank details 1.2 Identify referrals as per organizational procedures 1.3 Visit new customer as per banking policy 1.4 Conduct cold calls as per banking policy	Project Practice by trainee Direct instruction Discussions On job training

3.3.2.2 Information Sheet No3/LO1: Identify potential customer

Introduction

This learning outcome covers; the grooming etiquette, the nature and the type of customer, market niche, selling techniques, referral actualization and cross selling.

Definition of key terms

Grooming etiquette: This refers to the proper code to dressing and the general appearance in reference to the social settings

Customers: This refers to any person who is willing and is able to purchase a given product /service at a given stipulated period of time.

Cold calls : These are methods in which organizations contact individuals who have expressed no interest in a given commodity/service to enlighten them on existence of such.

Content/Procedures/Methods/Illustrations

1.1 Data mining is performed as per bank details

Data mining is the process of extracting information from large sets of any raw data. The banks will adopt this method to gather information and use it to identify the patterns and association in order to identify the potential customers, fraud activities and the trends.

The data mining process

i. **Data selection:** Data is identified from various data sources such as historical database, data warehouse. The data is then read for analysis

ii. **Data pre-processing:** This process involves data cleaning and integration

iii. **Data cleaning:** Under this stage, all the irrelevant data and the data that is not consistent is removed from the selected data.

iv. **Data mining:** In this stage various data mining techniques are derived in order to extract the data patterns

v. **Patterns evaluation:** The patterns that were identified in (iv) above are evaluated and meaning is derived from them

vi. **Knowledge presentation:** The presentation techniques are employed to present the mined information to users

Data mining techniques

The data mining techniques could be divided to the various means:

Types of clustering methods

iv.

5. Why would an organization communicate to their customer?
    a. To ensure customer needs have been met
    b. To gather information and identify new product opportunities
    c. To give them information and convince them to buy and establish a competitive advantage in relation to products and services
    d. To collect detailed information as basis for upgrading and developing product and services.
6. The following are considerations for internal customer analysis. Which one is not?
    a. Assumptions of the customer needs and a careful validation
    b. The importance to communicate with customers in order to inform them of the kinds of product and services
    c. The need to be sensitive to important national differences
    d. Needs to identify the similarity other than the differences between nations
7. What happens when customer needs are met?
    a. Relationships are built
    b. A rapport is established
    c. Loyal customers are created
    d. All of the above
8. Examine the different data mining techniques.
9. Discuss the following terms:
    a. Cold calls
    b. Data mining
    c. Consumers
10. Categorise the areas a banker would employ the data mining techniques.
11. Highlight and explain the importance of data mining.
12. Elaborate the process bankers would use to register new customers.

Oral Assessment

1. How would you identify a potential customer?
2. How would an organization gain new entry to the market?

Practical Assessment

You are a sales manager at a firm and you have decided to use the cold calls method to promote your products and services. Perform cold call questions that could be used during this process.

3.3.2.4 Tools, Equipment, Supplies and Materials

3.3.2.5 References

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3.3.3 Learning Outcome No 2: Identify customer needs

3.3.3.1 Learning Activities

Learning Outcome No 2: Identify customer needs Learning Activities	Special Instructions
2.1 Identify customer banking products as per customer details 2.2 Establish customer business industry as per customer details 2.3 Establish *Customer social status* as per banking policy 2.4 Identify customer product gap as per customer details	Illustrations Written Assessments

3.3.3.2 Information Sheet No3/LO2: Identify customer needs

Introduction

This learning outcome covers; bank service delivery by offering products that address customer needs after identification of customer needs, bank products both funded and non-funded, types of customer needs, the importance of identifying customer needs, pros and cons of different products and matching customer needs with the products that the bank offers.

Definition of key terms

Customer business industry: Business customers refer to the individuals that purchase goods and services from an organization or business entity. Customer business industry therefore denotes to the field of business which is focused to offering majorly services to the consumers (customers) at a fee.

Customer social status: Society attaches value to people. Therefore customer social status refers to the relative value or rank that has been attached to an individual who is an organizational buyer.

Customer product gap:

Content/Procedures/Methods/Illustrations

2.1 Customer banking products are identified as per customer details

Banking products are the facilities and services that banks offer to the general public/customers in relation to the management of their cash and other cash arrangements. Such products include transactions and saving accounts, debit and credit cards, cheques, loans, mortgages among other products. There are two types of bank products which involve funded and non-funded bank products. Funded bank products are those facilities and services offered but the banks where real cash is provided to a bank customer such as a loan advancement. Non funded products on the other hand are facilities and services offered by the bank where there is only a commitment to pay the customer in the event of stated conditions such as bank guarantees or letters of credit.

Procedures

Identifying customer banking products is the preliminary and basic step towards identifying customer needs and meeting them. The following standard procedures apply:

i. **Conceptualizing of the products**

This involves having an idea of the facility o service that can be provided to the bank customer. Such an idea can stem from the customer demand, the banks internal sales forces or recommendation from third parties such as consultancy firms. The underlying bottom-line must be that the features of such a product must appeal to not only customers but also to the investors.

ii. Checking on the regulatory and legal requirements

In identifying products to offer to the customers, compliance to the set rules and regulations of the land must be considered and adhered to. This will ensure that facilities and services that can be approved by the authorities are produced and sold.

iii. Checking on the organizational operations

Key details in offering the products are considered at this stage to determine whether the bank as an organization has what it will require offering the product.

iv. Product organization

When the product has been identified, it is not complete until it is registered by the required legal bodies and given a patent to ensure that another bank or financial institution has no such product or will not start selling such a product in due process. Through checking with the registration, a bank can identify a product that is not in registration and the customers need such a product.

Methods

Procedures of establishing customer social status

i. **Background check of the customer:** Conducting a background check of the customer is important in helping to determine the net worth of the customer thus attribute him/her the appropriate social status as per the banking policy. Such kind of background check helps to determine the kind of business the customer does and the position they hold in the society which are important factors in determining their social status.

ii. **Analysis of the customer banking patterns:** The banking patterns of a customer refer to the deposits and withdrawals made by the customer across the customer accounts. When an analysis shows a consistent and bulk banking pattern as well as a bulky bank account balance, such a customer can be attributed to a high customer social status as per the banking policy which then calls for special handling of this customer.

iii. **Conduct KYC (Know Your Customer):** KYC covers the above procedures but other details such as education and occupation might not be revealed in the above procedures. KYC therefore will help capture the finer details of the customer such that an appropriate social status is attributed to them.

Methods of establishing customer social status

i. Subjective measurements methods

This method entails subjecting the customer to the basic standards to determining social status such as the amount of bank balances they have. When the details of the customer perfectly fit to the basic standards the appropriate corresponding status is attributed to that customer.

ii. Reputational measurements method

Despite the fact that reputation is largely applied in attributing social status in the society, banking also applies the method in attributing social status to customers such that we have VIP customers for appropriate handling and service.

iii. Objective measurement method

This refers to the unit measurement of the customer parameters in sizes but within an allowable margin of error. Therefore, the social status of the customer is attributed with assumptions and projections of the parameters considered.

2.4 Customer product gap is identified as per customer details

Customer products gap generally shows a dissatisfied customer due to un-met needs. When there is a gap it implies that the actual needs and expectations for the customer are higher than the needs met by the product. The customer is therefore left wanting more utility from the product.

Procedures of identifying customer product gap

i. **Comparison of current target state and actual achievement:** Organization use comparison to analyze the gap of a product by checking whether the actual target state for the product has been met. When there are deviations between the two states of product achievement then a gap is said to exist.

ii. **Conducting product reviews:** The customer can review and rate the banks product which will help the bank to have knowledge that the product has a problem and help the bank to address such a gap.

iii. **Continuous product evaluation:** Evaluating the product periodically will help to determine the finer gaps of the product that even the customers might not have noticed but if worked on will enhance the product quality. This assessment is done within the organization thus a self-assessment procedure.

iv. **Evaluating sales performance of the product:** A good product that effectively meets the customer needs is likely to sell greatly. Therefore evaluating the sales of the product will help to determine whether the product has a gap since low sales performance shows that a gap exists by the product not attracting customers to make high sales.

Methods of identifying customer product gap

3.3.3.3 Self-Assessment

Written Assessment

1. Which of the following is not a funded bank product?
    a. Loan from bank
    b. Bank overdraft
    c. Insurance policy
    d. Assets financing
2. Which of the following is not a non-funded bank product?
    a. Letter of credit
    b. Insurance policy
    c. Bank guarantee
    d. Bank loan
3. Which of the following is not a bank product?
    a. ATM card
    b. Debit card
    c. Bank Account
    d. Life Insurance policy
4. Which of the below parameters cannot be used to determine customers social status?
    a. Customer age
    b. Customer occupation
    c. Wealth of the customer
    d. Life assurance policy
5. Which of the following best explains customer products gap?
    a. Product gap is when needs of the customer have not been met
    b. It is when the product is not in the market
    c. It is when the product is in less quantities in the market
    d. It is when the product is in its middle phase of production
6. Which of the following is not a customer need?
    a. Getting a bank loan
    b. Accessing their bank account conveniently
    c. Getting the depositing services
    d. Opening a bank account for a third party
7. Interpret the importance of determining customer social status to banking.
8. Elaborate the importance of knowing your customer and his needs? Explain
9. Can customer needs be translated to bank products? Analyze
10. Investigate how customer society occupation affects customer status determination.

Oral Assessment

1. Are all customer needs measurable?
2. What happens when a product is not able to meet all the customer needs?

Practical Assessment

Identify one of the local banks near you and carry out a visit to that bank to determine the various needs of the customers, the various facilities and products they offer, how they perform customer social status and also determine the banks best-selling products. Create a report stating why such services market best for the local bank.

3.3.3.4 Tools, Equipment, Supplies and Materials

3.3.4 Learning Outcome No 3: Close to Sale

3.3.4.1 Learning Activities

Learning Outcome No 3: Close to Sale

Learning Activities	Special Instructions
3.1 Match customer need with product as per banking procedures	Oral assessment
3.2 Inform customer are informed on product options as per banking procedures	Discussions Written assessments
3.3 Advise customer on product needs as per banking procedures	
3.4 Document *sale* as per banking policy (account opening, credit application, debit cards, credit cards and mobile banking)	

3.3.4.2 Information Sheet No3/LO3: Close to Sale

Introduction

This learning outcome covers; negotiation, customer needs, bank products and service, persuasions and methods of persuasion, sale documentation process and negotiation skills.

Definition of key terms

Negotiation: It is the process by which an agreement is reached based on trade.

Persuasion: It is the process of convincing or being convinced by someone to agree or believe something.

Sale: It is the process of exchange of a commodity for money or the action of selling something.

Content/Procedures/Methods/Illustrations

3.1 Customer need are matched with product as per banking procedures

Banking procedure are guidelines that are used by banks to ensure that everything is done according to the policies. Customer needs are usually matched according to the bank product and services that a bank is capable of giving. For a credit facility to match customer need, there must be thorough background investigations and checks to verify whether that customer fits to be given credit or not.

Importance of matching customer need

Benefits of negotiation skills

Some basic bank products include;

Importance of documenting sales

Methods of closing sale

The close sale should be based on what you know about the prospect and the type of

close you believe they will be most open to. The following are methods of closing sale:

4. Which of the following is not a type of negotiation?
    a. Intersection
    b. Cheque
    c. All of the above
    d. None of the above
5. Which of the following is not a documentation stage?
    a. Monitor
    b. Gather information
    c. All of the above
    d. None of the above
6. Which one of the following is a method of closing sale?
    a. Option case
    b. Suggestion case
    c. Urgency close
    d. All of the above.
7. Classify five negotiation skills.
8. What are the meaning of the following terms;
    a. Sale
    b. Bank product
9. Predict ways on how negotiation should be done?
10. Analyse three methods of closing sale.

Oral Assessment

1. What is the meaning of the term closing sale?
2. What is a savings account?

Practical Assessment

In a group of five students, apply the types of bank products and visit a nearby bank

and take a look on how credit cards and ATMs look like; and how they are used and 78

3.3.4.5 References

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CHAPTER 4: CREDIT ADMINISTRATION

4.1 Introduction of the Unit of Learning/Unit of Competency

Credit administration is a unit of competency offered in TVET level 6 banking and finance course qualification. This unit specifies the competencies required to perform credit administration. It involves monitoring the credit repayment, analyzing periodic financials, conducting customer visit, preparing call report, collecting credit arrears, issuing demand letter and performing credit restructuring. The significance of perform credit adminitsration to TVET level 6 banking and finance curriculum, is to equip learners with knowledge and skills to demonstrate communicate, problem solving, dispute resolution organizational, self-management, analytical, interpersonal self-management organizational, credit policy, risk assessment, credit management sector, organizational policy, procedures and systems and norms and culture of different customers so as to fit well in the job place.

The Critical aspect of competency to be covered includes; demonstrated ability to monitor the credit repayment, financial analyses parameters, conducting customer visits, visit reports preparation, collecting credit arrears, issuance of demand letter and credit restructure captured in the system as per standard operating procedure. The Basic resources required include: computers, stationery, scanners, phones, internet connection and transportation.

The unit of competency cover seven learning outcomes. Each of the learning outcomes

presents; learning activities that covers performance criteria statements, thus creating

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4.3 Learning Outcomes

4.3.1 List of Learning Outcomes

a. Monitor the credit repayment
b. Analyse periodic financials
c. Conduct customer visit
d. Prepare call report
e. Collect credit arrears
f. Issue demand letter
g. Perform credit facility restructuring

4.3.2 Learning Outcome No 1: Monitor the Credit Repayment

4.3.2.1 Learning Activities

Learning Outcome No 1: Monitor the Credit Repayment

Learning Activities	Special Instructions
1.1. Retrieve credit repayment report as per credit policy	Group discussions
1.2. Review credit repayment report as per credit policy	
1.3. Take action as per credit repayment	Written assessments

4.3.2.2 Information Sheet No4/LO1: Monitor the Credit Repayment

Introduction

This learning outcome covers; credits, credit monitoring, importance of credit monitoring, methods of monitoring credit repayments and warning signs. It will also cover the impact of technology on credit systems. Understanding these impacts will greatly improve on evaluating and identifying potential customers or borrowers of credit, thus giving banks the guidelines rendered, and on loans to be amounts to various individuals and companies.

Definition of key terms

Demand letter: A request for money or resources owed through a letter stating a loyal claim which is allegedly due or in default.

Credit administrator: An individual responsible for analysing credit data and financial statements of potential customers or firms to determine the ability to pay back the principle and interest within the current laws in the industry.

Interest rate: It is the percentage of principle charged by the bank or other financial companies; or lender to a borrower for the use of its money whereby principle is the money given lent.

Credit standards: The guideline provided by company/ lender on how to determine if a potential customer is credit worthy.

Content/Procedures/Methods/Illustrations

1.1 Credit repayment report is retrieved as per credit policy

Usually credit report entails personal identifying information, a list of credit accounts

such as credit limit, type of account for example credit card, mortgage, car/ vehicle loan

e. Credit report should be requested any time clients are considering a major purchase that will require a loan, such as car loan, mortgage or home improving projects.

Credit control of both pre and post-sale of income is to ensure that it is timely recovered. It also entails the return of funds/ money through a given period of time which includes both principal and interests. Loans can be fully paid in lump sum at any time, but for some contracts, an early repayment fee may apply. Credit is the trust which enables lenders to facilitate access to money or resource to borrowers who do not pay back immediately to the lenders hence generating a debt, but agree to commit either to repay or return those resources. The resources provided may be financial e.g. receiving a loan or they may consist of goods or services e.g. consumer credit. Credit entails any deferred form of payment. (Graham 87 Feb 2005. Credit Dubai Museum). The account with details of a borrowing customer with all current credit providers and their performances, is retrieved. The credit repayment reports list all the repayment history and credit accounts of every account. The credit report is applied by all creditors to determine the approval of credit facilities.

Grantinty credit approval to borrowers is likely to be provided by firms/ banks, be it individual borrowers or other businesses. This process of granting credits is governed by a series of laws administered by the Federal Trade Commissions, guaranteeing non-discrimination. The laws entail equal credit, fair and accurate credit transaction Act, fair credit reporting Act, truth in lending, and fair debt collection practices. Professionals recommend that lenders develop credit policies that are consistent with company goals; so when credit policies are developed, lenders must consider the cost incurred in granting credit.

Importance of credit repayment report

Using the latest credit monitoring system, can assist to prevent identify theft in its early stages, before further damages is acquired to your financial reputation and your finances.

How to report review credit repayment report

i. Check on the principal and credit balance. By examining the principal amount and the balance remaining the bank can tell the progress of the credit.

ii. Check on the capacity of the creditor. Examining whether the creditor still has the capacity to repay the credit is an effective review of the credit.

iii. Check on the collateral. Examining whether the collateral still exists in the form it was pledged, is also another way to review credit repayment report.

iv. Check on the repayment history. Reviewing credit repayment heavily capitalizes on historical payments to determine the efficiency of repayment.

v. Check on the credit conditions. The terms and conditions stipulated during credit can help to review the credit the credit repayment.

The importance of credit monitoring includes;

Ensures covenants and other requirements are in place for a minimum set of standards

2.

Case Study Assessment

CRB is an online based subscription service company providing online credit monitoring services to its customers located in Kenya. It was implemented due to increased unregulated credit service providers within the country. The credit monitoring has greatly improved and interest rates regulated between the minimum requirements. Customers/ borrowers have been monitored on their behaviour of credit payments. What is the process of CRB clearance?

4.3.2.4 Tools, Equipment, Supplies and Materials

4.3.3 Learning Outcome No 2: Analyse Periodic Financials

4.3.3.1 Learning Activities

Learning Outcome No 2: Analyse periodic financials

Learning Activities	**Special Instructions**
2.1 Identify financials are as per credit policy 2.2 Determine parameter of financial analysis as per standard operating procedures 2.3 Measure financial analysis parameter as per standard operating procedures 2.4 Qualify financial analysis parameter as per standard operating procedures	Oral assessments Group discussions Projection

4.3.3.2 Information Sheet NO4/ LO2: Analyse Periodic Financial

Introduction

This learning outcome covers introduction of basic accounting, principle of accounting, financial statement (types, preparation, usage, analysis and interpretation) and ratios.

Definition of key terms

Financial analysis: Refers to the assessment of the viability, stability and profitability of a business, firm or either project.

Credit arrears: It is a financial legal term used to refer to the status of payments in relation to deadlines.

Accounting: This is the process of summarizing recording, analysing and reporting financial transaction of a firm to oversight tax collectors, agencies and regulations**.**

Accounting Principle: These are the essential rules and concepts that governs the field of accounting.

Content/Procedures/Methods/Illustrations

2.1 Financials are identified as per credit policy

Credit policy is a set of principles that an organization uses in deciding who it will loan money or give credit.

Process of credit policy

i. Establishing a credit department mission. Requires support from the high level management so as to develop the mission statement. The statement should conform fully with the corporate (organizational mission).

ii. Setting cred

Key Elements of financial Analysis

These are the calculations you should use to conduct a proper financial analysis of your businesses operation. They include:

Table 10: Cash flow statement

Cash flow statement

For year ended December 31,2019

Cash flow from operation

Net earnings	25,000
Additional to cash	1. 000
Depreciation	250
Decrease in Accounts payable	1. 000
Increase in accounts payable	
Subtractions from cash	(5, 000)
Increase in inventory	22,250
New cash operations	
Cash flow from inventory equipment	1. 000
Cash flow from financing	15,750
Notes payable	
Cash flow financial year 2019	

2.3 Financial analysis parameter are measured as per standard operating procedures

Financial statement analysis

2.4 Financial analysis parameter qualified as per standard operating procedure

According to SOPs, a financial analysis parameter is an assessment of the viability, stability and profitability of a business, firm or a project. It is performed by professionals who prepare reports using ratios that makes use of information taken from financial statements.

Qualifications of financial analysis

Conclusion

This learning outcome covered introduction of basic accounting, principle of accounting, financial statement (types, preparation, usage, analysis and interpretation) and ratios.

Further Reading

1. Read on accounting principles from GAAP

4.3.3.3 Self-Assessment

Written Assessment

1. Which one of the following is not a principle of accounting?
    a. Revenue recognition
    b. Going concern
    c. Analysis principle
2. Which one of the following is a type of financial statement?
    a. Analysis
    b. Statement of financial statement
    c. Going concern
    d. Liquidity ratio
3. Which one of the following is not type of ratio?
    a. Net income
    b. Profitability ratio
    c. Asset turnover ratio
    d. Liquidity ratio
4. Cash flow statement present the movement in cash and bank balances over a period. Is it true or false?
    a. True
    b. False
5. Which of the following is a type of ratio?
    a. Return on asset ratio
    b. Current ration
    c. Debt ratio
    d. All of above
6. Identify from the following which one is not a principle of financial accounting.
    a. Revenue recognition principles
    b. Historical cost principle
    c. Matching principles
    d. Current ratio

7. Evaluate the principle of financial accounting.
8. State and analyse types of financial statement.
9. Identify and explain 5 types of financial ratio.
10. Elaborate on financial parameter.
9. Demonstrate significance of determining financial parameter.

Oral Assessment
1. Discuss the term finances.
2. What does income statement entails?

Practical Assessment
Organize a group of students in your class, using relevant tools and equipment, demonstrate to them and illustrate how to prepare statement of financial position trade account and statement of cash flows.

4.3.3.4 Tools, Equipment, Supplies and Materials

4.3.4 Learning Outcome No 3: Conduct Customer Visit

4.3.4.1 Learning Activities

Learning Outcome No 3: Conduct Customer Visit

Learning Activities

3.1 Identify customers as per standard operating procedures
3.2 Establish purpose of customer visit as per standard operating procedures
3.3 Establish customer physical location as per standard operating procedures
3.4 Verify Customer physical address as banking policy
3.5 Notify customer of the visit as per standard operating procedure

Special Instructions
Discussion
Oral Assessments

4.3.4.2 Information Sheet NO4/LO3: Conduct customer visit

Introduction

This learning outcome covers; customers identification, customer visit, preparation of customer visit, what to observe and inquire when visiting a customer, customer verification, ways of handling difficult customers, importance of a customer visit, follow-up after visit and its importance.

Definition of key terms

Customer: Refers to a particular individual or a business entity who/which receives of either a good or a service or both that is from a seller/vendor.

Customer identification: It refers to a process which a bank or a financial institution engages in activities aimed at forming a reasonable belief concerning the identity of a customer.

Customer visit: An arrangement between an employee of a firm and a customer to meet and deliberate on an issue or a number of issues.

Content/Procedures/Methods/Illustrations

3.1 Customers are identified as per SOPs

SOPS refer to stipulated step by step procedure set by the bank that ensures the employer undertake their duties diligently in a bid to attain quality output, efficiency and uniformity of performance.

Importance of identifying customers

Business Customers

In this relationship, other businesses become the customer to the business. Business

Table 11: Do's and Don'ts in customer visit

Dos

4.3.4.3 Self-Assessment

Written Assessment

1. Why do firms need to identify their customers?
    a. To improve security
    b. Fulfill customer needs
    c. Increase employment opportunities
    d. None of the above
2. The following are factors to consider when preparing for a customer visit, except?
    a. Determining location of the customer
    b. Notifying a customer of a visit date
    c. Assessing availability of financial resources suitable for the visit
    d. Interviewing the customer
3. A customer visit might include:
    a. Giving a discount to a customer
    b. Making delivery to a customer
    c. Meeting for dinner to have a dialogue on political issues
    d. Meeting to discuss business issues with a customer
4. What is the role of a firm in creating a sound business environment for customers?
    a. Price discrimination
    b. Employee pay rise
    c. Customer segregation
    d. Provision of quality products
5. The following are importance of customer visits, except?
    a. Building sound relationships with clients
    b)

10. Giving examples, differentiate between customer verification and customer identification.
11. Enumerate ways one overcome geographical barrier in customer verification.
12. Enumerate five instances where non-documentary verification may be appropriate.

Oral Assessment

1. Interpret customer visitation and elaborate its importance.
2. Outline factors to consider when planning for a customer visitation.

Case Study Assessment

John Omollo, an employee of Cytonn Investments has been given the task of determining why there is little investment by the people of Kahawa Sukari in the products and services of the firm. Cytonn Investment Company is contemplating having more residents of Kahawa investing in the firm. Besides, some of the old investors in the firm have opted to withdraw their funds from the firm, hence terminating their business association with the firm. Salim, a businessman who resides in Kahawa has been identified as one of the former investors who opted to withdraw funds from the firm while Karimi is hesitant in investing in the firm.

i. What should Omollo take into consideration in preparing to visit Salim over his decision against investing in the firm?
ii. What are the probable challenges Omollo can face in his visitation to Salim and how can he overcome them?
iii. Which strategies can Omollo embrace to convince Karimi into investing in the firm?
iv. Should Omollo engage in follow-up after the visitation? What should he do if Salim declines his request for a visitation?

4.3.4.4 Tools, Equipment, Supplies and Materials

4.3.5 Learning Outcome No 4: Prepare call report

4.3.5.1 Learning Activities

Learning Outcome No 4: Prepare call report

Learning Activities	Special Instructions
4.1 Obtain details of customer to be visited as per standard operating procedure 4.2 Capture visit details as per standard operating procedure 4.3 Prepare visit report as per standard operating procedure 4.4 Take action on visit report as per organizational policy	Oral assessment

4.3.5.2 Information Sheet No4/LO4: Prepare Call Report

Introduction

This learning outcome covers: Call report, purpose of call reports, content of call reports, schedules of call reports discussed in details, the ways of delivering the report to client, customer visit that is details of the customer. The method of preparing visit report is also outlined that is how easy is being written concerning call report that is format and a simple structure of a call report in an organization.

Definition of key terms

Call report: This is a document that contains detailed account of all the calls made during the day and the information is presented in an organized format for a specific purpose.

Format: This is arrangement of an information in a particular set standard for example how the spacing between the lines should be, where titles, dates and names appeared.

Essay: A piece of information written in a particular format purporting some information in a particular way to be presented information is presented by certain structure have been followed.

Schedule: Step or plan of carrying out some process for example steps of writing a call report. That is putting information in column and tables.

Standard: These are rules and regulation followed in order to attain quality in some information. Rules help to avoid misinterpretation of information to certain party.

Content/Procedures/Methods/Illustrations

4.1 Details of customer to be visited are obtained as per standard operating procedure

Procedures are formulated by the firm according to types of customer visits. We have three types of customer visits as illustrated below:

Format of a customer visit report

Figure 16: Customer visit report template
Source: wikihow.net

The following procedures pertains the preparation of visit report;

i. The firm should check the requirement of customer visit report, that is the importance of customer in visiting the business, the need of the customer visit,

ii. General information about the visit should be outlined for example; the customer details, the format used might include row and columns whereby the customer would enter his/her details such as dates, names, mobile phone numbers and signatures.

iii. Define the importance of visit to the customer for example the customer is able to negotiate about the company products or even to claim for some compensation, easy format rules should be made brief so that when a customer is writing to the format will be easier for him/her.

iv. The firm should explain what happened during each visits in an orderly manner to avoid confusions. Language used should e simple so that it can understandable.

v. The firm should summarize the operations at the work station for example where to find the customer care desk, where the visitor make registration whenever they visit.

Visit report can be prepared often by the management of the firm, for example call report can be made even on a daily basis in order to enhance good image of the firm, since the customer can be available at any time a call report can be made by use of telephone.

Importance of a visit report

4.4 Action on visit report is taken as per organizational policy

Action is the process of doing something especially when dealing with certain problem, a customer may take an action when he/ she want to complain about the product. Action on visit report should be determined by the organization policy since the organization has its own department dealing with the issues of customers visit. For example when a client is misunderstanding the set standard operating procedures, it means that the management responsible should immediately review the set procedures to minimize the confusion. However, when a person in charge in preparing call report rules quite unexpectedly due to his/her reasons, other person who is competent enough should be selected and occupy the position call report should be kept in a safe place. The following action may be taken in order to increase the customer visit on the organization, for example such policies include:

i. **Feedback method:** This entails calling back the customer and asking him/her whether he was satisfied with the visit or the product he/she obtained.

ii. **Gifts:** May be given to customers who visits for example a customer may be given a drink and a cake whenever he visits.

iii. **Delivery and thank note:** The firm offer a delivery service to customer whenever he/she visit and buy the product direct in the firm, also thank you note may be used to customer after he visits the firm in order to enhance good relationship with the firm.

When the customers are not visiting the business know that they are unsatisfied and not happy. The following ways should be taken effectively as illustrated below:

Call report

Figure 17: Call report
Source: vanscapital.com

Purpose of call report

Further Reading

1. Read more on draft report on Draft call report Ri-c November 8, 2012

4.3.5.3 Self-Assessment

Written Assessment

1. Which one of the party does not use the call report?
   a. Suppliers
   b. Customers
   c. Clients
   d. Thieves
2. Which information does not show the benefit of call report?
   a. Call report include information of the client
   b. Call report is used to enhance timely and accurate financial data
   c. Call report involves wastage of time and leads to loss of returns in a business
   d. Call report can be used by lecturers to teach students in class
3. The following are the function of a bank call report. Which one is not?
   a. Bank calls report consist information about the bank.
   b. Bank call report determine financial health report of the bank statements
   c. Bank call report set out how workers should be compensated in the bank.
   d. Bank call reports consist of set procedure of how to handle the clients.
4. Which one of the following is not a method of capturing visit details from the customer?
   a. Use of reward
   b. Use of warranty cards
   c. Use of cohesive methods
   d. Use of forms
5. Which one of the following information is not being included in a call report of a financial information statement for example a bank?
   a. Write off for bad debts
   b. Statement of asset/ liabilities
   c. Cheques dishonoured from the bank
   d. Statement of financial position
6. Which one is not a type of a customer visit?
   a. Customer visiting the firm
   b. On site customer visit
   c. Trade show visit
   d. On home customer visit

7. Is the call report required while preparing customer visiting in the organization?
    a. Yes
    b. No
    c. Yes or no
    d. None of the above
8. Elaborate what a call report is.
9. Evaluate call report effectiveness in financial institution.
10. Identify elements of a good call report.
11. Demonstrate method of preparing visit report as per standard.
12. Highlighting elements of a good report.

Oral Assessment

1. What do you understand with the term call report?
2. Analyse role of visit report to the firm.

Practical Assessment

The learner is requested to visit nearby firm to check how a call report looks like or even download an example of a call report document. They should highlight the following information that is; style used in the report, body content, the format and the kind of language used. The learner should be able to come up with such kind of call report and practice on different types of call report. The learner can extract a financial position statement from the newspaper and use the call report for example, we may have a call report made on sales on a particular time and dates and doing that you the learner will have full content.

4.3.5.4 Tools, Equipment, Supplies and Materials

4.3.6 Learning Outcome No 5: Collect Credit Arrears

4.3.6.1 Learning Activities

Learning Outcome No 5: Collect Credit Arrears

Learning Activities	**Special Instructions**
5.1 Establish credit arrears as per standard operating procedures 5.2 Identify customer linked accounts as per credit policy 5.3 Establish recovery from linked account as per the credit policy 5.4 Take action as per credit policy	Group discussions Case study Written Assessment

4.3.6.2 Information Sheet No4/LO5: Collect Credit Arrears

Introduction

This learning outcome covers credit arrears, identification of credit arrears, categories of credit arrears, credit arrears report and related accounts.

Definition of key terms

Credit arrears: This is a legal term for the part of a debt that is overdue after missing one or more required payments.

Credit area report: This is a record of someone who owes either a bank or any lending institution payment behaviour.

Paid in arrears: This means payment is overdue or that the payment is not due until after the service period.

Content/Procedures/Methods/Illustrations

5.1 Credit arrears are established as per standard operating procedures

Process of establishing credit arrears

i. Follow up quickly the late loan
ii. Form a strong solidarity groups
iii. Update and enforce credit policies
iv. Limit the outreach responsibility of each credit officer to a specific geographical area
v. Avoid lending to start up business
vi. Provide financial incentives for credit officers

Importance of establishing credit arrears

Table 12. Credit arrears report SAMPLE
OF BANK CREDIT REPORT

Equity Credit Report.

John Mairu. File #52431 Date 03/01/2019 Customer 10012 User Jeney SSN: XXN-XX6231

Address- 00237 Kiambu

Report details	account status	
Tradeline overviews	total past due 0 Total	
4	day 30	0 Current
0	day 60	0 Current reg
0	day 90	0
	Account balance	10633
	Monthly payment	302
	Collection	0

PERSONAL INFORMATION

Name: John Mairu on file sin 07/09/2018

DOB: 8/5/1980

SSN: XXN-XX 6231

Employment information

Employer Brighton Assurance Company

Position Accountant

Figure 18: Credit report

Credit report

Factors to consider on credit policy

Further Reading

1. Read on credit arrears on the following publication Encyclopaedia of American business. By W.Daris Folsom,Rick Boulware.2014.Business.

4.3.6.3 Self-Assessment

Written Assessment

1. Which of the following is a type of credit arrears?
    a. Interest arrears
    b. Call arrears
    c. Preferred stock
    d. None of the above
2. Which one of the following is not an arrear related account?
    a. Call in arrears
    b. Financial a/c
    c. Credit in arrears
    d. Dividend in arrears
3. A credit arrear is a legal term used for the part of debt that is overdue after missing a payment. Is it true or false?
    a. True
    b. False
    c. Not sure
4. Which one of the following is not a factor that affects credit report?
    a. Dividends arrears
    b. Payment history
    c. Not sure
    d. Credit usage
5. The following are factors to determine while creating a credit policy. Which one is not?
    a. Product of the bank
    b. Supply of credit
    c. Environment
    d. ALL of the above
6. Identify from the following a type of credit arrears.
    a. Annuity arrears
    b. Segment arrears
7. Evaluate five determinants of credit worthiness.

8. What does the term credit MA mean?
9. Identify and elaborate on factors that affect credit worthiness of a client.
10. What are the indicators/determinants of credit arrears?
11. Outline four types of credits.

Oral Assessment

1. What do arrears mean?
2. Elaborate on the following terms;
    a. Dividend in arrears
    b. Call in arrears
    c. Credit arrears
3. Outline two types of arrears.

Practical Assessment

1. In a group of 7 students in your class, take a visit to the nearby bank, in the bank get to learn about credit arrears. Observe the bank environment and learn how credit arrears are treated by the bank according to its policy.

4.3.6.4 Tools, Equipment, Supplies and Materials

4.3.7 Learning Outcome No 6: Issue Demand Letter

4.3.7.1 Learning Activities

Learning Outcome No 6: Issue Demand Letter

Learning Activities	Special Instructions
6.1 Identify customer arrears as per standard operating procedure 6.2 Prepare demand letters as per standard operating procedure 6.3 Dispatch demand letters as per standard operating procedure 6.4 Record demand letters as per standard operating procedure 6.5 File demand letters as per organizational policy	Lectures Class presentations

4.3.7.2 Information Sheet No4/LO6: Issue Demand Letter

Introduction

This learning outcome covers demand letter, types of demand letter, content of demand letter, importance of demand letter, preparation of demand letter, methods of issuing demand letter and factors to consider when issuing demand letter.

Definition of key terms

Demand letter: Entails a formal and professional document sent by a party to another, the recipient who may have defaulted financially or breaded a contract requesting payment or other action to correct. It is also called a letter of demand, collection letter or a debt collection letter. It is given to the debtor before a legal action is taken that is, it is the last resort in debt recovery.

Content/Procedures/Methods/Illustrations

6.1 Customer arrears are identified as per standard operating procedure (SOPs)

These are payments that are overdue and supposed to be made at a given time period. With the high rise of customer arrears in the organizations, need for identification of the challenge is essential which must meet the SOPs standards. This is essentially possible and important to keep the pace with the rising credit intake by the customers rather than individuals. Answering the question how helps the institution in curbing/minimizing the growing number of arrears and in which case the firm should have plans and procedures in place to help the customers and support them in mitigating the risk of a serious and fattening arrears situation arising at any given time.

Importance of identifying customer arrears

Methods of dispatching demand letters

iv. Be firm and remind the debtor of the repercussions of non-payment including legal action.
v. Provides facts and figures with attached invoices, statements, copies of the contract and any documents relating to the debt.

6.3 Demand letters are dispatched as per standard operating procedure

The dispatch process comes right after preparation of the demand letters and entails the process of formally distributing the contents of a document to a recipient. Simply delivering the contents of a document to the supposed recipient or debtor asking them to repay off their debts, which could be financial. The dispatch process is done through mails, posts as parcels, hiring a lawyer to deliver it on your behalf etc.

Types of demand letters

Methods of filing

2. Which of the following is not a demand letter?
   a. Not sufficient fund
   b. Stop payment
   c. Debt owed
   d. Debt settled
3. Tiva enterprises experienced a reduction in net operating profit after taxes (NOPAT). Which of the following cannot help explain the decline?
   a. Sales revenue decreased
   b. There was an increase in depreciation
   c. Taxes increased
   d. Interest expense increased
   e. More debts were written off
4. Which of the following would increase the likelihood that a company will increase its debt ratio in its capital structure?
   a. Increase in costs incurred while filing for bankruptcy
   b. An increase in the corporate tax rate
   c. Increase in personal tax rate
   d. Decrease in

Oral Assessment

1. Name some of the contents of a demand letter.
2. Summarize your understanding of standard operating procedure.

Case Study Assessment

4.3.8 Learning Outcome No 7: Perform Credit Facility Restructuring

4.3.8.1 Learning Activities

Learning Outcome No 7: Perform Credit Facility Restructuring

Learning Activities	Special Instructions
7.1 Receive customer request as per standard operating procedure (SOP) 7.2 Obtain customer details as per standard operating procedure (SOP) 7.3 Confirm acceptability of credit restructure as per bank policy 7.4 Capture credit restructure in the system as per standard operating procedure 7.5 Make credit restructure decision as per bank policy 7.6 Communicate credit restructure decision to customer as per banking policy	Oral Assessment Discussion Written assessments

4.3.8.2 Information Sheet No4/LO7: Perform Credit Facility Restructuring

Introduction

This learning outcome covers; c

Capturing: This is a manual task whereby data is fed into the system. The system interprets the captured data.

Content/Procedures/Methods/Illustrations

7.1 Customer request is received as per standard operating procedure

In any credit facility, all debtors are obligated to repay their loans, according to their contractual terms. In this case, a debtor/customer should communicate their issues to

the creditor instead of waiting for loan default. This can be done in way of writing a 131

Customer details describe the basic information that aids in gaining a better knowledge of your customer.

Types of customer information/details

Figure 24: Types of customer information/details

Personal Data (P.I.I and Non P.I.I)

Personally identifiable information (P.I.I) is any information that can be used to reco

7.3 Acceptability of credit restructure is confirmed as per bank policy

After all considerations in the bank policy are met and the request is verified as valid as to why the debtor is unable to repay the loan at once, the bank then decides to accept the restructure if he has genuine reasons. The request is scrutinized, approved and verified by various head to ascertain correctness and accuracy. Acceptability of credit restructure has many benefits for your business which includes:

Disadvantages

Conclusion

This learning outcome covered;

5. While assessing credit-worthiness, which of the following factor is not considered?
    a. Financing pattern
    b. Tax history
    c. Assets owned
6. After how long should the creditor communicate the credit restructure to the customer?
    a. 30 days
    b. 20 days
    c. Not more than 10 days after request
    d. 25 days after request
7. Which of the following activities is not performed while credit restructuring?
    a. Customer request
    b. Customer details
    c. Acceptability
    d. Customer satisfaction
8. Summarize what credit is restructuring.
9. Outline the meaning of capturing in relation to credit restructuring.
10. Elaborate the meaning of a system, discussing its pros and cons.
11. Differentiate the different types of customer details
12. Outline three meaning of bank policies.

Oral Assessment

1. What are customer details and how does it assist in credit restructuring?
2. What is customer request and how is it evaluated?

Case Study Assessment

Turnaround and Restructuring

$8MM multiple store, National Food Chain Franchisee unable to make bank loan

payments, in default of franchise agreements with default notices issued for all locations

4.3.8.5 References

Basu, S.M. and Rolfes, H.A. (1995). Strategic Credit Management. Toronto: John Wiley & Sons Inc.

Blats, M. Kraus, Karl

CHAPTER 5: CREDIT COLLATERALIZATION

5.1 Introduction of the Unit of Learning/Unit of Competency

Credit collateralization is a unit of competency offered in TVET Level 6 banking and finance course qualification. This unit specifies the competencies required to establish credit collateral. It involves identifying security options, determining sufficiency of collateral, signing and witnessing the legal documents, conducting joint registration and maintaining credit security documents. The significance of credit colorization to TVET level 6 banking and finance curriculum is to equip learners with knowledge and skills to demonstrate communication, reporting, complaint handling, leadership skills, team player, organizing, time management, problem solving, analytical, computer packages, bank operational procedures, legal operating environment, banking policies and procedures and security management so as to fit well in the world of work.

The critical aspects of competency to be covered include demonstrated ability to match exposure with collateral, determine sufficiency of the collateral, sign and witness the legal documents, conduct joint registration and maintain credit security documents. The basic resources required include computers, phones, stationery, furniture, list of approved lawyers and transport.

The unit of competency covers 5 learning outcomes, each of the learning outcome presents; learning activities that covers performance criteria statements creating trainees an opportunity to demonstrate competecies stipulated in the occupational standards and content in curriculum. Information sheet provides; definition of key terms, content and illustration to guide in training. The competency may be assessed through written test, demonstration, practical assignment, interview/oral questioning and case study. Self-assessment is provided at the end of each learning outcome. Holistic assessment with other units relevant to the industry, sector, workplace and job role is recommended.

5.2 Performance Standard

Security options, legal documents and credit security documents as per credit policy and credit category.

5.3 Learning Outcomes

5.3.1 List of Learning Outcomes

a. Identify security options
b. Determine sufficiency of collateral
c. Execute legal document
d. Conduct security perfection
e. Maintain credit security documents

5.3.2 Learning Outcome No 1: Identify Security Options

5.3.2.1 Learning Activities

Learning Outcome No 1: Identify security options

Learning Activities	Special Instructions
1.1 Determine the type of collateral as per credit category 1.2 Determine the exposure as per the credit policy 1.3 Match the exposure with collateral as per the credit policy	Written assessment Demonstration Practical

5.3.2.2 Information Sheet No5/LO1: Identify Security Options

Introduction

This learning outcome covers; security documents, types of security documents, Importance of the security documents, collateral, types of collateral, importance of collateral and collateral for different types of credits.

Definition of key terms

Collateral: A collateral is a property or an asset that an individual (borrower) provides to a lender to act as a security for a loan.

Credit: In the financial sector, the term credit has various meanings. However, it can generally be defined as: a contractual agreement where a person who is borrowing gets a valuable thing now and promises to repay at a later date with an additional amount normally referred to as interest.

Content/Procedures/Methods/Illustrations

1.1 Type of collateral is determined as per credit category

When getting a loan or credit from a bank or financial institutions, the lender the lender has to look to the collateral depending on the credit category. The credit categories are classified according to the credit policies of a lending institution. There are various types of categories of collateral that lending institutions considers before extending credit to a borrower. Collaterals can be classified into the following categories;

1.2 Exposure is determined as per the credit policy

Credit exposure refers to the amount of money that will be lost when a borrower fails to repay the loan. When giving loans, banks prefer increasing their loan exposure to individuals who have high credit ratings.

Determining credit exposure

In determining credit exposure, financial institutions assess the credit rating of a borrower. An individual with a high credit rating has a high credit exposure as compared to an individual with a low credit rating.

Controlling credit exposure

Based on the policy of a lending institution, there are various methods used in controlling loan credit exposure. Some of these methods include;

Therefore, they offer credit even though the credit amount does not match the type of collateral provided. However, such institutions have established various strategies that reduce the risk of losing the amount loaned.

Conclusion

This learning outcome covered; security documents, types of security documents, importance of the security documents, collateral, types of collateral, importance of collateral, and collateral for different types of credits.

Further Reading

1. Read on the current changes that lending institutions have put in place in assessing securities for loans.

5.3.2.3 Self-Assessment

Written Assessment

1. Which of the following is an example of tangible collaterals?
    a. Patents
    b. Vehicles
    c. Land
    d. Machines
2. Which of the following does not form part of tangible collaterals?
    a. Land
    b. Goodwill
    c. Computers
    d. Vehicles
4. The following are classes of collaterals. Which one is odd one out?
    a. Tangible collateral
    b. Closed ended credit
    c. Intangible collateral
    d. Invoice collateral
4. Which one of the following forms part of the security document?
    a. Notebook
    b. Newsletter
    c. Title deed
    d. Invoice

5. Which of the following is correct about categories of credit?
   a. Everyone can access all credit categories.
   b. All credit categories have similar credit facilities.
   c. All financial institutions offer similar loan categories.
   d. Some loan categories are open ended while others are closed ended.
6. The following are true about the importance of collaterals. Which one is false?
   a. They cover for the loan borrowed.
   b. In case a borrower defaults collateral can be sold to recover the loan.
   c. They help the borrower have easy access to loan facilities.
   d. They facilitate easy assessment of a loan.
7. Which one of the following terms fails to fit in the study of security options and credit?
   a. Collateral
   b. Security document
   c. Risk exposure
   d. Customer experience
8. Interpret the term collateral.
9. Differentiate between credit risk and credit exposure.
10. Analyse factors to be considered when matching exposure and collateral.
11. Evaluate the term credit.
12. Categorise methods used in controlling credit exposure.]

Oral Assessment

1. What is the difference between open ended credit and closed ended credit?
2. What is a security document?

Case Study Assessment

Tala is one of the companies that provide credit to most young people in Kenya. It is evident that the company does not require collateral for it to extend credit/ loans to the borrower who uses the application. It therefore means that the company is a risk taker and does not match its credit exposure to the collateral. However, the company uses strategies such as quick increment of loan amount to encourage borrowers to continue borrowing and refund the money borrowed. Nevertheless, the company has suffered many credit risks due to high rates of defaulting clients.

a. From the case study, assess if it is important to match collateral with credit exposure.

5.3.2.4 Tools, Equipment, Supplies and Materials

5.3.3 Learning Outcome No 2: Determine Sufficiency of Collateral

5.3.3.3 Learning Activities

Learning Outcome No 2: Determine Sufficiency of Collateral

Learning Activities	Special Instructions
2.1 Determine security ownership as per law 2.2 Determine security caveat as per law 2.3 Determine the use of collateral elsewhere as per law 2.4 Conduct security valuation as per credit policy	Case studies Direct instruction Written Assessment

5.3.3.2 Information Sheet No5/LO2: Determine Sufficiency of Collateral

Introduction

This learning outcome covers; collaterals, methods of collateral valuation and how banks determine the value and sufficiency of collaterals and its importance.

Definition of key terms

Collateral: This is an asset that a loan borrower pledges to extend to acknowledge that they must finish their loan repayment.

Security ownership: This is the legal possession or control of an asset.

Security valuation: This is the process by which banks have to investigate the amount by which the security of borrower is worth.

Security caveat: This is an order by the court requiring a debtor not to sell the property without the banks consent.

Content/Procedures/Methods/Illustrations

2.1 Security ownership is determined as per law

Law is a system of rules that defines how people of a particular community or country should conduct themselves. Law is enforceable. Security ownership is being in possession of an asset. The ownership of security or securities of borrowers has to be legal i.e. the possession of assets of borrowers has to be formal and standardized according to the law.

Establishment of legal ownership of collateral

Collateral can be any asset e.g. shares or stock, land, building, vehicles etc. The borrower/debtor has to produce or prove that he/ she owns the security that is to be used as collateral. E.g. for land, a borrower can produce a title deed that is valid, for vehicle a person can produce receipt, driving license, etc. The borrower normally has the full authorization to pledge, transfer, and sell the security. Having the documents such as title deed establishes that the borrower legally owns the asset.

2.2 Security caveat is determined as per law

A security caveat is normally lodged to the court of law by the bank if the bank feels that the borrower might transfer or sell ownership of the collateral. The bank lodges a security caveat in reference to the law. A security caveat is normally an injunction i.e. requires one to stop doing something Security caveat is normally determined by the court of law if the banks do not have the power to prevent the debtor or borrower from transferring property, they can therefore file a security caveat. If the bank does not have a reasonable cause to lodge a caveat. The bank will be liable for any damages the debtor will incur. In cases of security caveat, the bank does not have the right to have the full ownership of the property or sell property.

2.3 Use of collateral elsewhere is determined as per law

Collateral can be used by the borrower or the bank (lender) in certain circumstance in reference to the law. Most banks as per law do not accept a debtor to use the same asset as collateral in acquiring loans in different banks or to transfer ownership of the asset used as collateral. There are different ways a debtor can use collateral elsewhere:

The principles applied though, should be widely accepted to reduce of variances that might occur. They include:

5.3.3.3 Self-Assessment

Written Assessment

1. Which of the following are two types of discounting collateral values?
    a. Net present value and cost approach
    b. Internal rate of return and net present value
    c. Cost of approach and net present value
    d. Market approach and cost approach
2. Which is an advantage of discounting collateral values?
    a. To know the profit to be made from collateral
    b. To sell the collateral
    c. To buy the collateral
    d. To dispose the collateral
3. Among the following you have learnt from this learning outcome except?
    a. How to buy shares
    b. Legal ownership of collateral
    c. Discounting of collateral values
    d. Valuation of collateral
4. Security caveat is given by___________.
    a. Court order
    b. Borrower
    c. Citizens
    d. Government
5. A valuation report is prepared by___________.
    a. Manager
    b. Appraiser
    c. Banker
    d. Teller
6. The person who goes to borrow a loan from a bank is called_____________.
    a. Borrower
    b. Citizen
    c. Father
    d. Creditor
7. Elaborate what a security caveat is.
8. Clarify what collateral is.
9. Identify three methods of collateral valuation.
10. Outline two types of discounting methods in collateral valuation.
11. Classify methods of marketing approaches.

Oral Assessment

1. Who issues a security caveat?
2. What is security valuation?

Practical Assessment

In a group of five students, visit the nearest bank and inquire the procedures that are followed by the bank to determine the value of assets used as collateral.

5.3.3.4 Tools, Equipment, Supplies and Materials

5.3.4 Learning Outcome No 3: Execute legal document

5.3.4.1 Learning Activities

Learning Outcome No 3: Execute legal document Learning Activities	Special Instructions
3.1 Issue the customer with offer letter and other legal documents as per credit policy 3.2 Sign offer letter and other legal documents as per banking policy 3.3 Confirm offer letter and other legal documents as per credit policy 3.4 Sign offer letter and other legal documents by advocate as per credit policy 3.5 Witness *Legal documents* as per credit policy(Guarantee, 3rd party guarantee, Letter of hypothecation, Chattels mortgage, Directors guarantee)	Discussion forums Lectures

5.3.4.2 Information Sheet No5/LO3 Execute legal document

Introduction to learning outcome

This learning outcome covers; legal documentation, types of legal documents, importance of securing the legal documents, parties involved in securing legal documentation maintenance of legal documents, archival and retrieval of legal documents.

Definition of key terms

Legal documents: These are documents that show some agreement between two people to at least one promise.

Offer letter: It is a letter given by a company to a potential employee that provides key

Content/Procedures/Methods/Illustrations

3.1 Customer is issued with offer letter and other legal documents as per credit policy

According to credit policy which is a government policy at a particular time on how easy or difficult it should be for individuals and businesses to borrow money and how much it will cost them. Credit policy requires the offer letter and other legal documents to be issued to customers for them to know their position on their credit request.

Importance of signing legal documents

Types of legal documents

Principles of advocacy

The benefits of witnesses

4. What is the definition of credit policy?
    a. Is a letter given by a company to a potential employee
    b. Is a set of guidelines that are used to determine which customers are extended credit and billed
    c. Is a policy which specified from time to time
    d. Is a loam arrangement in which an item of movable personal properly acts as security for a loan
5. Which one of the following should be considered when offer letter and other legal documents are confirmed as per credit policy?
    a. Pay attention to your invoice structure
    b. Pay your debts
    c. Issue documents
    d. Offer loan
6. Which one of the following is not among the witnesses in legal documents as per policy?
    a. Guarantee
    b. Director guarantee
    c. 3rd party guarantee
    d. Creditor
7. Choose the meaning of legal document in the following.
    a. Is a loan given to creditors
    b. Is a policy specified from time to time by the reserve book
    c. Document that shows some contractual relationship
    d. A letter give to a potential employee from a company

8. Propose the importance of having a witness.
9. Elaborate on credit policy.
10. Analyse two types of advocates.
11. Clarify the advantages of letter per credit policy.

Oral Assessment

1. What is the importance of having witness in offer letter?
2. What is the benefits of issuing offer letter and other legal documents as per credit policy?

Case Study Assessment

It was a usual evening at the office when we received a slightly visual inquiry. An attorney from the United States was considering the possibility of outsourcing his entire back office preparations to India. Even before we analysed his inquiry, we understood that this was not routine data entry work. We called up the client to discuss his enquiry in data.

5.3.4.4 Tools, Equipment, Supplies and Materials

5.3.5 Learning Outcome No 4: Conduct Security Perfection

5.3.5.1 Learning Activities

Learning Outcome, No 4: Conduct Security Perfection

Learning Activities	Special Instructions
4.1 Obtain security documents as per credit policy 4.2 Compile security documents as per joint registration legal requirement 4.3 Obtain legal charge on property as per banking policy	Case studies

5.3.5.2 Information Sheet No5/LO4: Conduct Security Perfection

Introduction

This learning outcome covers; how individuals come together to acquire a loan through joint registration, collateral, the different types of collateral that are used in joint registration and the types of legal charge imposed on the collateral assets.

Definition of key terms

Legal joint registration: This is the process by which two or more persons come together to register to own or have something

Legal charge: This is the process by which the bank protects the money they have lend to the borrowers by banks by having the right to take over the collateral of borrowers who do not pay their debts.

Legal requirement: This is an obligation that governments or state impose that have to be met by individuals or organizations.

Credit Policy: These are the set written principles on the basis of which the bank will determine who it will give loans to.

Content/Procedures/Methods/Illustrations

4.1 Security documents are obtained as per credit policy

Security documents are agreements that a borrower provides security interests in a specific asset to be used as collateral and it is done with reference to the relevant credit policies. Security interest is a process where the borrower gives the bank the legal right to reclaim part or all of the assets used as collateral if the borrower defaults to repay; loans i.e. stops paying the loans. The bank obtains the security documents in their possession. Joint registration is where there is a shared loan made to two or more persons i.e. borrowers.

All the borrowers in the joint registration are equally responsible for paying the loan to the bank. In joint registration there are assets used as collateral.

Types of security documents

4.2 Security documents are compiled as per joint registration legal requirement

The security document entails one or more of the above-named assets is compiled and left to the bank. The assets are jointly owned by all the borrowers in the joint registration and they all equal interest in the assets used as collateral.

Steps taken in registration of Different types of collateral;

Once joint parties have written and signed security documents, they then register. In Kenya it is normally free. The registration is done online in the following process;

i. Open the website: www.ecitizen.co.ke in the internet
ii. If one does not have an account one can open an account by clicking create account. If one has an account one can login;
iii. Access Business registry services.
iv. Access the application form by clicking on collateral registry (MPPS).
v. Select the application from the list. Select the application from the list.
vi. Identify this application and click on the Blue highlighted application form of the top right corner.
vii. Open the application form and add the grantor details
viii. Add creditors details
ix. Enter collateral details
x. Enter secured loan particulars
xi. Review the application
xii. View the notice
xiii. Amend or cancel notice of registration

Types of Collateral

The following types of collateral can be used by joint registration.

Floating charge: This charge is used by banks if borrowers use assets that change in value and quantity over time. E.g. Inventory: The borrowers can sell, buy inventory without asking for permission from the banks first. Other types of assets that can be used with floating charge are: vehicle, debtors etc.

Fixed Charge : This charge is created if borrowers have fixed assets e.g. Land, building, machinery etc. These assets are normally not sold by the borrowers. The bank (lender) has all control over the assets used as the borrowers are in possession over the assets.

Table 14: Differences between floating and fixed charge

Basis of comparison	**Fixed charge**	**Floating charge**
Type of assets	Non-current assets	Current assets
Dealing in asset	Borrower have no right to deal with the assets	Borrowers can use the assets
Preference	Preferred first	Preferred secondly
What is it	A legal charge voluntary	Equitable charge
Registration of charge	Voluntary	Compulsory

Collateral Assignment

This relates to insurance policies where there is a conditional assignment of appointing the bank (lender) as the primary beneficiary of a death benefit to be used as a collateral for the loan.

Parties involved in joint registration

2. Which of the following is not party that can engage in joint registration?
    a. Individuals
    b. Companies
    c. Partnership
    d. None of the above
3. A joint registration is made up of?
    a. Two or more parties
    b. One company
    c. One unincorporated association
    d. One individual
4. Which of the following is not a cost associated with joint registration?
    a. Getting a loan more easily
    b. Being listed in CRB
    c. Limited repayment period
    d. Interest
5. Which of the following is a characteristic of a floating charge?
    a. It involves non-current asset
    b. The lender has full possession of the collateral
    c. Collateral used are current asset
    d. It is the most preferred charge
6. Which is an importance of joint registration?
    a. More ease to acquire a loan
    b. Less assets are brought on board to be used as collateral
    c. High costs are incurred in joint registration
    d. There can be low credit rating/score used as collateral
7. Which of the following is not an asset used as collateral?
    a. Shares
    b. Land
    c. Contractual rights
    d. None of the above
8. Elaborate on legal charge.
9. Outline two types of legal charge.
10. Elaborate who a borrower is.
11. Identify three costs involved in joint registration.
12. Outline four assets that can be used as collateral.

Oral Assessment

1. What is credit score?
2. Who is eligible in applying for joint registration?

Practical Assessment

With the help of your trainer, go to any Equity Bank branch and inquire of the procedure and requirements for joint registration.

5.3.5.4 Tools, Equipment, Supplies and Materials.

5.3.6 Learning Outcome No 5: Maintain Credit Security Documents

5.3.6.1 Learning Activities

Learning Outcome No 5: Maintain Credit Security Documents

Learning Activities	**Special Instructions**
5.1 File legal documents as per standard operating procedures 5.2 Store security documents as per standard operating procedures 5.3 Maintain security documents register as per credit policy 5.4 Maintain insurance register as the credit policy 5.5 Maintain valuation report as per credit policy	Discussion forums Lectures Group discussions

5.3.6.2 Information Sheet No5/LO5: Maintain Credit Security Documents

Introduction

This learning outcome covers; maintenance of the credit security documents to completion. The procedures and methods given are standard thus fit across lending firms for the maintenance of such documents. The final practice of maintenance should be destruction of obsolete documents which creates space for new ones. That is the proper and efficient maintenance of such documents.

Definition of key terms

Legal documents: These are official written contractual agreements that show the relationship between two parties in this case being documents showing the rights of the debtor and the creditor.

Insurance register: This is a record of data for policy applications and claims which enables insurance companies to check, retrieve and confirm the accuracy of details

Valuation report: This is a written feedback which gives the detailed inspection and the asset market value as surveyed by the market body.

Content/Procedures/Methods/Illustrations

5.1 Legal documents are filed as per standard operating procedures

Filing legal documents requires proper maintenance and cataloguing to ensure that they can be easily accessed when need arises. Due to the material benefit that the documents have, their safety in filing should be made utmost through the choice of correct filing procedures and methods.

Procedures of filing legal documents

The standard operating procedure for filing legal documents for credit involves the following:

i. You receive the document directing you of the legal documents to be collected and field.
ii. Taking action to check whether the documents directed to be filed complete.
iii. Follow up whether the documents directed to be filed are the actual documents from the sender.
iv. Collect the documents directed to be field and organize them as required.
v. Confirm whether they are required documents and file them as required.
vi. Maintain the file system used to file the documents.
vii. Continually perform good housekeeping and safety of the room of the files to avoid any damage.

Methods of filing legal documents

i. **Filing by category:** Filing is done by grouping the legal documents that belong together and kept in a single file.
ii. **Filing by alphabetical order:** Filing of the legal documents as per the first alphabet appearing of the document.
iii. **Numerical order filing:** Documents to be filed are allocated numbers and filed in the order of those numbers.
iv. **Geographical order filing:** The legal documents are field according to the region they are from or the region of the owners.
v. **Filing by date:** The documents are filed according to the day of generation and authorization.

Filing equipment

Methods

Methods

i. **Records management:** This is a method embraced when the documents are in soft copy such that the ones that are done with from the register are deleted or transferred to archives where they are stored for future reference.

ii. **Shredding method:** This is applied to security documents register which is in hard copy such that the ones that have been done with are destroyed to create space for new records.

5.4 Insurance register is maintained as the credit policy

It is required by the lending policy that every contractual agreement of borrowing is safeguarded by insuring it. Therefore, the insurance register for the credit advanced should be maintained with the periods and amount payments for the insurance.

Procedure

i. Requesting information from the insurance firm in regard to premium payments of the debtor.
ii. Updating of records of insurance payments of the debtor in the credit insurance file.
iii. Checking and striking out those members that have completed paying their insurance on loans and no longer have loans with the organization.
iv. Consistent maintenance of records and addition of new records as per the credit policy.

Importance of maintaining insurance register

Procedure

i. Continuously revalue the asset that was originally valued for the acquisition of the loan. This is done through recalculation of the value of the asset through depreciation.
ii. Updating of the report continuously such that the data to be referred to can have the true and fair value of the asset valued.

Ways of maintaining valuation report

3. Which of the following is not a filing method?
    a. Filing by dates method
    b. Geographical filing method
    c. Filing by category method
    d. Filing by importance method
4. Which of the following is an importance of filing?
    a. For record keeping
    b. Keeps the documents free from dust
    c. Prevents the debtor from defaulting
    d. None of the above
5.

CHAPTER 6: CUSTOMER RELATIONSHIP

6.1 Introduction of the Unit of Learning/Unit of Competency

Customer relations is a unit of competency covered in TVET level 6 banking and finance course qualification. This unit specifies the competencies required to manage customer relationship. It involves

6.3.2

The following are the principles implemented by customer service charter:

Channels of communication

There are several channels of communication, these include:

Importance of written communication

iii. **Testing finalizing content:** Testing the content to ensure that they conform to internal and external target audience and also incorporating the feedback from the target audience so as to finalize the content.

Barriers to effective communication

a. **Sender:** This is the personnel who starts the conversations and is responsible for transmitting the message.

b. **Encoding:** It is the process initiated by the sender where he/she uses specific words or symbols in the message to be sent.

c. **Message:** Combination of words, symbols, group of characters, ideas to be sent.

d. **Channel:** It is the medium through which the sender uses to transmit the message to the receivers.

e. **Receiver:** This is the recipient of the message sent.

f. **Decoding:** It is the process of converting the encoded message from the sender so as to be understood by the receiver.

g. **Feedback (output):** Once the receiver decodes the message and understands the communication chain is complete.

Importance of effective communication

Types of feedback

4. Is encoding and decoding done by the sender?
    a. Yes
    b. No
5. Is electronic communication different from mobile communication?
    a. Yes
    b. No
6. Elaborate the meaning of communication strategy.
7. State two importance of face to face communication.
8. Identify types of feedback.
9. Summarize communication plan.
10. State three types of communication channels.

Oral Assessment

1. How would you describe effective communication?
2. How important is a good feedback to the sender?

Case Study Assessment

Dan, a manager at Wamkufu Company needs to train his staff members on how to establish effective communication on the customers to ensure good interpersonal relationship between the employees and the customers.

a. As the manager, how can this be implemented?

6.3.2.4 Tools, Equipment, Supplies and Materials

6.3.3 Learning Outcome No. 2: Segment Bank Customers

6.3.3.2 Learning Activities

Learning Outcome No. 2: Segment Bank Customers	
Learning Activities	**Special Instructions**
2.1 Classify customers as per bank policy	
2.2	

c. **Corporate customers:** These are the customers who do bulk transactions with the bank at any given time and require direct access to the bank and its management.

d. **Eligible counterparties:** They are the bank customers who have the broadest knowledge and experience in dealing with financial instruments thus the bank gives them the narrowest scope of protection.

Importance of customer classification

Classification, which can also be referred to as segmentation, is an important market practice which helps the bank to move from

Procedure

i. **Understand customer drive:** Talk to the customers, watch how they act, conduct surveys to understand the customers and the opportunities they can be helped in.

ii. **Comprehend your value proposition:** In the market, determine the value that the customer gets after consuming the product in regard to its cost.

iii. **Determine customer segments that can yield more value:** Various customers have different perceptions of the value they receive from the bank products those that segment with high perceptions forms the segment that can yield more value.

iv. **Create a win-win price:** Set product prices according to market prevailing conditions and expectations to enhance a take situation for the customers.

v. **Focus investments on the valuable customers**: Assign the bank product to the group of customers who can yield more value according to their needs and features.

Importance of product assigning

Types of customer recognition

2.5 Customer feedback on their segment is obtained as per bank policy

Customer feedback is important in determining the gaps of services and products offered by the bank. When feedback is obtained effectively, necessary adjustments are able to be made to better serve the customers. Channels of obtaining feedback should therefore be developed and put to use to obtain the right feedback at the right time.

Ways of obtaining feedback

a. **Engaging the customers:** Talking to the customers and asking them about the bank products can give the right feedback.

b. **Evaluation of the segments:** The customer segments can be scanned to determine the results of the product offering thus feedback.

c. **Making use of feedback channels:** Feedback points such as suggestion boxes should be put to use to obtain feedback.

d. **Inferences from customer behavior:** Feedback can be deduced from the way the customers behave and act towards a certain bank product.

Importance of customer feedback obtaining

6.3.3.3 Self-Assessment

Written Assessment

1. Which of these is not a customer classification?
    a. Retail customers
    b. Corporate customers
    c. Loan customers
    d. Professional customers
2. Which is not a basis for customer classification?
    a. Customer type
    b. Demographic factors
    c. Customer needs
    d. Customer banking history
3. Which of these is a benefit of customer classification?
    a. It leads to better strategies of product branding
    b. It helps to know each customer by name
    c. It is a management directive that has to be done
    d. It helps the customer to get large amounts of loans
4. Which of these is not a demographic factor required by banks?
    a. Education
    b. Age
    c. Gender
    d. Health status
5. Which of the following is not a type of customer according to recognition?
    a. Driver customer
    b. Amiable customer
    c. Nominal customer
    d. Analyst customer
6. When is the best instance to inform the customer of their segment?
    a. At the enrollment stage
    b. During customer centrism sessions
    c. When serving the customer
    d. On the way when you meet him/ her
7. Elaborate on the importance of customer classification
8. Analyse the procedures of assigning bank products to customers
9. Summarize the importance of product assigning to customers.
10. Discuss the importance of customer recognition to the bank.
11. Highlight the ways of obtaining customer feedback

Oral Assessment

1. How do we assign customer product?
2. What are the four types of customer according to customer recognition?

Practical Assessment

Students to visit a local bank and learn how the bank has segmented its customers and how each section serves its segment. Then try to find out the features of each segment and what makes them be in one common segment.

6.3.3.4 Tools, Equipment, Supplies and Materials

6.3.4 Learning Outcome No. 3: Induct Customer Loyalty Program

6.3.4.1 Learning Activities

Learning Outcome No. 3: Induct Customer Loyalty Program

Learning Activities	Special Instructions
3.1 Identify loyal customers as per banking policy 3.2 Inform Customers of the loyalty programme as per banking policy 3.3 Register loyal customers in loyalty programme as per banking policy	Written assessment Presentation

6.3.4.2 Information Sheet No. 6/ LO3: Induct Customer Loyalty Program

Introduction

This learning outcome covers: define loyalty programs, importance of loyalty, loyalty level measurement tools, loyalty level determination process, pros and cons of the loyalty program.

Definition of key terms

Loyalty programme: It is a programme run by an organization or business with an aim to provide additional benefits to their frequent customers. The benefit may be discounts for the products. Loyalty programmes aim to maintain customer retention as well as attract additional customers.

Banking policy: These are procedures that are applied by the bank to run its operations. They differ from bank to bank however they must be within the regulations of the Central Bank of Kenya (CBK).

Content/Procedures/Methods/Illustrations

3.1 Loyal customers are identified as per banking policy

Loyal customers are customers who have regularly purchased different products provided by the bank.

Loyalty level determination

Figure 26: Net promote score

Conclusion

This learning outcome covered; define loyalty programs, importance of loyalty, loyalty level measurement tools, loyalty level determination process, Pros and cons of the loyalty program.

Further Reading

1. Read on loyalty assessment and factors hindering loyalty programme

6.3.4.3 Self-Assessment

Written Assessment

1. Which among the following are not benefits of loyalty programme?
    a. Increased sales
    b. No new clients
    c. Customer retention
    d. Makes the company known
2. What makes the bank carry out loyalty programmes?
    a. To enhance sales
    b. To reduce number of customers
    c. New customers
    d. All the above
3. Which among the following are not the tools for measuring the customer loyalty?
    a. Down selling ratio
    b. Upselling ratio
    c. Net promoter score
    d. Repurchase ratio
4. Why should the bank advertise the loyalty programme?
    a. To inform the customers
    b. To sell more products
    c. To launch new programmes
    d. To retain customers
5. Which among the following are not disadvantages of a loyalty programme?
    a. Carry out the loyalty programme requires a lot of money to make it effective
    b. Customer loyalty is a matter of personal choice which may tend to change from time to time
    c. Loyalty programme does not guarantee customer retention
    d. To encourage more sales

6. What among the following is not importance of loyalty programme?
   a. The bank may carry out loyalty programmes to increase business
   b. The bank may improve sales
   c. May make customers keep coming back to transact with bank
   d. Reduce make reach
7. Which among the following procedures of loyalty programme is not true?
   a. Identify the reason for loyalty assessment
   b. Identify the categories of the customers that the bank would wish to maintain loyalty with
   c. Issue the questionnaires
   d. None of the above
8. Outline the pros and cons of loyalty programme.
9. Analyse the measurement tools of loyalty programmes.
10. Discuss the benefits of loyalty programmes.
11. Evaluate on net promote score.

Oral assessment

1. What is customer loyalty?
2. How is customer loyalty programme importance?

Practical Assessment

Assuming you work in customer relation team of a big company in Kenya. You have been tasked by the head of customer relation to formulate a customer loyalty programme which the company intends to roll out at the end of the year. In a group of at least three, formulate the loyalty programme. Also proceed to advice the head of customer relation on the most appropriate customer loyalty measurement tools the company can employ.

6.3.4.4 Tools, Equipment, Supplies and Materials

6.3.4.5 References

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6.3.5 Learning Outcome No. 4: Monitor Customer Satisfaction

6.3.5.1 Learning Activities

Learning Outcome No. 4: Monitor Customer Satisfaction

Learning Activities	Special Instructions
4.1 Inform customers of feedback mechanism as per banking policy 4.2 Analyze customer feedback as standard operating procedures 4.3 Determine course of action as per nature of the feedback	Oral tests Discussion Lecture method Projects

6.3.5.2 Information Sheet No 6/ LO4: Monitor Customer Satisfaction

Introduction

This leaning outcome covers; define customer satisfaction, importance of customer satisfaction, customer satisfaction matrix, customer satisfaction indices, customer satisfaction monitoring process, customer satisfaction improvement, customer satisfaction maintenance, handling dissat

Customer satisfaction plays an integral role not only in the sound growth of the firm,

vi. Loyalty measurement
vii. Determine intentions to repurchase
viii. Feedback cards

4.3 Course of action is determined as per the nature of the feedback
The nature of feedback provided by customers can either be:

Customer satisfaction is an integral tool in driving the business towards profit maximization. Since a happy employee leads to a happy customer as in the event that the employees are satisfied in their activities, they ensure that by loving the firm, other people also love the brand as well. However, there are cases whereby a firm may have

to handle the dissatisfied customers whom regardless of the employees being happy, 199

6.3.5.3 Self-Assessment

1. The following are true about customer satisfaction except one. Which one is it?
   a. A happy employee means a happy customer.
   b. A happy customer is a promoter.
   c. Customers can be happy without the employees being happy.
   d)

10. Outline the steps in monitoring customer satisfaction.

11. Elaborate on

CHAPTER 7: CUSTOMER SERVICE

7.1 Introduction of the Unit of Learning/Unit of Competency

Customer service is a unit of competency offered in TVET level 6 banking and finance course qualification. This unit specifies the competencies required to offer customer service handling customer enquiries, managing customer complaints, guiding customers on banking services and responding to internal queries. The significance of offer customer service to TVET level 6 banking and finance curriculum is to equip the learner with knowledge and skills to demonstrate communication, negotiation, conflict resolution, listening, budgeting, financial management problem-solving handle customers in a good and professional manner so as to fit in the workplace.

The Critical aspect of competency to be covered include demonstrated ability to respond to customer queries, complaints and internal queries. Basic resources required include: computers, phones, stationery and furnitures.

The unit of competency covers 4 learning outcomes. Each of the learning outcome presents; learning activities that covers performance criteria statements creating trainees an opportunity to demonstrate competecies stipulated in the occupational standards and content in curriculum. Information sheet provides; definition of key terms, content and illustration to guide in training. The competency may be assessed through written test, demonstration, practical assignment, interview/oral questioning and case study. Self assessment is provided at the end of each learning outcome. Holistic assessment with other units relevant to the industry sector workplace and job role is recommended.

7.2 Performance Standard

Handle customer enquiries, manage customer complaints, guide customers on banking services and respond to internal queries as per standard operating procedures.

7.3 Learning Outcomes

7.3.1 List of Learning Outcomes

a. Handle customer enquiries
b. Manage customer complaints
c. Guide customers on banking services
d. Respond to internal queries

7.3.2 Learning Outcome No. 1: Handle customer enquiries

7.3.2.1 Learning Activities

Learning Outcome No. 1: Handle customer enquires

Learning Activities	Special Instructions
1.1 Obtain customer details as per standard operating procedures 1.2 Record customer concerns as per standard operating procedures 1.3 Acknowledge understanding of customer queries as per standard operating procedures 1.4 Respond *Customer queries* to as per standard operating procedures (account statement, balance, cheque book and debit card)	Oral Assessment Discussion

7.3.2.2 Information Sheet No. 7/LO1: Handle customer enquires `

Introduction

This learning outcome covers; customer queries, importance of customer query, different types of queries, ways of handling customer enquiries, communication skills, and different types of customers and escalation of customer queries.

Definition of key terms

Customer feedback: Is information provided by customers about their experience with a product or service.

Customer queries:

Handling customer enquiries may involve the following steps/ process:

i. Appreciating the customers for bringing up the query.

ii. Rec

d. The rip off customer

This type of customer is motivated by the desire to receive a hand-out rather than waiting for an adequate and satisfactory support experience. The employee should maintain composure while engaging with the customer and respond adequately. The customer should use available accurate data in backing up his or her responses when engaging with a customer. The risk involved with a rip off customer relates to the fact that the customer may end up taking advantage of a company as they normally aim at obtaining what they do not deserve.

e. The chronic query customer

The type of customer is constantly unhappy and often engages the employees of an organization over un-attended issues. Despite the rather frustrating nature of the customer, the employee should offer adequate support to the customer. The employee should be apologetic, sympathetic and honest. Although the chronic complainer customer may contact the organization ever again, the customer often accepts and appreciates the efforts aiming at fixing the underlying situation.

Types of queries

The queries asked by customer often ask queries involve;

a. Queries about service and product
b. Queries about behavior

Queries about service and products may relate to the quality of service that a customer has received from a given firm. Queries about behavior relate to the personal and professional conduct of the employee in a firm. Customer feedback and responses can be provided using a number of ways e.g. using text messages, phone calls and email messages.

Importance of responding to a customer

These are instances where the customer may opt to escalate his or her queries to the top management. Escalation may occur when the customer feels that a given employee cannot or is not in a position to offer the required assistance. Factors leading to escalation may include handling cases and dispute resolution among other considerations. An employee may also escalate a query in the event that;

4. The following are types of customers except?
   a. The Rip apart customer
   b. The meek customer
   c. The high roller customer
   d. The chronic customer.

5. One of the following relates to handling customer enquiry. Which one is it?
   a. Follow up and delaying on enforcing a decision
   b. Keeping promises on follow up
   c. Escalating all customer queries
   d. None of the above

6. Which one is an importance for customer query?
   a. It reduces organization problems
   b. Has limited impact on day to day activities of a firm
   c. Can demonstrate staff in an organization
   d. All of the above

7. The following are type of customer query. Which one is not?
   a. Query about behavior
   b. Query about organization infrastructure
   c. Query about service
   d. Query about security in the district

8. Outline three reasons for query escalation in an organization.
9. Elaborate how you would handle a chronic complainer customer.
10. Enumerate roles that the script plays in handling customer queries.
11. Outline five communication skills an employee can embrace when handling customer complains.
12. Suggest the impact of technology on employee queries.

Oral Assessment

1. What do you understand by the term customer complaints? How can you handle customer complaints?
2. What are the remedies available in handling a meek customer?

Practical Assessment

During your free time, visit a bank or any financial institution. Take a look at the customer service area and the entity as a whole. What do you notice relating to customer enquiry? Ask the attendant on the challenges they face about customer complaints. As a finance trainee how would you solve such a challenge?

7.3.2.4 Tools, Equipment, Supplies and Materials

7.3.2.5 References

Bergman, B. & Klefsjo, B. (2010). Quality from customer needs to Customer Satisfaction. Sweden: Student Literature Ab

Hill, N. & Alexander, J. (2017). The Handbook of Customer Satisfaction and Loyalty Measurement. London: Routledge

Rosenfield, L. (2011). Search analytics for your site: Concentration with your customers. New York: Rosenfield Media

7.3.3 Learning Outcome No 2: Manage customer complaints

7.3.3.1 Learning Activities

Learning Outcome No 2: Manage customer complaints Learning Activities	Special Instructions
7.1 Obtain customer details as per standard operating procedures. 7.2 Record customer complaint as per standard operating procedures 7.3 Acknowledge understanding of customer complaint as per standard operating procedures 7.4 Respond customer complaint to as per standard operating procedures	Discussions Oral tests

7.3.3.2 Information Sheet No 7/LO1: Manage customer complaints

Introduction

This learning outcome covers; customer complaints, importance of handling customer complaints, types of customer complaints, handling difficult customers and escalation of customer complaints.

Definition of key terms

Customer complaints: It is an expression of dissatisfaction on a cu

The complaints may be due to;

Recording customer complaints is critical for a firm as it ensures that the organization can use the complaint for improving its activities and guiding future plans such as innovations and employees training.

c. **High-roller customer:** The high-roller customer often pays well in return they expect quality services. A high-roller customer is likely to complain in a responsible manner since they always expect the best quality product and service.

d. **Rip-off customers:** This customer may raise complaints to ensure they are given handouts rather than waiting for an adequate and satisfactory support experience. The customer should use the available accurate data in backing up his/her responses when engaging with the customers.

Conclusion

This learning outcome covered; customer complaints, importance of handling customer complaints, types of customer complaints, handling difficult customers and escalation of customer complaints.

Further Reading

1. Read more on emerging issues in addressing customer complaints from listen to

5. The following are types of customers except one. Which one?
    a. The high-roller customer
    b. Rip-off customer
    c. Meek customer
    d. Aggressive customer
6.

7.3.3.5 References

Bergman, B. & Klefsjo, B. (2010). Quality from customer needs to Customer Satisfaction. Sweden: Student Literature Ab

Hill, N. & Alexander, J. (2017). The Handbook of Customer Satisfaction and Loyalty Measurement. London: Routledge

Rosenfied, L. (2011). Search analytics for your site: Concentration with your customers. New York: Rosenfield Media

7.3.4 Learning Outcome No 3: Guide customers on banking services

7.3.4.1 Learning Activities

Learning Outcome No. 3: Guide customers on banking services

Learning Activities	Special Instructions
3.1 Understand customer needs as per work place procedures 3.2 Understand Services offered at different work station as per organizational structure 3.3 Identify bank products as per organizational structure	Lectures Observations
3.4 Serve customers as per their need	Presentations

7.3.4.2 Information Sheet No.7/LO3: Guidance on banking services

Introduction

This learning outcome covers; the customer needs in regards to banking, the organizational structure and hierarchy. It also covers the bank products, types of bank customers, the services to a customer and the importance of customer services.

Definition of key terms

Customer needs: These are the wants that your customers want fulfilled when in contact with your business or searching for solutions that you can provide.

Bank products: This refers to the services that are provided by the banks, that is credit cards, debit cards, purchase cards and treasury management services.

Customer service: This refers to the one on one contact/interactions between a client or a customer with a representative of an organization.

Workplace: This refers to the given location where someone works for his or her employer.

Debit card: These are payment cards that are used pay out for transactions performed and usually deduct directly from customers checking account.

Hierarchy: This is a system that arranges members of an organization in ranks according to their relative positions or status.

Content/Procedures/Methods/Illustrations

3.1 Customer needs are understood as per work place procedures

The customer needs as per banking activities involves the daily transaction activity, membership of a customer, the records and historical activities and the right to know of every product or service offered at a certain bank where he or she is a customer. The customer needs as per the work places are as follows:

a. Tellering services

A customer needs as per tellering services in banks include activities such as;

e. Marketing officers

Different managers perform different tasks of an organization. There are three levels of management in the hierarchy of an organization, top level management, middle level management and low level management.

Figure 27: Levels of management

a. Top level management

These levels consist of the most senior persons of a given organization and include the chief executive officers (C.E.O), chief financial officer (CFO) and information officers whose functions are as follows;

b. Middle level management

The level links the top management and the low management levels and acts as a subordinate staff to the top-level managers. They include the general managers, plant managers, division managers and regional managers and are responsible for the following;

a. **Transactional/checking/current account**

These are bank accounts used to easily access money like ATM cards, electronic transfers and debit cards and are of the following significance:

ATM cards

These are payment cards that are instilled with chips containing unique card numbers and are used to perform transaction at the ATM machines and possess the following importance;

Importance of serving customers as per their needs

4. In what order do managers perform?
   a. Planning, organizing, leading, controlling
   b. Planning, organizing, controlling, leading
5. Who of these is not an entrepreneur?
   a. Barrack Obama
   b. James Dyson
   c. Damien Hirst
   d. Mo Farah
6. Discuss the following terms;
   a. Workplace
   b. Debit/credit card
   c. Organization hierarchy
7. Evaluate the various services/products a client can access from the bank.
8. Illustrate in drawing the hierarchy of an organization and functions in every level.
9. Discuss the importance of transactional account.
10. Elaborate on the benefits an organization would have if they employed proper

7.3.4.5 References

Bhattacaryay, B. N. (1989). Marketing approach to promoting banking services. Vikalpa, 14 (2), 35-42

Clementine. (2002). Building A Predictive Model in Bankruptcy.

Dr. Madan Lal Bhasin. (2006). A Competitive Tool in Banking and Retail Industries.

Foster, D. P., & Stine, R. A. (2004). Variable selection in data mining: Building a predictive model for bankruptcy. Journal of the American Statistical Association, 99 (466), 303-313

7.3.5 Learning Outcome No. 4: Respond to internal queries

7.3.5.1 Learning Activities

Learning Outcome No. 4: Respond to internal queries

Learning Activities	Special Instructions
4.1 Receive internal queries as per standard operating procedures 4.2 Analyze internal queries as per standard operating procedures 4.3 Act upon internal queries as per standard operating procedures 4.4 Receive and dispatch mails as per standard operating procedures	Questionnaires Project Practical assessment

7.3.5.2 Information Sheet No.7/LO4: Respond to internal queries

Introduction

This learning outcome covers; queries, types of queries, teamwork, different method, communication, internal communication, etiquette and handling difficult workplace.

Definition of key terms

Internal query: These are questions asked within the organizations as data collection tools in order to gather some information.

Dispatch book: This is a record where all dispatch mails are recorded.

Analyze: This is the process of cleansing, transforming and identifying patterns force given data to aid in decision making.

Standard deviation: This refers to how spread out a given data is.

Content/Procedures/Methods/Illustrations

4.1 Internal queries are received as per standard operating procedures

Internal queries are questions asked within the organizations by clients/customers with intends to know more on the organization or certain product/service provided by the organization.

Methods on how queries are received

Techniques for data analysis

Figure 29. Flow chart

4.3 Internal queries are acted upon as per standard operating procedures

Data visualization: This refers to the graphical representation of the information and data methods that could be implemented in the data visualization include pie charts, graphs, relational diagrams and maps.

Types of data visualization

Conclusion

This learning outcome covered; queries, types of queries, development of questionnaires, data collection methods, data analysis techniques, data interpretation, data visualization and mails process handling.

Further Reading

1. Read more on analysis techniques from methods of analytical by R S Dragon.

7.3.5.3 Self-Assessment

1. What does it mean by quantitative data?
    a. Graphs and tables
    b. Any data you present in your report
    c. Statistical analysis
    d. Numerical data that could be usefully quantified to answer research
2. Which of the following is not type of graph?
    a. Bar
    b. Scatter
    c. Pie
    d. Box
3. Standard deviation is?
    a. A means of measuring the extent of spread quantifiable data
    b. A way of describing those phenomena that are not normal
4. Which part is not a data analysis technique?
    a. Data mining
    b. Data cleansing
    c. Data collection
    d. Data requirement
5. Which one is not a qualitative data analysis tool?
    a. Standard deviation
    b. Mean
    c. Regression
    d. Statistics

6. What is needed when sender and receiver of mails are the same system?
    a. IP
    b. Domain
    c. Servers
    d. User agents
7. What does MIME stand for?
    a. Multipurpose internet mail extension
    b. Multipurpose internet mail entity
8. Discuss the process of sending and receiving mails.
9. Write short notes on;
    a. Text analysis
    b. Statistical analysis
10. Differentiate between qualitative and quantitative data analysis.
11. Analyse standard deviation.
12. Discuss the types of data visualization.

Oral Assessment

1. How would you solve a competition of your organization product with your competitors?
2. How would you identify the part of your team members who is not performing as per requirement?

Practical Assessment

You are the Human Resource Manager in a company dealing with various products. You want to conduct a research for the satisfaction your products give to the customers.

a. Develop a sample questionnaire your team will use to collect information.
b. Use the analyzing tools to analyze the data and present the information.
c. Prepare a report with sample results of the information collected.

7.3.5.4 Tools, Equipment, Supplies and Materials

CHAPTER 8: TELLERING SERVICE

8.1 Introduction of the Unit of Learning/Unit of Competency

Tellering service is a unit of competency offered in TVET level 6 course qualification in banking and finance. This unit specifies the competencies required to provide tellering service. It involves facilitating cash deposit, processing cash withdrawals, facilitating purchase of foreign currency, facilitating sell of foreign currency, facilitating account to account transfer, facilitating interbank local and foreign transfer, balancing end day till and issuing bankers cheque. The significance of provide tellering service to TVET level 6 banking and finance curriculum is to equip the learner with the knowledge and skills to demonstrate credit and debit recovery principles and techniques and communication and negotiation skills so as to fit well in the workplace.

The critical aspects of competency to be covered include demonstated ability to facilitate cash deposit, process cash withdrawals, facilitate purchase of foreign currency, sell of foreign currency, account to account transfer, and interbank local and foreign transfer, balance end day till and issue bankers cheque. The basic resources required include: computers, internet, phones, stationeries, furniture and forex rates.

The unit of competency covers 10 learning outcomes. Each of the learning outcome

presents; learning activities that covers performance criteria statements, thus creating

8.3 Learning Outcomes

8.3.1 List of Learning Outcomes

a. Facilitate cash deposit
b. Process cash withdrawals
c. Facilitate purchase of foreign currency
d. Facilitate sell of foreign currency
e. Facilitate account to account transfer
f. Facilitate interbank local and foreign transfer
g. Balance end day till
h)

8.3.2 Learning Outcome No 1: Facilitate cash deposit

8.3.2.1 Learning Activities

Learning Outcome No 1: Facilitate cash deposit

Learning Activities

1.1 Receive customer request as per banking policy
1.2 Verify *Customer details* as per banking policy
1.3 Confirm cash as per banking policy
1.4 Count cash as per banking policy
1.5 Store cash as per standard operating procedures
1.6 Sign cash deposit duplicate slip by customer as per banking policy
1.7 Issue copy of deposit slip as per banking policy

Special Instructions

Case studies
Presentations
Direct instruction

8.3.2.2 Information Sheet No8/LO1: Facilitate cash deposit

Introduction

This learning outcome covers; cash deposit, validation of notes, understanding different foreign currency notes, how to sort notes, how to count notes, communication techniques, how to use cash counting machine and the use of coin counting machine.

Definition of key terms

Customer details: This is data about a customer that is stored in a personal file of the customer. The file mostly in banks is in electronic form and contains contact, address, age, history of cash deposit; withdrawals etc., this details/information of customers are normally collected by banks with reference to their bank accounts.

Banking policy: These are the guidelines given by the central bank on majorly banking system of interest taking into consideration the interest of customers of the bank in their activities of deposits, loans etc.

Cash deposit: This refers to all the deposits in the bank account of a customer in form of money i.e. in terms of cash cheque, money transfers.

Content/Procedures/Methods/Illustrations

1.1 Customer request is received as per banking policy

Customer request is a formal appeal by a customer to the bank to make a cash deposit to their bank account as per the required banking policies. Once a customer has any of the accounts named below, they can request to deposit cash in their accounts. The customer normally wants to deposit cash for safe keeping. There are different accounts a bank customer can make requests to deposit cash.

They include;

a. Current account

It is also called demand account. The bank customer can deposit or withdraw cash from this account as he or she pleases. This account owner can be charged a fee to the customer on monthly basis because the account is normally a liability to the bank. A customer can often withdraw cash from this account using ATM cards, over the counter, etc. or in any other method that a bank allows their customers to withdraw cash from their account.

b. Savings account

This is an account where a customer normally deposits cash and earns interest on top of the cash deposited after a certain period of time. One can make withdraws using ATM card or over the counter. The funds in this account are normally safe and a customer can easily access them. The savings account is normally not linked to paper cheque or current accounts.

c. Call deposit account

This account can be referred to as advantage account or checking plus account. It bears the features of both checking and saving accounts. This makes it easy for consumers to earn interest on their deposit at the same time to easily access their cash via withdrawal.

d. Certificate of deposit

This account is also called time deposit account. It offers higher rates of return compared to traditional savings account. For a consumer to get returns, one has to let the cash stay in the account for a set period of time.

Validation of notes

Notes: Refers to money in form of paper

This is process of verification of bank notes of customers to ensure that they have maintained the required level of compliance. When a customer requests to deposit notes to a bank in form of a deposit the teller has to verify that the notes are not counterfeit or fake.

Understanding different foreign currency notes

These are the currency of foreign countries that is authorized as a mode of circulation in that particular country. Most foreign currency notes are traded in banks. Some of the foreign currency notes include:

How to Sort Notes

There are ways on how to sort notes in banks. They include;

Importance of confirming cash

Importance of signing cash deposit duplicate slip

Further Reading

1. Read more on cash deposit by M. Osterberg, J Srensson-US. (2010). Cash deposit apparatus and method. Patent 7,819,308. Google patents

8.3.2.3 Self-Assessment

Written Assessment

1. Which of the following is a type of deposit account?
    a. Student account.
    b. Smartcard account.
    c. Current account
    d. Lock saving account
2. Which of the following is a detail in customer personal information of bank deposits?
    a. Image
    b. Place of work
    c. Number of children
    d. Place of birth
3. Which of the following is not a type of foreign currency?
    a. US dollar
    b. Pound sterling
    c. Turkana shilling
    d. Kenyan shilling
4. Where is bank money physically securely stored?
    a. Teller cabin
    b. Bank vaults
    c. House
    d. Under the bed
5. The following are ways a person can withdraw cash from their accounts except?
    a. ATM
    b. Over the counter
    c. Stealing
    d. As per bank policy
6. Which of the following is a way of sorting out money in the bank?
    a. Arranging while mixing the cash
    b. Using automated money sorters
    c. Arrange coins together with notes
    d. None of the above

7. Which of the following is a characteristic of a current account?
    a. You cannot withdraw cash from it
    b. One earns interest in the money deposited
    c. It is a savings account
    d. One can withdraw using ATM card
8. Outline two types of deposit bank accounts.
9. Discuss the meaning of cash deposit.
10. State one advantage of cash deposit account.
11. What is the name of the document that is generated after a customer deposits cash? Elaborate.
12. State and analyse three customer details.

Oral Assessment

1. What is a savings account?
2. Name two foreign currencies.

Case study

A privately held retailer company headquartered in the United States selected Red bridge bank to conduct a bank fees and service. The big-box retailer with more than 200 domestic US locations utilizes a total of seven banks for its daily cash management, cash and coin deposit and banking needs. In addition every time they deposited the money to the bank there were no cash receipts given to them by the bank. Why do you think the bank did not give them receipt? What are the implications of not receiving a cash receipt duplicate? Explain

8.3.2.4 Tools, Equipment, Supplies and Materials

8.3.3 Learning Outcome No 2: Process cash withdrawals

8.3.3.1 Learning Activities

Learning Outcome No 2: Process cash withdrawals Learning Activities	Special Instructions
2.1 Receive customer request as per banking policy 2.2 Verify *customer details* as per banking policy	Lectures
2.3 Confirm customer balance as per standard operating procedures 2.4 Retrieve cash from till as per banking policy 2.5 Count cash as per banking policy 2.6 Confirm cash by customer as per banking policy 2.7 Sign cash withdrawal duplicate slip by customer as per banking policy 2.8 Store copy of cash withdrawal duplicate slip as per banking policy	Group discussions Written assessment

8.3.3.2 Information Sheet No8/LO2: Process cash withdrawals

Introduction

This learning outcome covers; cash withdrawal, validation of customer details understanding different foreign currency notes, how to sort notes, how to count notes, communication techniques, how to use cash counting machine and use of coin counting machine.

Definition of key terms

Banking policy: This is a working guide to regulatory compliance that helps attain effective accuracy in the key bank functions and operations and could include policies on bank security, bank secrecy and anti-money laundering, compliance management, etc.

Cash withdrawal duplicate slip: Entails a bank document in which a person writes the date, account number and amount to be withdrawn from the bank.

Content/Procedures/Methods/Illustrations

2.1 Customer request is received as per banking policy

Customers are the most important ingredient in the growth and success of any bank.

This means that organizations and banks as well should place maximum value on document

2.3 Customer balance is confirmed as per standard operating procedures

customer which subsequently leads to retrieval of cash from the till in accordance to the bank policies.

2.5 Cash is counted as per banking policy

Counting of cash is a process of determining the exact total amount of money available at a given time. Given the huge amounts of money in the banks necessity of error free currency sorters that process thousands of bills and coins per hour is essential as much time is saved hence increasing productivity of the bank as employees will have more time to focus on customer service possibly resulting to customer satisfaction.

Cash being one of the most liquid asset of any organization, its susceptibility to loss is very high hence need for maximum care is a requirement to safeguard the asset. The cashiers and head of finance department are required to observe the following during counting of cash;

Figure 31: Duplicate slip
Source: germantowndepot.com.

NOTE: The customer must sign a duplicate of the withdrawal slip.

2.8 Copy of cash withdrawal duplicate slip is stored as per banking policy

The banking policy of signing a duplicate withdrawal slip must be adhered to in which the bank must remain with the other copy of the receipt and place it in a designated place for balancing at the end of the day. This too is necessary as:

Further Reading

1. Read more on bank policy from Kenya Banking Act.

8.3.3.3 Self-Assessment

Written Assessment

1. Which one of the following is not an advantage of introducing computerized accounting system?
    a. Time is saved through speed of inputs
    b. Increased accuracy of entries
    c. Cost involved in training staff to use the system
    d. Increased job satisfaction
2. Debiting the petty cash book with the exact amount spent in the previous period is an example of?
    a. Going concern
    b. Prudence
    c. Contra entry
    d. Imprest system
3. Which of the following is not a reason for maintaining day books in addition to the ledgers?
    a. Having a dual system allows tighter controls to prevent fraud and theft within the firm
    b. Day books and ledgers act as a backup for each other in case of loss of information
    c. Transactions can be more easily verified
    d. More time is spent on entering the transactions in both books and ledgers
4. A cheque deposited for which the bank will not transfer any money is referred to as?
    a. Credit transfer
    b. The journal
    c. Dishonored cheque
    d. Guaranteed cheque
5. Verification of a customer

6. Which of the following is not a function of a commercial bank?
    a. Credit control
    b. Accept demands
    c. Advance loans
    d. Issue paper notes
7. Which of the following will lead to possible loss of cash given its high liquidity state?
    a. Count cash in front of the customer
    b. Verify all cash before putting in the drawer
    c. Counting for multiple customers at a single time
    d. Count starting with large denominations down to small denominations
8. Elaborate on the meaning of duplicate withdrawal slip.
9. How would verification of bank details help in risk mitigation?
10. Identify the various ways banks have automated their services and describe them.
11. Why would banks keep a copy of the withdrawal slip?
12. What do you understand by the term financial inclusion?

Oral Assessment
1. What are the advantages of central filing system?
2. Name two banking policies with regard to retrieving cash from the till.

Project Assessment
In groups of threes, carry out an analysis of how automation in the banking industry would impact service delivery and customer confidence giving recommendations of the same to the growing bank industry and other financial institutions.

8.3.3.4 Tools, Equipment, Supplies and Materials

8.3.4 Learning Outcome No 3: Facilitate purchase of foreign currency

8.3.4.1 Learning Activities

Learning Outcome No 1: Facilitate purchase of foreign currency

Learning Activities	Special Instructions
3.1 Receive customer request as per banking policy	Class discussions
3.2 Confirm if the bank deals with the currency as per the organizational policy	Group presentations
3.3 Confirm validity of the currency as per standard operating procedures	Case studies
3.4 Negotiate exchange rate based on the bank policy	
3.5 Confirm exchange rate	
3.6 Count the foreign currency	
3.7 Issue equivalent Kenya shillings	
3.8 Print receipts in duplicate	
3.9 Issue Customer copy of the receipt and retain the bank copy	
3.10 Keep foreign currently in the till	

8.3.4.2 Information Sheet No8/LO3: Facilitate purchase of foreign currency

Introduction

This learning outcome covers; foreign currency, importance of forex in a bank, interpretation of exchange rates, validation of notes, understanding different foreign currency notes, communication etiquette, rates negotiation skills and validation of customer details and understanding the importance of forex in a bank.

Definition of key terms

Exchange rate: The exchange rate refers to the price or value of the currency of a country when compared to the currency of another country. The exchange rate shows the number of units of the currency of another country that an individual can buy using the home currency.

Foreign currency: This is the operating currency of a foreign country which has been authorized to act as a medium of exchange and circulation in the country.

Content/Procedures/Methods/Illustrations

3.1 Customer request is received as per banking policy

The central bank of Kenya plays a significant role in facilitating and managing foreign exchange business. In the process of managing the foreign exchange business, the central bank prepares reports and statements regarding all dealers of foreign exchange based on the banking policies. Banks and other dealers of foreign currency receive the request from the customer to exchange foreign currency by paying a keen consideration to the banking policies. A customer can request to;

Importance of forex in a bank

Forex is a section in the bank that deals with any business that involves foreign currency. Some of the business includes;

3.3 Validity of the currency is confirmed as per standard operating procedures

Some currencies have validity periods by which they must be in operation. Once their validity has expired, it may be difficult to buy, sell or convert an expired currency. Using the standard operating procedures of a forex dealer, they will check to confirm if the currencies they have has expired or is still in use.

Validation of notes

This refers to the process of checking the foreign currency notes if they have the following features;

b. Rate negotiation skills

Negotiation skills refer to the attributes that an individual requires to successfully participate in the forex market.

Having a better understanding of the foreign currency notes will give an individual a better hand in counting the foreign exchange notes. Accurate counting of foreign currency notes or coins will enable the agent to provide an amount equivalent to the desire of the customer after factoring in the exchange rate. However, there are current machines that can help in the counting of foreign notes and coins to give accurate figures in case an individual does not know how to count.

3.7 Equivalent Kenya shillings are issued

Once the counting of foreign notes has been completed and accurately ascertained, the customer receives Kenyan shillings that are equivalent with the foreign currency. At this point, in case the customer has any question regarding the exchange rates he/she can seek clarification. The customer will then check to confirm if he/she has received the expected amount in Kenyan shillings if he/she wanted the Kenyan currency.

3.8 Receipts are printed in duplicate

Once the transaction is completed, the bank prints receipts in duplicate. The two receipts printed are the bank copy receipt and the customer copy receipt. These receipts can be used for future reference in case of a dispute regarding the transaction.

3.9 Customer copy of the receipt is issued and the bank copy retained

A part of the standard operating procedures the customer is given the copy of the receipt, the bank then retains the second or bank copy. The bank retains the copy to enable it to prepare financial reports and statements on the foreign exchange dealings.

3.10 Foreign currency is kept in the till

The bank has a specific or special section that handles foreign currency. At this section, they have a till where they keep different notes and coins of foreign currencies. Each till keeps a specific foreign currency to enable easy retrieval in case it is required.

Conclusion

This learning outcome covered; foreign currency, importance of forex in a bank, interpretation of exchange rates, validation of notes, understanding different foreign currency notes, communication etiquette, rates negotiation skills and validation of customer details.

Further Reading

1. Read on more factors that contribute to the fluctuation of the exchange rate and its impact to exporters and importers from slideshare.net.

8.3.4.3 Self-Assessment

Written Assessment

1. The following are true about principle that dealers of foreign currency need to consider. Which one is not?
   a. They should exercise caution
   b. They should accept new products after they have made clear consultations
   c. All people are allowed to engage in foreign exchange
   d. Dealers need to have high integrity levels.
2. Which of the following is an authorized dealer of foreign currencies?
   a. Retailer
   b. Credit Officer
   c. Bank
   d. Bank Teller
3. Which of the following is false about activities of a forex dealer?
   a. Buying of foreign currency
   b. Selling of foreign currency
   c. Borrowing of foreign currency
   d. Laundering of foreign currency
4. The following are some of the reasons of buying or selling foreign currency. Which one is not?
   a. Hedging
   b. Speculation
   c. To purchase local products
   d. To distribute to the poor
5. Which of the following is incorrect about the purpose of notes validation?
   a. To check if they are stale
   b. To check if they are original
   c. To check if they are valid
   d. To check the appropriate features of a standard note
6. Which of the following is the right device used for notes validation?
   a. Computer
   b. Printer
   c. Franking machine
   d. Multi-currency note counters
7. Which one is correct about the negotiation skills of a forex trader?
   a. Ability to speak loudly
   b. Ability to know more people
   c. Ability to obtain guarantee from a financial institution
   d. Ability to speak fluently
8. Suggest a brief description of negotiation skills that a forex trader should have.

9. Elaborate on the importance of having a forex section in a bank
10. Highlight some of the devices that can be used in validating currencies
11. Discuss the purpose of making two copies of transaction receipts for a forex transaction
12. Analyse the reasons of validating foreign currencies.

Oral Assessment

1. Why is it necessary to validate notes of a foreign currency?
2. How does one interpret the exchange rates of currencies?

Case Study Assessment

There is a company which has been established in a foreign country and has sold its products. It has received revenues in the foreign currency. The company wants to make a purchase of raw materials from the local market using the local currency. For it to succeed, it will require to approach a forex dealer such as a bank through the central bank to change the incomes to the local currency to enable them purchase locally available materials for their use. In case the country has strict rules it will look for an individual negotiating skill to source for local currency in the forex dealers.

8.3.4.4 Tools, Equipment, Supplies and Materials

8.3.5 Learning Outcome No 4: Facilitate sell of foreign currency

8.3.5.1 Learning Activities

Learning Outcome No 4: Facilitate sell of foreign currency

Learning Activities	**Special Instructions**
4.1 Receive customer request as per banking policy 4.2 Confirm if the bank deals with the requested currency 4.3 Negotiate exchange rate based on the bank policy 4.4 Confirm exchange rate as banking policy 4.5 Receive Kenya Shilling as per standard operating procedures 4.6 Count and confirm Kenya Shilling as per standard operating procedures 4.7 Issue the foreign currency as per banking policy 4.8 Print receipts in duplicate as per standard operating procedures 4.9 Issue customer copy of the receipt is issued and retain as per standard operating procedures 4.10 Keep Kenya shillings in the till as per standard operating procedures	Group discussion Case study

8.3.5.2 Information Sheet No8/LO4: Facilitate sell of foreign currency

Introduction

This learning outcome covers; foreign currency, importance of forex in a bank, interpretation of exchange rates, validation of notes, understanding different foreign currency notes, communication etiquette, rates negotiation skills, validation of customer details, print receipts in duplicate and issuing customers copy of the receipt.

Definition of key terms

Exchange rate: It is the rate at which one currency will be exchanged for another.

Communication etiquette: Refers to the conventions and standards of social behaviour.

Validation: The action of checking the accuracy of something legally.

Duplicate: Things that looks exactly like something else.

Content/Procedures/Methods/Illustrations

4.1 Customer request is received as per banking policy

Importance of receiving customer request

4.2 Confirm if the bank deals with the requested currency

Confirmation: Is the audit procedure performed by the auditor to test the existence

4.4 Exchange rate is confirmed as banking policy

It is the rate at which one currency will be exchanged for another currency.

Importance of confirming exchange rates

A Kenya shilling is the currency of Kenya, divided into 100 cents, exchange rates, history and bank notes.

a. One will need Kenya shillings for the lodges. Once you are in Nairobi you will need to have Kenya shillings to pay for trips, medications and site-seeing. Therefore there are machines where you can change GBP to KES or withdraw KES for the duration of your time in Kenya.

4.6 Kenya Shilling is counted and confirmed as per standard operating procedures
How to issue foreign currency

i. Borrow the foreign currency in an amount equivalent to the present value of the receivable
ii. Convert the foreign currency into domestic currency at the spot exchange rate
iii. Place the domestic currency on deposit at the prevailing interest rate
iv. When the foreign currency receivable comes in, repay the foreign currency loan from step 1 plus interest

Central Bank of Kenya confirms that there is a shortage of circulation of the new notes. Coins that are currently used for trade are available in dominations of shs 1, shs 5, shs
10. shs 20 and shs 40. Bank notes are available in dominions of shs 50, shs 100, shs
11. shs 500 and shs 1000.

4.7 The foreign currency is issued as per banking policy

i. Issuing of foreign exchange offer protection against inflation
ii.

Figure 32. Example of a receipt

Demo Training Pizza
To Go
Order
Quick serve
1 Guest
Server: Authalio
Cashier: Authalio
Register: Receipt 3 (receipt 3)
2018-05-31 13:54:15

1 Baked ziti	9.00
Pesto	
1 garlic knot	6.00
Spicy marinar	
Subtotal	15.00
State tax (% of 9.00)	0.45
Tax exemption (To Go)	-0.45
Total :	15.00
Peso (MXN)	max 297.45
Paid in cash:	15.00
Amount date:	0.00

Exchange rate : Mex $ 19.83

4.9 Customer copy of the receipt is issued and the bank copy retained as per standard operating procedures

A copy of the receipt is issued to the customer once a transaction is made and a copy of the receipt is retained by the bank. The following are some of the reasons for issuing a receipt;

Reasons for issuing receipts and retaining receipts

Conclusion

This learning outcome covered: Foreign currency, importance of forex in a bank, interpretation of exchange rates, validation of notes, understanding different foreign currency notes, communication etiquette, rates negotiation skills and validation of customer details (Image, signature and account balance).

Further Reading

1. Godwin, Janson (2003). Greenback. New York : Henry Holt

8.3.5.3 Self-Assessment

Written Assessment

1. Which is the correct definition of exchange rate?
    a. Refer to the conventions of social behavior
    b. Different types of people
    c. Etiquette
    d. Rate at which one currency will be exchanged for another
2. Which one of the following is not the importance of issuing foreign currency?
    a. Borrowing in foreign currency expose them to exchange rate risk
    b. Paying down of international debt becomes considerably more expensive
    c. Currency will not be exchanged to any customer
3. What do we mean by the word validation?
    a. Different types of currency
    b. Exchanging currency
    c. The accuracy of checking the accuracy of something legally
    d. Negotiation of currency
4. Which one of the following is not a benefit of a good customer?
    a. Increased of sales
    b. Customer loyalty
    c. Customer dependency
    d. Enhance public image
5. Which one of the following is a benefit of a customer request in the bank?
    a. Customer needs problems your products and service
    b. Customer loyalty
    c. Increased of sales

6. Which one is not an advantage of negotiated exchange currency?
    a. Keep inflation low
    b. Flexibility
    c. Current account
    d. Keep inflation high
7. Which one of the following can be a disadvantage of negotiated exchange rates?
    a. Less flexibility
    b. No credit
    c. High cost of current account
    d. Customer perceptions
8. Discuss the meaning validation.
9. Elaborate on the advantages of a good customer service.
10. Analyse the disadvantages of negotiated exchange currency.
11. Summarize the advantages of negotiated exchange currency.
12. Suggest the benefits of a good customer service?
13. Evaluate the importance of issuing foreign currency
14. Discuss different types of currency

Oral Assessment

1. What do you understand by the term validation
2. What are the qualities of a good customer service

Practical Assessment

In a group of five students, visit Central Bank of Kenya or commercial bank that facilitates the foreign exchange rates, discuss the interest rates that are used to exchange foreign currency and the reasons for exchange rates currency.

8.3.5.4 Tools, Equipment, Supplies and Materials

8.3.5.5 References

Bishop, Paul and Dan Dixon (1994). Foreign exchange handbooks. New York: McGraw Hill.

Godwin, Janson (2003). Greenback. New York: Henry Holt.

Reinfield, Fred (1957). The story of paper money. New York: Sterling Publishing Company.

8.3.6 Learning Outcome No 5: Facilitate account to account transfer

8.3.6.1 Learning Activities

Learning Outcome No 5: Facilitate account to account transfer

Learning Activities	**Special Instructions**
5.1 Receive customer request as per standard operating procedures 5.2 Verify *Customer details* as per banking policy 5.3 Confirm customer balance as per standard operating procedures 5.4 Transfer cash as per banking policy 5.5 Print cash transfer slip in duplicate as per banking policy 5.6 Issue copy of the signed cash transfer slip as per banking policy	Illustrations Written assessment

8.3.6.2 Information Sheet No8/LO5: Facilitate account to account transfer

Introduction

This learning outcome covers; account transfer, requirements for internal money transfers, importance of internal account to account transfer, (to customer, to bank, to government), methods of account to account transfer, validation of customer details (image, signature, balance) and communication techniques

Definition of key terms

Cash transfer slip: This is a form or slip that is used to record the transfer of money to an individual. The cash transfers are either conditional or unconditional.

Internal account: These are accounts that exist solely within your organization and that are used to transfer funds between business units.

Account transfer: This is done when an individual instructs a bank or business to send money directly into another account without necessarily withdrawing the cash first.

Content/Procedures/Methods/Illustrations

5.1 Customer request is received as per standard operating procedures

Customer

The following details are required for a transfer

Importance of cash slip

8.3.6.3 Self-Assessment

Written Assessment

1. A fixed amount paid out of bank account on a regular basis is known to the payer as a?
    a. Standing order
    b. Cheque endorsement
    c. Credit transfer
    d. Direct debit
2. The reason for having a bank current account would not include?
    a. Have access to funds for emergency use
    b. The need to make regular payments into and out of the bank
    c. Not to have too much cash held on the business premises
    d. The desire to earn maximum return on financial investments
3. A contra entry in the cashbook would include?
    a. Transferring cash into the petty cash box
    b. Totaling up the bank and cash columns at the end of each month
    c. Withdrawing cash from the bank account
    d. Transferring the discounts to the accounts in the general ledger
4. A cheque deposited for which the bank will not transfer any money can be known as?
    a. A guaranteed cheque
    b. Dishonored cheque
    c. Credit transfer
    d. The journal
5. Which of the following will not deduct money from your bank account directly?
    a. An ATM
    b. A credit card
    c. A debit card
    d. A cheque
6. The delay that occurs between the time a cheque is written and the money is deducted from your account is known as?
    a. Float
    b. Overdraft
    c. Maturity
    d. Amortization
7. Which of these is not an asset of a scheduled commercial bank?
    a. Money at call at short notice
    b. Loans, advances and bills discounted or purchased
    c. Instruments
    d. None of the above

8. Outline documents that are required for cash transfer to occur.
9. Explain how one do a transfer of cash from one bank to another.
10. Illustrate the process of receiving a customer request.
11. Analyse three type of accounts provided in a bank.
12. Identify the importance of internal account transfer to the bank.

Oral Assessment

1. What do you understand by the term cash transfer?
2. What are the requirements for internal money transfer?

Practical Assessment

Visit a bank of your choice in groups of 3 ensuring that you have accounts in those banks enquire about cash transfer from one account to another. Make a request to get a cash transfer form. Fill the form providing the details and documents that are requested. After filling return the form and follow the procedures that the bank requests you to follow. Ask for duplicate slips for the transaction.

8.3.6.4 Tools, Equipment, Supplies and Materials

8.3.7 Learning Outcome No 6: Facilitate interbank local and foreign transfer

8.3.7.1 Learning Activities

Learning Outcome No 6: Facilitate interbank local and foreign transfer

Learning Activities	**Special Instructions**
6.1 Receive customer request as per standard operating procedures 6.2 Verify *customer details* as per banking policy 6.3 Confirm customer balance as per standard operating procedures 6.4 Transfer cash as per banking policy 6.5 File transfer form in duplicate as per standard operating procedures 6.6 Issue transfer receipt to customer as per standard operating procedures 6.7 Process transfer receipt as per standard operating procedures	Oral assessment Illustrations

8.3.7.2 Information Sheet No8/LO6: Facilitate interbank local and foreign transfer

Introduction

This learning outcome covers; local and foreign money transfer, the companies that aid in foreign money transfer and the importance of foreign money transfer to different parties e.g. banks customers and government.

Definition of key terms

Money transfer: This is the process of transferring money either electronically or physically from one place to another.

Foreign transfer: This is wireless transfer of money electronically in specific currency and amount to a person overseas. It can also be called international money transfer.

Content/Procedures/Methods/Illustrations

6.1 Customer request is received as per standard operating procedures

Customer request is the formal appeal for a bank customer to make money transfer from one account to another either locally or internationally. Account transfer is the process whereby an individual sends funds from one account to another.

Local money transfer services

The following are local money transfers types in Kenya:

Importance of verification of customer details

8.3.7.4 Tools, Equipment, Supplies and Materials

8.3.8 Learning Outcome No 7: Balance end day till

8.3.8.1 Learning Activities

Learning Outcome No 7: Balance end day till

Learning Activities	Special Instructions
7.1 Bundle cash is bundled as per standard operating procedures 7.2 Count cash as per standard operating procedures 7.3 Check system balance as per standard operating procedures 7.4 Check system balance against physical cash as per standard operating procedures 7.5 Verify Report on check of system balance against physical cash as per standard operating procedure 7.6 Return till to strong room as per standard operating procedures	Written Assessment Illustrations

8.3.8.2 Information Sheet No8/LO7: Balance end day till

Introduction

This learning outcome has covered how cash in notes and coins are stacked and piled up. This learning outcome has also covered the importance of having a till register, how to handle discrepancies in the cash register and that in the point of sale system etc. it has also covered the importance of keeping till registers safe.

Definition of key terms

Till: This is a machine that records sales and in which money is kept i.e. cash register in a shop.

Sort: To put a group or a number of items or things in order. Things or items of the same characteristics/ features can be sort together e.g. Ksh 50 note can be sort together.

Physical cash: This is money, it can be in notes or coins that can be seen or touched.

Cash: Money in terms of coins or paper money.

Content/Procedures/Methods/Illustrations

7.1 Cash is bundled as per standard operating procedures

Cash bundling is the sorting of cash either notes or coins in accordance with the relevant standard operating procedures. Cash is bundled whenever it is in bulk i.e. a large quantity of coins or notes of the same currency denomination or in accordance to the written standard operating procedures. Bundling of cash is done at the end of the day in most businesses as this is the time when the activities of the business have expired.

End of day of a business

It means the close of a business at the time its trading activities end. Most business set a designated time when they will have to complete their trading activities. E.g. most government operations end at 5.00 pm. Most businesses alert their customers on their time of closing the business so that if they want to purchases a good or a service, they can do so before end of the day.

Importance of end of day

Illustration

A shopkeeper has 100 pieces of Kshs 1000 notes, 200 pieces of Kshs 500 notes. The shopkeeper can have 2 stacks each containing 50 Kshs 1000 notes. While having 4 stacks each containing 50, Ksh 500 notes. By bundling cash notes, one easily gets to know how much they have made from the business.

Steps used to bundle coins

i. Acquire coin sleeves or as required by the standard procedures from the office store or bank or bookshop etc.
ii. The owner of the business can make piles of coins containing ten coins. This helps one to easily know how much he/she has in total.
iii. Separate the coins according to their value and size.

Illustration

A shopkeeper has got 100 pieces of Kshs 20 coins. The shopkeeper will make 100 piles of 10 ksh 20 coins.

Cash sorting technique

Cash sorting is arranging money in order according to their value and denominations.

A Cash sorter Machine;

How to handle soilled notes

i. Go to bank and exchange the soiled notes for clean notes and recover the full amount you had earlier.
ii. One can also request the bank to deposit the amount in their bank account.
iii. Banks accept soiled notes at no cost and one can pay government dues e.g. taxes.

7.3 System balance are checked as per standard operating procedures

Checking of the till system balance is done according to the written standard procedures e.g. the till system balance can be conducted by authorized persons only. System balance in the till, includes all the money paid using mobile payment as this method is becoming very popular.

Importance of checking system balance

Types of till variances

Below is an example of a cash register

Sales

Sales of services	Ksh. 50000
Sales of goods	Ksh. 80000
Total sales	Ksh 130000
Non cash collections and expenses	
Debit card sales `	Ksh. 20000
Cash payment for deliveries	Ksh. 10000
Total cash outflow	Ksh 30000
Beginning of the shift cash count	Ksh 5000
End of shift cash count	Ksh 100000

Note: The end of shift count meant the money in terms of cash left in the till register

Reconciliation of the report against physical cash

Reconciliation is the process of adjusting two records of accounts to ensure that they are in agreement. This ensures that the cash leaving an amount matches the money spent. In relation to the cash register, it is the process of confirming the amount of cash in till register at the end of the day. Confirming of the cash can also be made if there are different cashiers who use a till register. When the day ends, business owners, reconcile cash in the till register against the cash report.

Table 19: Example of cash reconciliation form

	Money collected		**Sales recorded**	**Difference+/-**
Cash collected Coupons collected Credit cards collected	Ksh. 10000 0 Ksh. 30000	Cash sales Coupons sales Credit card sales	Ksh. 11000 Ksh. 1000 Ksh. 30000	- Ksh. 1000 - Ksh. 1000 0
Total collected	Ksh. 40000	Total recorded	Ksh. 42000	+ 2000

7.5 Till is returned to strong room as per standard operating procedures

Till is usually returned to a safe secure place in reference to the standard operating procedures. Till register is a vital and should be the top most priority

Till safety: During the day, till register should be firmly be placed on a counter top see through plastic cash guards should be used to prevent cash being grabbed when the register is open. At the end of the day, cash till register should be kept in a specialized safe store.

Dual control: This is where two employees separately count the cash in the till register and comparing with the POS system. They then compile their findings and compare if

4. Which of the following is variance type of variance?
   a. Shortages
   b. Profit
   c. Damages
   d. None of the above
5. The following are details of cash report except?
   a. Profit margin made
   b. Costs of each other
   c. Both a & b
   d. None of the above
6. Dual control involves how many persons?
   a. One person
   b. Two persons
   c. Three persons
   d. Ten persons
7. What button is normally pressed in the till register to give a cash report is called?
   a. Z out button
   b. T out button
   c. X out button
   d. None of the above
8. Elaborate what dual control is
9. Outline two functions of a POS system.
10. Identify three importance of checking system balance.
11. Elaborate how notes can be soiled.
12. Evaluate on end of day business.

Oral Assessment

1. What is a till?
2. What is a bundle of cash?

Practical Assessment

The learner should be accompanied by their tutor to a nearby supermarket that uses a cash till register. Request the manager to give a copy of a past year cash report. Examine one the previous cash report generated by the cash till register and note down its details.

8.3.8.4 Tools, Equipment, Supplies and Materials

8.3.8.5 References

Carter, O. (2002). Added Coin Compartments for Current Cash Tills
Gray, A. (2004). Games Of Chance Using a cash till roll
Zimmermann, T. (2000). Cash Register Termim

8.3.9

Content/Procedures/Methods/Illustrations

8.1 Customer request is received as per standard operating procedures

Commercial bank of Africa
Bank

(CPA 006). All cheque printed should meet the regulated standards. The following are some of the securi

Further Reading

1.

7. Who issues a bankers cheque?
    a. The bank
    b. The government
    c. The people
    d. ATM
8. What are the requirements of one getting a bankers cheque?
9. Name two accounts where bankers transactions are recorded
10. Suggest two customer details
11. Discuss the meaning of authorization
12. Are there any costs associated with purchase of a bank

8.3.10 Learning Outcome No 9: Facilitate cheque deposit

8.3.10.1 Learning Activities

Learning Outcome No 9: Facilitate cheque deposit **Learning Activities**	**Special Instructions**
9.1 Receive customer request as per banking policy 9.2 Verify *customer details* as per banking policy 9.3 Scan cheque for clearing as per bank procedure 9.4 Sign cheque deposit duplicate slip by customer as per banking policy 9.5 Confirm cheque as per banking policy 9.6 Archive cheque as per standard operating procedures	Illustration Projection

8.3.10.2 Information Sheet No8/LO9: Facilitate cheque deposit

Introduction

This learning outcome covers; what is a cheque, process of receiving customer requests, verification of customer details and identification of a cheque validity.

Definition of key terms

Bankers Cheque: It is a document that orders a bank to pay a specific amount of money from one person account to the other persons account in whose name the cheque has been issued.

Drawer:

vision and human review. This method actually use a picture of themselves holding an ID thus ensuring that the ID is there.

9.3 Cheque are scanned for clearing as per bank procedure

Cheque scanning: This is a process of scanning a cheque both the front and the back of a cheque transforming the paper cheque into a legal digital image.

Types of cheque

Importance of signing a duplicate cheque

Ways of keeping cheque books safe

i. Record all details of cheques issued
ii. Do not leave your cheque book unattended
iii. Always keep your cheque book in a safe area
iv. When you receive your cheque book, please make sure you count the pages/number of cheques remaining

Conclusion

This learning outcome covers; what is a cheque, process of receiving customer requests, verification of customer details and identification of a cheque validity.

Further Reading

1. Banking theory law and practice author Rajesh
2. Management control systems: text and cases by selchar books. Google.

8.3.10.3 Self-Assessment

Written Assessment

1. Who is primarily liable on a cheque?
   a. Drawer
   b. Paying banker
   c. Collection banker
   d. Everybody who touches the cheque
   e. None
2. The effect of a crossing cheque is?
   a. The payee can obtain payment only through account
   b. The payee is compelled to open an account
   c. The payee will bare to endure the cheque to a bank
   d. None
   e. All
3. A cheque crossed as payees account only is direction to?
   a. Bearer account
   b. Payee
   c. Drawer

4. Which one of the following is not a type of cheques?
    a. Self cheque
    b. Bakers cheque
    c. Cheque book
    d. Bearer cheque
5. Which one of the following is not a method of customer verification?
    a. Knowledge based
    b. Two factor method
    c. Database methods
    d. All of the above
6. Cheque archiving is the process by which cheques are written and signed.
    a. True
    b. False
    c. Not sure
7. Out of the following, identify customer details used to verify bank details.
    a. Contact
    b. Sex
    c. ID
    d. All of the above
8. Suggest the purpose of a cheque.
9. Categorize three types of cheques.
10. What do you understand by the term dishonored cheque?
11. Highlight and discuss five essentials of a cheque.

Oral Assessment
1. What is a cheque?
2. What does self cheque mean?

Case Study Assessment
On 25th august 2014, a cheque dated 01. 09. 2014 for 500,000 ksh is presented and paid,

reducing the balance in the account to 200,000 ksh. Two days later a cheque dated 23.

8.3.10.5 References

Angawal. R. 2017. Disruption of banking in emerging market economy. An empirical study of India. Economic analysis. 50 (8-4), pp. 20-30.

Haldeer, Z. (2015) .IBISworld Industry Report 52211, commercial banking in the us. Retrieved February 23, 2015 from IBISworld database.

IASB. (2010) dishonored cheque London. ASB

8.3.11 Learning Outcome No 10: Facilitate cheque withdrawal

8.3.11.1 Learning Activities

Learning Outcome No 10: Facilitate cheque withdrawal Learning Activities	Special Instructions
10.1 Receive customer request as per banking policy 10.2 Verify *Customer details* as per banking policy 10.3 Confirm customer balance as per standard operating procedures 10.4 Retrieve cash from till as per banking policy 10.5 Count cash as per banking policy 10.6 Confirm cash by customer as per banking policy 10.7 Sign cash withdrawal duplicate slip by customer as per banking policy 10.8 Store copy of cash withdrawal duplicate slip as per banking policy	Discussion Oral test Presentation

8.3.11.2 Information Sheet No8/LO10: Facilitate cheque withdrawal

Introduction

This learning outcome covers; cheque, validation of customer details and determination of cheque validity. It also covers how customer requests are received, methods, how customer details are verified, how to confirm the customer balance, how cash is retrieved, methods of retrieving cash, main function of cash office, importance of confirming cash, cash withdrawal duplicate slip, importance of cash withdrawal duplicate and measures taken to prevent signature fraud.

Definition of key terms

Customer request: This involves a customer demanding something from the seller, for example he/she may ask for some information.

Cheque: This is a written document that consists of sum stated from the drawers account cheque also is a document that orders a bank to pay certain sum of money to person in whose name the cheque has been issued.

Cash: This refers to coins and notes which are legalized by a legal tender and they are used in a country.

Policy: These are rules developed by the company to govern the management of the various activities in an organization.

Verification: It means truth that is providing information that is correct and fair.

Content/Procedures/Methods/Illustrations

10.1 Customer request is received as per banking policy

Banking policy: These are rules and regulations relating to customer requests, that is, how the customers applies his/her queries, who to receives them, and when should the customer place his/her request. Banking policies are normally written down in a piece of paper whereby the customer is given to read and understand them.

Importance of customer request

Benefit of counting the cash include

10.8 Copy of cash withdrawal duplicate slip is stored as per banking policy

Copy of cash withdrawal slip is the document that contain information same as the one contained in the original document, the duplicate slip contains stamp and details of the customer. Withdrawal duplicate slip is usually given out by the bank. The following are the importance of withdrawal duplicate slip;

8.3.11.3 Self-Assessment

Written Assessment

1. The following are methods of how customer request are received except?
   a. Use of emails
   b. Use of telephone calls
   c. Use of live chat
   d. Sending vulgar messages to the firm
2. Which one of the following does not signify the methods used to confirm customer balance?
   a. Use cheque
   b. Use of receipt invoices
   c. Direct calls
   d. E-mails
3. Do you think a customer can use a mobile phone to retrieve cash from the till?
   a. None of below
   b. Yes or no
   c. No
   d. Yes
4. Which of the following is not the benefit of cash counting?
   a. Cash counting increases customer confidence.
   b. Cash counting decreases bank managers cash
   c. Cash counting increases public image of the bank.
   d. Cash counting increases the relationship between the customers and employees of the bank.
5. Bank policy usually help to run the management of the bank and it outlines the procedures to be followed internally by the bank, identify which party designs those rules and procedures.
   a. Customers
   b. Board of governors
   c. Government agency
   d. Employees
6. Cheques are sometimes dishonored by the bank, which one of the information is not correct?
   a. Cheques are dishonored because of differing amount in figures and in words.
   b. Differing in signature make a cheque to be dishonored
   c. Cheques are dishonored when the date elapses.
   d. Cheques are dishonored when they have large amount of cash.

7. Customer request can be made by use of email, the following are disadvantages of emails except?
    a. Junk mails
    b. Sometimes emails are un-responded
    c. It is expensive to install computers and desktops
    d. Emails enhances speed

8. What do you understand by the term customer request?

9. Discuss method of withdrawing cash in bank

10. Cash is confirmed by customer in many ways, elaborate that statement.

11. Analyse validation of c

CHAPTER 9: BACK OFFICE MANAGEMENT

9.1 Introduction of the Unit of Learning/Unit of Competency

Back office management is a unit of competency offered in TVET level 6 banking and finance course qualification. This unit specifies the competences required to manage back office. It involves processing salary, managing suspense account, managing asset register, managing office stationery, managing voucher, performing data clean up and managing customer account. The significance of back office management to TVET level 6 banking and finance curriculum is to equip the learner with skills and competencies to enable the organisation achieve its goals and productivity and cost efficiency. It also equips him/her with skills to manage the human resources at the work place, management of data, enhance organisation-customer relationship, among others so as to fit in the workplace.

The critical aspects of competency to be covered include demonstrate ability to process salary, identify sources of suspense entries, manage asset registry, office stationery and voucher, perform data clean up and customer account management. The basic resources include; computers, internet connection, phones,stationaries and furniture.

The unit of competency covers seven learning outcomes. Each of the learning outcome

presents; learning activities that covers performance criteria statements, thus creating

9.3.2 Learning Outcome No 1: Process Employee Salary

9.3.2.1 Learning Activities

Learning Outcome No 1: Process Employee Salary Learning Activities	Special Instructions
1.1 Receive business customer request as per standard operating procedures 1.2 Verify business customer request as per standard operating procedures 1.3 Check business customer employee details as the company records 1.4 Check business customer account as per standard operating procedures 1.5 Capture details of business customer employee in the system as per organizational policy	Observation Discussion Case study

9.3.2.2 Information Sheet No9/LO1: Process Employee Salary

Introduction

The learning outcome covers; salary, process, validation of business customer details, verification of employee details, importance of verification of employee details, requirement for salary processing and costs involved with salary processing.

Definition of key terms

Salary: It is a form of compensation that employees receive from the employer for rendering services for a specific period of time as may be specified in the employment contract.

Process: It is a standard procedure that is followed in order to achieve specific outcome or result.

Content/Procedures/Methods/Illustrations

1.1 Business customer request is received as per standard operating procedures

The main aim of having an SOP in the organization is to ensure uniform performance

efficiency and quality output while striving to minimize errors and miscommunication.

Importance of having a standard operating procedure

ii. Determination of any adjustments to be made, either on the account or payment information and the necessary action to correct errors identified during the reviewing process.
iii. After review, the payroll verification form is signed.
iv. A copy of payroll verification is retained for the current period.

Importance of verification of employee details

1.5 Details of business customer employee are captured in the system as per organizational policy

3. After processing salary, customer details can be retrieved using __________.
   a. Payroll journal
   b. Salary log
4. What is CIF in full?
   a. Customer identification folder
   b. Customer identification file
   c. Customer identification function
5. Which one of the following can be used to check the business customer account balance?
   a. Salary date
   b. Transaction reference
   c. All of the above
   d. None of the above
6. Salary information for employees working for the employer is maintained under?
   a)

9.3.2.4 Tools, Equipment, Supplies and Materials

9.3.3 Learning Outcome No 2: Manage suspense account

9.3.3.1 Learning Activities

Learning Outcome No 2: Manage suspense account

Learning Activities	Special Instructions
2.1 Retrieve suspense reports as per standard operating procedures 2.2 Analyze suspense reports are analyzed as per standard operating procedures 2.3 Identify source of suspense entries as per standard operating procedures 2.4 Act on entries in suspense account as per standard operating procedures	Lectures Group discussions Illustrations

9.3.3.2 Information Sheet No9/LO2: Manage Suspense Account

Introduction

The learning outcome covers; suspense, importance of managing suspense accounts, types of suspense accounts, the need for suspense accounts in banks, risks associated with suspense account, retrieval of suspense report, reconciliation and reversal of suspense items.

Definition of key terms

Suspense: It is the state of being undecided or doubtful about a situation suspense accounts are accounts where uncategorized transactions are recorded as the accountant gathers more information on how to categorize the transaction. A suspense account holds transactions temporarily. Moreover, it is used by accountants to record discrepancies in their accounting books.

Reconciliation: It is the process of ensuring that records are in agreement. It is used to ensure that money leaving the organization is equal to the money spent. It is mostly used to merge books of account.

Content/Procedures/Methods/Illustrations

2.1 Suspense reports are retrieved as per standard operating procedures

Suspense accounts are used in two scenarios. First it is used to record transactions that are unclassified. These are transactions that have little known details about them. For example, receiving money in the bank without description of the transaction. Secondly, a suspense account is opened when the trial balance does not balance. It is used to

determine the transactions that were unrecorded or that were recorded incorrectly.

At the end of the financial year the suspense account shall be reviewed and all transactions should be classified and posted into their various books but if they are not the suspense account is included in the statement of financial position as an asset or liability.

Suspense Account Retrieval and Reconciliation

The process of suspense, account retrieval and reconciliation is as follows;

Step 1: Review trial balance account in the general ledger to make sure the debit and credit sides of the ledger are equal. If they are not equal calculate the difference so as to know the discrepancy.

Step 2: Ensure that the difference from the above calculation is reasonable.

Step 3: Check all transactions against the entries of the journal to make sure it was not an entry error. This step is to ensure that all records of each transaction are recorded; they are posted correctly and have accurate supporting documents.

Step 4: Validate transactions against trial balance to ensure that the posting are accurate.

Importance of maintaining suspense account

2.2 Suspense reports are analyzed as per standard operating procedures

Analysis of the suspense account is done after retrieval of the suspense report. Analysis of the suspense report is done by checking the transactions against the available supporting documents. Moreover, analysis helps to decide the kind of suspense account to open.

Types of suspense accounts

Debit 1,796,100 Credit 1,852,817

The start of the trial balance will be;

Table 20: Trial balance

DR		**Suspense Account**	**CR**
Difference	56,717		

Balance Sheet

A suspense account can be located in any areas of a balance sheet. Either in the Assets, Liabilities, Revenues and Expenses section of the balance sheet.

For example: If a company receives Ksh. 50,000 but cannot find the reason for receiving the money. The cash asset will be debited but the account to be credited will be unknown therefore forcing the accountants to create a suspense account so as to investigate further the details.

There are many risks associated with use of suspense account. They are;

Account	DR	CR
Suspense Account	20,000	
Account receivable		20,000

This closes the suspense account.

Example 3

Not sure how to classify a transaction

A supplier invoice of Sh 200,000 of services on the suspense account debit suspense account credit account payable.

Account	Debt	Credit
Suspense	200,000	
Account payable		200,000

Later it is decided to bill on the purchasing account to close the suspense account credit suspense account and debit purchasing.

Account	Debt	Credit
Suspense		200,000
Purchasing	200,000	

Conclusion

This learning outcome covered suspense, importance of managing suspense accounts, types of suspense accounts, the need for suspense accounts in banks, risks associated with suspense account, retrieval of suspense report, reconciliation and reversal of suspense items.

Further Reading

1. Effect to the financial position of a company if the suspense account is not closed by the end of the financial year.

9.3.3.3 Self-Assessment

Written Assessment

1. If payment received from a customer and the accountant is not sure to which account to apply to which of the following is the correct journal entry.
    a. Debit suspense account
    b. Credit suspense account
    c. Credit cash sales
    d. Debit account payable
2. Which of the following situations require use of suspense account?
    a. An expense allocated to a specific department
    b. Payment of specific invoice
    c. Brokerage client purchasing securities
    d. Receiving partial mortgage from client
3. In case of a payable and it is uncertain to which department to charge it to, which is the correct journal entry?
    a. Debit account receivable
    b. Debit suspense account
    c. Credit suspense account
4. Which of the following is not a type of suspense account?
    a. Received payment suspense account
    b. Trial balance suspense account
    c. Account payable suspense account
    d. None of the above
5. Suspense accounts are used to correct errors in the trial balance.
    a. Yes
    b. No
6. Trial balance is a source of information for the suspense account.
    a. Yes
    b. No
7.

Oral Assessment

1. What are the sources of suspense account information?
2. What is a suspense account? State its uses.

Practical Assessment

The following suspense account was created with a debit balance of Ksh. 350,000 to balance the trial balance.

Subsequently the following errors were also found:

a. Closing balance of the purchase ledger is under cast by Ksh. 16,000
b. Cash received of Ksh. 45,000 is only entered in the cash account
c. Purchase returns has been overcast by 26,000

What is the remaining debt balance in the suspense account after correction of the errors?

9.3.3.4 Tools, Equipment, Supplies and Materials

9.3.4 Learning Outcome No 3: Manage Asset Register

9.3.4.1 Learning Activities

Learning Outcome No 3: Manage Asset Register

Learning Activities	**Special Instructions**
3.1 Mark bank assets as per standard operating procedures 3.2 Post bank asset in asset register as per standard operating procedures 3.3 Maintain bank asset register as per standard operating procedures 3.4 Handle asset requisition as per organization policy	Discussion Oral Assessment

9.3.4.2 Information Sheet No9/LO3: Manage Asset Register

Introduction

The learning outcome covers; asset register, different types of assets found in a bank, importance of maintaining asset registers, process of marking assets, details to capture in asset register, depreciation of assets, how to determine the cost of the depreciated asset, disposal of asset and repair of assets.

Definition of key terms

Asset: An item owned by the company and it has value to the company, for example, cash as an asset can be used immediately by the firm.

Asset Register: This is a list of the assets owned by the company and the list shows the price quantity of different type of assets.

Disposal of asset: Disposal means the sale of an asset in order to replace with another one or it can also means the process of getting rid of an asset because it has depreciated.

Depreciation: This is when an item value have been declined from the initial price, for example, the machine have been fully utilized at the extent that it cannot be able to provide certain service in the firm.

Cost: This involves an agreed sum of money between the buyer and the seller in order to acquire the asset

Content/Procedures/Methods/Illustrations

3.1 Bank assets are marked as per standard operating procedures

Bank assets have different types of assets, including physical assets for example a bank may owned, long term loans, equipment, land cash, investment or even the securities.

Several methods can be used to mark the asset as illustrated below;

i. **Invisible marking:** UV pens put an invisible mark on the asset owned by the bank such as vehicles that can only be seen under UV light. These markers are cheap and easily available.

ii. Use of adhesive tag: The method involve permanently affix the identification information to the asset by using a standardized adhesive tag. This method is beneficial to the tangible assets.

Marking an asset is beneficial to the bank as follows;

When posting depreciation two accounts are involved, that is;

Table 22: Accumulated depreciation account

DR

CR **Accumulated Depreciation Account**

Date	Detail	Amount	Date	Detail	Amount
				Balance	Sh. 375,000.00
1/1/2019	Depreciation	Sh. 375,000.00	1/1/2019 Sh. 375,000.00	c/d	Sh. 375,000.00
					Sh. 375,000.00
	Balance c/d	Sh. 375,000.00			

On the Asset Register enter Ksh. 375,000 as the value of cost.

Repair of an asset

Repairing cost this is the cost incurred to bring an asset back to an earlier condition or to repair means to keep asset at its operating present conditions.

Example;

If a company motor vehicle is damaged, the cost to repair the damage is immediately debited to repairs and maintenance expense.

Routine maintenance such as engine tune ups, oil changes radiator flushing the cost incurred is also debited to repairs and expense.

Disposal of an asset

Disposal of an asset involve eliminating the assets from the accounting records, for

example, when an asset is sold its value is eliminated from the Asset register. Fixed 336

Example

ABC Company sells a machine for Ksh. 1000,000 and recognizes Ksh.100, 000 of depreciation per year over the 5 years the initial cost was Ksh.2000, 000 the entry is:

DR	**Accumulated depreciation account**				**CR**
Date	Detail	Amount	Date	Detail	Amount
1/1/2019	Accumulated Depreciation	Sh. 500,000	1/1/2015	Machine asset	Sh. 2,000,000
1/1/2019	Cash	Sh. 1,000,000			Sh. 375,000
	Loss on asset disposal	Sh. 500,000			Sh. 2000,000
		Sh. 2,000,000			

On the asset register eliminate Ksh. 2000,000 the initial cost of the machine.

3.3 Bank asset register are maintained as per standard operating procedures

Bank asset register is a document that consist of all assets which are found in the bank, bank asset register consist of physical assets such as cash, building, land as well as non-tangible asset like securities (shares).

Importance of Asset Register

Asset bank register is maintained in different ways for example for a fixed asset, assets can be registered through the software, such as excel sheet; excel sheet is an integrated accounting software whereby assets are recorded by use of simple spread sheet like excel to sort fixed assets using any criteria like date of purchase; for example, to make replacement decision, the details concerning an asset are entered in the software and then maintained the register is kept clean and when retrieving any information from the computer saves time since use of computer increases speed. The method of maintaining a bank asset register is by use of a book.

The book is maintained by an accountant whereby the details concerning the assets are written down and the information about the asset is deleted when an asset is disposed. The assets that are maintained in the bank asset register include; land, loan, investment or security, building, motor vehicles and some technological equipment.

3.4 Asset requisition is handled as per organization policy

Organization policy is the rules and regulations which manage an organization. Organization policy states out the terms to be followed by the management when carrying out certain activates. Organization policy also outlines what to be followed in case an employee refuses to follow the rules and regulations written in the organization.

Importance of organization policy

Policies in an organization are beneficial since they outline what is expected to be done and at what time

The following information is included in purchasing order whenever it is being issued as illustrated below:

a. **Name of purchasing office:** As the policy of the organization empower a procurement office on buying an item, so the name of the office should appear in the document.

b. **The pay terms:** Example we have a discount terms, hire purchase agreement terms, such term are included in the requisition purchase order in order to avoid conflict on time of payment.

c. **Invoicing instructions and the purchase order number:** This ensures that no confusion between the parties and in order to assist in record keeping, purchase order typically have same number as associated purchase requisition.

An organization can still have a purchase order for internal transactions, for example one department may wish to purchase an item from the other department and in such cases an organization may require the purchasing department to submit an interdepartmental purchase order.

Conclusion

This learning outcome covered; asset register, different types of assets found in a bank, importance of maintaining asset registers, process of marking assets, details to capture in asset register, depreciation of assets, disposal of asset and repair of assets, methods of calculating depreciation and how to treat the accounts of financial statements that is depreciation account and expense income account. The learning outcome also covers requisitions both purchasing requisition and purchasing order requisition and the importance of purchasing requisition to different organization.

Further Reading

1. Read on purchasing order requisition
2. Methods of valuing an asset during the time of disposal.

9.3.4.3 Self-Assessment

Written Assessment

1. What is the importance of maintaining bank asset register and which one is not?
    a. It helps in estimating the repairs and maintenance cost
    b. It helps to meet the statutory requirements
    c. It helps to conduct audit assessment in bank
    d. It keeps information about the liabi

2. Which one of the asset is not kept in the bank asset register?
   a. Land
   b. Cashbook
   c. Building
   d. Vehicle
3. When posting depreciation of an asset two accounts are used, that is accumulated depreciation account and expense income account. Identify the correct answer.
   a. None of the below
   b. No
   c. No/Yes
   d. Yes
4. Identify the information that is not included in purchasing order requisition.
   a. Name of purchasing office
   b. Pay terms
   c. Purchase order number
   d. Cash enclosed in an envelope
5. Do the large organizations maintain asset register?
   a. Yes
   b. No
   c. Yes/No
   d. None of the above
6. Which information is not correct concerning the marking of assets methods?
   a. Use of adhesive tags
   b. Use of fire to burn assets
   c. Use of labels
   d. Use of invisible marks
7. Identify which one of the following is not contained in asset tag/labels.
   a. Serial number
   b. Pin code/unique code
   c. Location details
   d. None of the above
8. Analyse the process of registering assets in the list.
9. Briefly discuss asset register.
10. What is purchase requisition and the function of requisition purchase order in an organization?
11. Discuss different types of bank assets.
12. What do you understand by disposal of an asset?

Oral Assessment

1. What is asset register?
2. What is amortization in asset?

Practical Assessment

Identify one company of your choice, visit and ask for the asset register, and briefly outline the contents it contains.

9.3.4.4 Tools, Equipment, Supplies and Materials

9.3.5 Learning Outcome No 4: Manage Office Stationery

9.3.5.1 Learning Activities

Learning Outcome No 4: Manage Office Stationery Learning Activities	Special Instructions
4.1 Maintain record of bank stationery as per organizational policy 4.2 Handle new asset requisition as per organization policy 4.3 Manage reorder level as per organizational policy 4.4 Dispose obsolete stationery as per standard operating procedure 4.5 Maintained stationery room is maintained as per standard operating procedure	Oral tests Written Assessments

9.3.5.2 Information Sheet No9/LO4: Manage Office Stationery

Introduction

The learning outcome covers; stationery, types of stationery needed in a bank, importance of managing stationery, reorder level, acquisition of stationery, disposal of obsolete stationery, stationery cost management, maintenance of the stationery room, storage of stationery, different methods of arranging stationery and retrieval of stationeries.

Definition of key terms

Stationery: Refers to writing materials and other office supplies.

Reorder level: It refers to inventory level at which a company would place a new order to the organization to run. It also refers to new manufacturing of products in the organization.

Content/Procedures/Methods/Illustrations

4.1 Record of bank stationery is maintained as per organizational policy

Sample/Illustrations

Methods of recording bank stationery

ix. Once finished entering all the information for the requisition click on validate at the bottom.

Importance of a requisition

Procedure of reorder levels

Types of stationery

Methods of stationery room.

2. How do you manage confidential information?
    a. Not records information
    b. By use of file records
    c. Information from employees suggestions
    d. By unrecorded receipts
3. The following are the importance of maintaining office equipment EXCEPT?
    a. For leisure
    b. For long lasting of machine duration
    c. To maintain the machine clean
    d. For responsibility purposes.
4. What should be considered in the preparation of reports?
    a. Decide on a good structure
    b)

Practical Assessment

During free time the students have to research on effects of office layout e.g;

a. Productivity
b. The requirements to unite together office layout
c. Effects on employees.

9.3.5.4 Tools, Equipment, Supplies and Materials

9.3.6 Learning Outcome No 5: Manage Bank Voucher

9.3.6.1 Learning Activities

Learning Outcome No 5: Manage Bank Voucher Learning Activities	Special Instructions
5.1 Check vouchers against record as per standard operating procedure 5.2 Reconcile vouchers as per standard operating procedure 5.3 Archive vouchers as per standard operating procedure 5.4 Retrieve vouchers as per standard operating procedure 5.5 Destroy vouchers as per standard operating procedure	Group discussions Case study

9.3.6.2 Information Sheet No9/LO5: Manage Bank Voucher

Introduction to learning outcome

The learning outcome covers; defining a voucher, types of vouchers, importance of managing vouchers, ticking of vouchers, storage of vouchers, retrieval of vouchers, disposal of obsolete vouchers, voucher confidentiality and the importance of maintaining confidentiality. It will also cover on how effective voucher management will boost on managing and processing of transactions faster and efficiently also during the process it will be auditing and tracking within the system to maximize security and reduce the fraud risk.

Definition of key terms

Bank Voucher:

Content/Procedures/Methods/Illustrations

5.1 Vouchers are checked against record as per standard operating procedure

Voucher is a form or check describing and authorizing the transaction of liability to a

The request comes from the credit card user or cardholder and is received by acquires or bank. Most of these requests are made to support investigation into fraud, validate a charge back or in response to customers request such as needing it for filing.

Importance of confidentiality.

3. Which of the following is not vouchers supporting document?
    a. Supplier name to be paid
    b. Supply invoice
    c. Company purchase order
    d. Voucher serial number
4. Select the correct explanation of bank voucher
    a. Is a check or form describing and authorizing the transaction of a liability to a supplier
    b)

Case Study Assessment

Effective voucher management has been fully mandated in most companies in Kenya

both services providers and goods producers. For example Equity bank has integrated

9.3.7 Learning Outcome No 6: Perform Data Clean Up

9.3.7.1 Learning Activities

Learning Outcome No 6: Perform Data Clean Up Learning Activities	Special Instructions
6.1 Check customer records as per standard operating procedure 6.2 Check customer details as per standard operating procedure 6.3 Capture missing details as per standard operating procedure 6.4 Take *Action* as per standard operating procedure (calling customer, flag account and collect the documents)	Case study Group discussions

9.3.7.2 Information Sheet No9/LO6: Perform Data Clean Up

Introduction

The learning outcome covers; what is data, different types of data, types of data in a bank, importance of cleaning data, process of cleaning, customer data confidentiality and importance of maintaining confidentiality. It also covers on how technology has improved on performing data clean up by transforming customer experience and also lend to efficiency in cleaning data by bank or firms through use of integrated system.

Definition of key terms

Data cleaning: It is the process of collecting raw data and to ensure all necessary types of data are within reach and also that most valuable and accessible details are utilized in the analysis process.

Data: It is the transactional and personal details where banks can establish overall view of their customers order to track customers in order to track customers speeding pattern.

Confidentiality: It is the agreement relationship between a customer and bank which

Content/Procedures/Methods/Illustrations

6.1 Customer records are checked as per standard operating procedure

Customer records are checked as per standard operating procedures. The banking sector is a good example of how technology has transformed the customer experience. Customer do not need to queue on Saturday morning to deposit their paycheck. They can now use their mobile gadgets to check their deposit check, account balances, pay bills and transfer money. Hence making services effective and efficient.

These self-service features are fantastic for customers hence being the main reason of traditional banks struggling to compete with similar firms and online only financial companies. Customer activities occurs mostly online now. The in-person services that most banks have been using to offer services are no longer relevant to customer needs.

Methods/Processes of data

Step 1 : Adopting big data strategies and tools becomes so significant to the banking sector.

Step 2: Using both transactional and personal details banks can establish full view of their customers in order to ; track customers speeding pattern, segment customers based on their profiles, risk management processes implementing, personalize product offering ,collect analyze and respond to customers feedback and incorporate retention strategies. The application of data in banking is endless.

Step 3: Using available data banks can accurately measure the risk of giving a loan to a customer. for example predictive analytics model like the FICO scoring system can analyze consumers credit history, loan or credit applications and other data to assess its consumer will manage to make payments on time in future. Important way of banks to use their data is to adapt machine learning algorithms that will automate many of their processes and artificial intelligence (AI) solutions that have the potential charge to improve on how banks deals with regulatory compliances issues.

Types of data.

2.0 quintillion bytes of data to be generated everyday not everything will fit within single category.
Three ways of classifying data include;

The large volume of data available at the banks needs advanced processing techniques for it to be translated into valuable actionable information. In order to filter through all types of big data, proper business tools is the most efficient way.

6.2 Customer details are checked as per standard operating procedure

Data modeling is efficient since it is a visual representation of quantitative data that banks can use to analyze, identify correlations and professional interpretation and

anticipation assumptions on all capabilities that are useful in customer acquisition. 361

iv. Feedback banks have to create control mechanism where inaccurate details gets reported and updated into database such as there should be a control feedback mechanism for emails and any email which is undelivered owing to an incorrect address, should be reported and invalid email address should be cleared from the customer data.

v. Repeat lastly customers are increasingly becoming dynamic and so associated details like telephone number, addresses and company email frequently charges. Hence data cleansing should be part of regular flow. Regular updating of customer database is the only route towards ensuring clear customer database.

vi. Banks and firms should make investment in data cleansing and data management to priority.

Importance of cleaning data.

The importance of customer data confidentiality includes.

3. The agreement relationship between the customer and bank which usually prohibits the banker from disclosing details about the customers affairs and account to third party is ;
    a. Data
    b. Data cleaning
    c. Confidentiality
    d. Flag account
4. The following are the procedures used in cleaning customer data. Which one is not?
    a. Data auditing
    b. Prescriptive analysis
    c. Consolidate data
    d. Use multiple data
5. Which of the following is not the body that is allowed to obtain clients confidential details from financial institution?
    a. Anti-money laundry (AML)
    b. Know your customer (KYC)
    c. Artificial intelligence (AI)
    d. Finance intelligence unit (FIU)
6. Which of the following is the importance of customer data confidentiality?
    a. Building and developing trust
    b. Auditing process of database
    c. Accounting for duplicate and inaccurate data
    d. Cleansing data.
7. What is the important step between data collection and data analysis?
    a. Data
    b. Data cleaning
    c. Flag account
    d. Confidentiality
8. What do you understand by the term customer data confidentiality
9. Elaborate on the importance of maintaining confidentiality
10. Discuss data cleaning?
11. Elaborate calling customer in banking sector
12. Summarize the different types of data in a bank.

Oral Assessment

1. Procedure of cleaning customer data elaborate
2. Discuss types of data

Case Study Assessment

Due to advancement ad rapid changes of customer needs the financial institutions have adapted modern technology in order to be as close and in touch with their customers? An example is standard chartered bank, it has introduced online application which is installed in the mobile phones of the clients. Whereby consumers can withdraw money from any location without physical appearance to the bank and also through the online application and online banking customers therefore can retrieve information they need for example, interest rates on saving, balances in their account and also going through the companies status. This has also led to increased sales and trust from the customers.

9.3.7.4 Tools, Equipment, Supplies and Materials

9.3.8 Learning Outcome No 7: Manage Customer Account

9.3.8.1 Learning Activities

Learning Outcome No 7: Manage Customer Account

Learning Activities	Special Instructions
7.1 Check customer account records as per standard operating procedure	Written assessment
7.2 Identify *Undesirable characteristics* as per standard operating procedure (zero balance account, dormant account and overdrawn account)	Question and Answer (Q/A) method
7.3 Take action on undesirable characteristics as per banking policy	Attending classes

9.3.8.2 Information Sheet No9/LO7: Manage Customer Account

Introduction

The learning outcome covers; customer records, process to check the customer details, undesirable characteristics, accounts actions as per undesirable characteristics of dormant accounts, zero balance accounts, handling the zero balance accounts, overdrawn accounts, confidentiality and importance of confidentiality.

Definition of key terms

System log: This contains the record of the operating system events that indicates how and when activities takes place.

Zero balance: This is a pooling system that only receive enough funds from other accounts to cover checks presented each day maintaining balance as zero.

Overdrawn account: This refers to a bank accounts which have been overdrawn much funds than they really had.

Content/Procedures/Methods/Illustrations

7.1 Customer account records are checked as per standard operating procedure

Customer record refer to the records provided pertaining an individual customer data or any other legally obtained information about him and activities carried out. Data is a key element in an organization and certain factor to identify/ distinguish customers. This information should be stored in areas where only the authorized personnel can access the data and should be protected to prevent damage.

Process to check customer details

i. Customer details are confidential details and should not be shown to anyone except the owner/client himself.

ii. The client should also provide the relevant documents that are meant to confirm his identity as the rightful owner of the account. The document provided should include; passport, ID card and birth certificate.

iii. If document is verified use a unique features/factors i.e. the ID card to check the client name against the system and the system log to identify his/her previous activities/ transactions

iv. You can confirm the transactions with client/if they really happen as per stated if they did the print records.

v. If not, fraud activities must have taken places such as stolen ATM and follow up should be undertaken

Circumstances when customer confidentiality is not considered

7.2 Undesirable characteristics are identified as per standard operating procedure (zero balance account, dormant account and overdrawn account)

This refers to the unpleasant characteristic that exists in the system. Such activities will always result to negative impact ad undesired expectations. They include:

a. **Zero balance account:** This is a cash pooling system that only receives enough funds from other account to cover checks presented each day maintaining balances as zero in this account. The account is used to increase investment and also eliminate any excess balances

Advantages of zero balance account

iii. Bring your account balance positive as soon you will want to pay back the overdraft in order to regain your account.
iv. Speak to your bank. If you owe too much to the bank you should talk to them and inform them of situation and you may not be blacklisted with the CRBs and your credit score might not be affected.

7.3 Action is taken on undesirable characteristics as per banking policy

Every action as per policy has consequences when the subject matter is breached. Data confidentiality could be breached by an employee of an organization. The following are among the consequences they have to deal with;

i. **Loss of business client/relationship:** A business may lose some of its customers. An employee who breaches is viewed as potential liability if hired. Persons guilty find themselves blacklisted
ii. **Termination of employment:** Breach of confidentiality is severe and enough to be prosecuted with criminal charges and possible incarceration.
iii. **Lawsuits:** In instances where the client confidentiality has been breached the client may receive monetary damages from employer.
iv. **Criminal charge:** This occurs when the breach severe ly affects the company fines and imprisonment maybe given if sufficient prove is provided

Dormant accounts

These are accounts that have been inactive for more than 2 years with no transaction performed thus have been closed and deemed dormant. Anyone who tries to reopen the account must provide reason why the account has been dormant that long and produce a copy of his details in relation to the account. Bank will request applications signed by all joint holders of account if the dormant account is a joint account. The activation will require you to perform another transaction online or offline once per year.

Importance of confidentiality

Further Reading

1. Expound on the undesirable characteristics, effects of dormant account and activation process.

9.3.8.3 Self-Assessment

Written Assessment

1. What are the three main branches of strategy research that makes up study of strategy?
   a. Strategy content
   b. Strategic content
   c. Strategy lenses
   d. Strategy processes
2. A numeric description of the outcome of an experiment is?
   a. Descriptive statistic
   b. Probability function
   c. Variance
   d. Random variable
3. The use of online and offline promotion technique to increase the audience of a site is
   a. Quality care
   b. Search engine optimization
   c. Search engine manceptig
   d. Traffic building campaign
4. Is sharing customer information with other organization effect?
   a. Yes
   b. No
5. Which one is not a document to be provided during registration?
   a. Passport
   b. Identification card
   c. Birth certificate
   d. Educational certificate.
6. Discuss the following terms
   a. Zero balance
   b. Overdrawn account
7. Elaborate the advantages of having a zero account?
8. Evaluate the process of recovering a bank account.

9. Analyse five undesirable characteristics as per banking.
10. Summarize the importance of a customer verifying his accounts.
11.

CHAPTER 10: ELECTRONIC BANKING

10.1 Introduction of the Unit of Learning/Unit of Competency

Electronic banking is a unit of competency offered in TVET level 6 banking and finance course qualification. This unit specifies the competencies required to manage electronic banking. It involves processing registration request, managing service providers, managing bank customers, reconciling online transaction and recovering of default account. The Significance of electronic banking to TVET level 6 banking and finance curriculum is to equip the learner with knowledge and skills to demonstrate conflict resolution, communication, financial management and credit and debt recovery principles and techiniques so as to fit well in the workplace.

The critical aspect of competency to be covered include demonstated ability process registration request, understanding of service level agreement, understanding of service providers, manage bank customers, understanding of reconciliation process, identify default account and inform customers of their status as per repayment report. The basic resources require for include; computers, internet connectivity, phones and stationery.

The unit of competency covers 5 learning outcomes. Each of the learning outcome

presents; learning activities that covers performance criteria statements, thus creating

10.3.2 Learning Outcome No 1: Process Registration Request

10.3.2.1 Learning Activities

Learning Outcome No 1: Process Registration Request

Learning Activities	**Special Instructions**
1.1 Receive customer registration request as per bank procedures	Discussion forum
1.2 Verify customer request as per bank policy 1.3 Create customer online accounts as per customer request 1.4 Activate online accounts as per bank procedure	Demonstration from the trainer
1.5 Communicate to the customer as per bank procedure	Practice by the trainee

10.3.2.2 Information Sheet No10/LO1: Process Registration Request

Introduction

This learning outcome covers; registration process (online, digital), registration options (required documents for registration), methods of verifying registration document (physical verification, documentation verification, and electronic documentation), document certification, creation of online account, and activation of account, modes of communication within and outside the bank.

Definition of key terms

Customer registration: This is the process of turning the prospective organizational consumers to actual consumers who will engage with the bank brand in the running process of the bank.

Bank policy: This is a

Process

In the ancient era, customers used to walk into any bank, submit the relevant documents (ID and KRA pin), and be given a form which they fill and the details entered into the system and they become registered. However, with massive use of technology, customers can register themselves online to have an account with the bank of their choice. The following process applies;

i.

Need for registration of document

1.3 Customer online accounts created as per customer request

Customers request for opening of online accounts which have to undergo a content verification process before complete creation to start using it. The creation of the account happens at the signing up stage but the account will be active for use once the documents have been verified and approved.

Method

Electronic documentation and verification method

The method requires customers signing up for an account to upload their account opening documents in soft copy formats. The documents formats are specified as per various banks but the standard format is the PDF format.

Advantages of electronic documentation

Methods

10.3.2.3 Self-Assessment

Written Assessment

1. Which of the following documents is not required for customer registration?
    a. ID
    b. Birth certificate
    c. KRA pin
    d. Company registration certificate
2. Which of the following registration options is fit for 90 year old customer?
    a. Digital registration
    b. Manual registration
3. Which of the following is not a method of document verification?
    a. Documentation verification
    b. Physical verification
    c. Biological verification
    d. Electronic verification
4. Which of the following is not part of an account setup?
    a. Individual photo
    b. Security questions
    c. Security phrases
    d. Details of school attended
5. Which is the standard format of documents to be uploaded for registration?
    a. PDF
    b. Word document
    c. HTML document
    d. PNG format
6. Summarize advantages of electronic documentation.
7. Elaborate on the process of activating online account.
8. Discuss two methods of verifying registration documents.

Oral Assessment

1. What is the standard procedure of customer registration?
2. What is the future of banking?

Practical Assessment

Students to visit a local bank and learn the customer registration process and observe

how customers are served. Trainee then try to open an online account as learnt in class.

10.3.2.4 Tools, Equipment, Supplies and Materials

10.3.3 Learning Outcome No 2: Manage service providers

10.3.3.1 Learning Activities

Learning Outcome No 2: Manage service providers

Learning Activities	**Special Instructions**
2.1 Ensure that the compliance with Service Level Agreements (SLA) is as per the policy.	Discussion forums
2.2 Sought the Service provider report as per SLAs	
2.3 Conduct an engagement for proposed system improvements as per SLA	Lectures
2.4 Implement the agreed changes as per bank request	Field visit practical method

10.3.3.2 Information Sheet No10/LO2: Manage service provider

Introduction

This learning outcome covers; service providers, features of Service Level Agreement document (SLA), consequences of breach of SLA document, review options for SLA document. Service providers are third parties or outsourced suppliers for the bank who is fast is to provide consultation, communication, and storage, information processing or legal engagements. Such service providers can be company lawyers from a law firm, internet and voice calls from communication service providers, and auditor from external auditing firms or real estate investors for bank investing decisions.

Definition of key terms

SLA: This is a contractual engagement between service providers and their customers which gives the documentation of the services to be rendered, the standards of providing the service and the obligations of each party in the due course of providing the services.

Compliances: This is the process of ensuring that the bank employees as well as the bank follows the required rules and regulations as well as apply the required ethical practices in the operations process.

Bank request: This is a submission of a form to the service providers requiring the providers to provide stated service.

Content/Procedures/Methods/Illustrations

2.1 Compliance with Service Level Agreements (SLA) is ensured as per the policy content

SLA being a contractual agreement issues of ethics and compliance matter a lot in the operations process. Therefore, compliance is matter of no choice when it comes to SLA implementations. As a bank, the focus should be that the contractual agreement is not breached which will reduce law suits against the bank which can be very costly of the publicity of the bank. The standards and obligations of the SLA must be met to ensure that compliance has taken place.

Features of services level agreement

Review options for SLA documents

2. Which one of the following is not part of service agreement?
   a. Service scope
   b. Customer requirements
   c. Assumptions of the service
   d. Service expiry
3. Which one of the following is the importance of SLA?
   a. It strengthens the relationship between the service providers service consumer
   b. It enables the bank to get money
   c. It replaces the bank policy for better service
   d. It ensures good service
4. Which of the following is not a consequence of breaching SLA?
   a. Restitution
   b. Liquidation damages
   c. Punitive damages
   d. Profit damages
5. Which of the following is not a review option for SLA document?
   a. Service level SLA
   b. Multi-level SLA
   c. Management SLA
   d. Customer based SLA
6. Summarize the features of a service provider.
7. Analyse the process of seeking a service provider report.
8. Evaluate the importance of SLA.
9. Discuss the need for proposing changes in managing service providers.
10. Demonstrate the process of change implementation in SLA change.

Oral Assessment
1. State the features of an effective SLA.
2. What are the consequences of breach of SLA document?

Practical Assessment
Students to identify and visit a local service provider and determine the services provided. Inquire the process, methods and advantages of offering the various services by the service providers.

10.3.3.4 Tools, Equipment, Supplies and Materials

10.3.3.5 References

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10.3.4 Learning Outcome No 3: Manage Bank Customers

10.3.4.1 Learning Activities

Learning Outcome No 3: Manage Bank Customers

Learning Activities	Special Instructions
3.1 Receive Customers instructions as per bank procedure 3.2 Customer instructions are (fund transfer, withdrawal, cheque book request, blocking of ATM cards) as per customer request 3.3 Communicate (fund transfer, withdrawal, cheque book request, blocking of ATM cards) customer request as per bank procedure 3.4 Receive customer feedback as per bank procedure 3.5 Resolving of customer queries and complaints as per bank procedure 3.6 Establishment of frequently asked questions (FAQs) framework is as per bank policy	Lectures Discussion forums Grouping and discussions

10.3.4.2 Information Sheet No10/LO3: Manage Bank Customers

Introduction

This learning outcome covers; receiving of customer instructions, communicating actioned customers request, receiving customer feedback and establishing frequently asked questions as per the bank policy. Managing of the bank customers determines the excellence of service to the custom

Content/Procedures/Methods/Illustrations

3.1 Customers instructions are received as per bank procedure content

Customers give instructions to the bank by using the bank products that they have been given in the transactions process. Such instructions are given at particular specified points since the bank products can be effectively used at particular points. The bank has positioned itself in a manner that it is able to receive customer instructions conveniently by the incorporation of technology in the operations process.

Procedure

i. Customers executes the instructions of either withdrawing money from the bank.

ii.

Importance of receiving customer instructions

iv. Blocking ATM cards

3.6 Frequently asked questions (FAQs) framework is established as per bank policy

FAQs help customers to get immediate solutions for their questions in case their

questions have been frequently asked to the bank. It helps the customers get solutions

10.3.4.3 Self-Assessment

Written Assessment

1. Which one of the following cannot be used by a customer to instruct the bank?
    - **a.** Fund transfer request
    - **b.** Cheque book request
    - **c.** Withdrawal request
    - **d.** Money deposit transaction
2. Which of the following is not a requirement for getting a cheque book?
    - a. Funds being in the account
    - b. Account being legible for a cheque book
    - c. Signing rules of the account
    - d. Account being only for local currency
3. Which instances does not show a situation when the customer can request for blocking an ATM card?
    - a. When the card has been lost
    - b. When the card is expired
    - c. When an intruder has known the ATM card pin
    - d. When the customer has suspected the card doing an online transaction without his/her knowledge
4. Which is not a way of receiving feedback?
    - a. Suggestion box
    - b. Customer engagement
    - c. Online reviews
    - d. Brainstorming with peers
5.

Practical Assessment

Students should conduct survey to determine all the aspects of the customer management from any financial institution near them. The survey should then be documented and discussed in groups.

10.3.4.4 Tools, Equipment, Supplies and Materials

10.3.4 Learning Outcome No 4: Reconcile online transaction

10.3.4.1 Learning Activities

Learning Outcome No 4: Reconcile online transaction

Learning Activities	Special Instructions
4.1 Receive reports from service provider as per SLAs 4.2 Compare customer requests against the bank and service provider report 4.3 Establish variance as per the comparison report 4.4 Make adjustments as per the variance report 4.5 Communicate adjustment results to customer as per bank procedures 4.6 File adjustments reports as per bank policy	Lectures Class discussions Group discussions Illustrators

10.3.4.2 Information Sheet No10/LO4: Reconcile online transaction

Introduction

This learning outcome covers; variance, causes of variance, reconciliation process, importance of reconciliation and filing and archiving.

Definition of key terms

Variance report: A variance report is a document that compares the expected financial outcome with the actual financial outcome. A budget being an estimation of variables and assigning of funds to cover them there is a necessary to use to use the actual amount that was spent. A variance report is presented in excel or power point presentations where the difference between the budget and the results are clearly stated. The differences are expressed in numbers or percentages**.**

Filing: Means keeping of documents safely and being easily accessible for use. Most financial records are historical so a good filing system are important. Losing documents before the end of financial year can result to incorrect entries.

Comparison report: This allows data to be viewed in a summarized data broken down to subgroup of the data. This subgroups are based on the questions on the survey or interview. Comparison reports are mostly used to study trends in a specific group of people they just select the group they are interested in.

Content/Procedures/Methods/Illustrations

4.1 Reports from service provider are received as per SLAs

Favorable causes

4.5 Adjustment results are communicated to customer as per bank procedures

Bank communicates to their customers through various methods. They include the following:

2. Which of the following is a component of service level agreement?
    a. Service agreement
    b. Statement of problem
    c. Introduction
    d. References
3. Service level agreement is legal contract between a service provider and client in which the vendor and service guarantees
    a. Minimum service charge
    b. Free upgrade for the length of the contract
    c. No defects no risks
    d. Minimum level of service
4. Variance is defined as breaking down data to be viewed in subgroups
    a. Yes
    b. No
5. Emails are approved ways of communication by the banks to the customers
    a. Yes
    b. No
6. Who contacts the agency about the SLA?
    a. Customer
    b. Service provider
7. Which of the following is a reason to suspend an SLA?
    a. Expiry of the contract
    b. Payment of service on time
8. Analyse the importance of reconciliation.
9. Discuss what is filing.
10. Identify the causes of variance.
11. Suggest an example of variance report.
12. What do you understand by archiving?

Oral Assessment

1.

10.3.4.4 Tools, Equipment, Supplies and Materials

10.3.5 Learning Outcome No 5: Recovery of default account

10.3.5.1 Learning Activities

Learning Outcome No 5: Recovery of default account

Learning Activities	**Special Instructions**
5.1 Identification of default account as per repayment report 5.2 Informing customer of their status as per repayment report 5.3 Reclassification of credit facilities as per payment performance 5.4 Notification of credit reference bureaus of the customer status as per regulatory requirement 5.5 Identification of collection agencies as per bank policy 5.6 Set Service Level Agreement as per bank policy	Demonstrations Case studies Discussions

10.3.5.2 Information Sheet No10/LO5: Recovery of default account

Introduction

This learning outcome covers; classification of credit facility account, delinquent account, constitute of delinquent account, consequences of default, recovery option, and recovery process.

Definition of key terms

Repayment report: It is a document that shows all the repayments that an individual borrowed has made to clear the loan borrower. It shows the amounts and periods of payment it also shows the percentage completion level.

Reclassification: This is the process of transferring one credit from one class to another depending on the completion rate and the risk level of the credit.

Content/Procedures/Methods/Illustrations

5.1 Default account are identified as per repayment report

Default Account Definition

A default account is an account on the loan repayment report which shows that an individual has not paid their previous debt balances. In case you have a default account, you attempt to apply for a loan, creditors are likely to check your credit profile and once they find you are in the credit default section, you are likely to be considered as a high risk debtor and they might not give you the loan. There are different types of accounts that individuals might default, the process of identifying default accounts is quite extensive and involves looking into the repayment period.

Factors that Determine Credit/Loan Default

Identifying a Default Account

From the repayment report, you can check under repayment history. The repayment history of each client of a default account will have a D mark, the arrears that have led to the default account will be marked with numbers 1,2,3,4 or 5.

5.2 Customer are informed of their status as per repayment report

Customers are informed of their status as per repayment report. Depending on the category of the customer in the repayment report. The credit facility through the credit officer notifies the customer of the status of the payment as per the payment report.

How to inform a customer

Once the bank or credit institution has established a repayment report of an individual, it will take a stop to notify the client about his/her repayments status. The bank can inform the customer by:

5.3 Credit facilities are reclassified as per payment performance

A credit facility is a certain type of loan that is provided in the context of a business. The credit facility gives the person borrowing an opportunity to borrow for a certain period of time. A credit facility allows a company to take a loan so that it can generate capital for a longer period of time.

Depending on the payment performance, the credit facilities are reclassified

Reclassification refers to the process of categorizing credit depending on the level of risks associated with the credit. They can also be reclassified based on the complexity and the nature of loaning activities. The lending activities for large banks are complex as compared to the lending activities of small banks. Depending on the risks, credit facilities are reclassified into:

5.4 Credit reference bureaus are notified of the customer status as per regulatory requirement

Debt recovery is the holistic process that is involved in recovering the loan or credit that the borrower has not paid. In the process of debt recovery, a credit institution can choose to hire a third party who will help to collect the money.

Debt Recovery Collection Process (Steps)

i. The process begins when a borrower has not paid after 30 days beyond the last repayment date
ii. The creditor attempts to make contacts with the borrower by phone
iii. The borrower can provide an explanation and set a new date for repayment
iv. After 30 days of control a different department takes up the role of debt recovery
v. After a period of 180 days, the creditor will still contact the borrower. If there is no response, the creditor will notify the credit reference bureau
vi. The creditor can choose to sell the dent to a collection agency
vii. Once the agency takes ownership of the debt, the creditors will claim the debt from the agency
viii. The collection agency reviews the claim
ix. Once it has ascertained the validity of the claim, it will write a demand letter to the debtor and an acknowledgment note is sent to the creditor
x. If the debtor fails to cooperate the details of the debtor are forwarded to the attorneys who will recommend a legal action
xi. If a legal action is authorized, the client prepares and files a lawsuit. However, if the client does not want to follow the legal action, the debt collection services works with the cause for an additional number of 60 days and then closes the case.

What are the regulatory requirement that credit reference should meet?

A person or company shall operate a bureau if it meets the following regulatory requirements:

Consequences of failing to comply with the regulatory requirements

The agreement has the following components:

Further Reading

1. To read further on the ways that credit institutions can develop strategies to effectively collect amounts that debtors have defaulted.

10.3.5.3 Self-Assessment

Written Assessment

1. Which of the following factors does not affect credit default?
    a. Lack of will
    b. Diversion of use
    c. Poor appraisal
    d. Desire to repay
2. The following are true about effects of defaulting, which one is not?
    a. Limits financial growth
    b. Reduces lending capacity
    c. Affects general performance
    d. None of the above
3. Credit institutions can use the following strategies to reduce the risk of default apart from one, identify it?
    a. Proposal appraisals
    b. Use of collateral
    c. Providing unsecured loans
    d. Use of guarantors
4. How many processes are involved in the debt recovery process?
    a. One
    b. Three
    c. Four
    d. more than four
5. The following are debt recovery options except one, identify it?
    a. Calling a debtor and threatening him/her
    b. Writing a demand letter
    c. Initiating judicial proceedings
    d. Providing a statutory demand
6. A debt collector is supposed to do the following except one, which one?
    a. Calling a debtor beyond 9 pm and before 8 am
    b. Threatening a debtor
    c. Using an agency to collect his debt
    d. Provide false information about the debt

7. Financial institutions can apply the following strategies to reduce risks apart from one, which one is it?
   a. Using collaterals
   b. Insuring the credits
   c. Securitization of the credit
   d. Delinquent credit
8. Elaborate on what is a delinquent account.
9. Discuss the differences that exist between a delinquent account and a default account.
10. Analyse the strategies used in reducing the probability of defaulting.
11. What do you understand by the term debt recovery?
12. Identify two debt recovery options that exist to a creditor.

Oral Assessment

1. Mention two consequences of having a default account.
2. Can a creditor file a legal proceeding against a non-compliant debtor?

Practical Assessment

A student has decided to engage in a shylock business and provide credit facilities to his fellow students in need of finances to pay up for their school fees. After doing the business for a period of time, he realizes that the business is very profitable. However, he has one student who has refused to repay the loan. Suggest the recovery options available to the shylock.

10.3.5.4 Tools, Equipment, Supplies and Materials

CHAPTER 11: BANK COMPLIANCE

11.1 Introduction of the Unit of Learning/Unit of Competency

Bank compliance is a unit of competency covered in TVET level 6 banking and finance course qualification. This unit specifies the competencies required to do profiling bank customers, verifying bank compliance status, preparing regulators report, reporting bank performance to board, seeking approval of bank products and services and handling interbank relationships. The significance of managing bank compliance according to TVET level 6 banking and finance curriculum is to equip the learner with the knowledge and skills to communication, negotiation, conflict resolution, listening, budgeting, conflict resolution and negotiation techniques, credit and debit recovery principles and techniques, financial delegations and limits applied within organization and specific to role etc. so as to fit in the workplace.

The critical aspect of competency to be covered include: understanding of risk levels, understanding of compliance standards, understanding of regulatory requirement, understanding of prudential guidelines, understanding of International Trade Basis Resources required include: resource implications, methods of assessment, context of assessment and guidance information for assessment.

The unit of competency covers 6 learning outcomes. Each of the learning outcome

presents; learning activities that covers performance criteria statements, thus creating

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11.3.2 Learning Outcome No. 1: Profile bank customers

11.3.2.1 Learning Activities

Learning Outcome No. 1: Profile bank customers

Learning Activities	Special Instructions
1.1. Classify bank customers as per the risk profile 1.2. Assign customers risk levels as per bank regulations 1.3. Monitor on-boarded customers are monitored as per bank policy	Discussions Oral Presentation Case study illustrations

11.3.2.2 Information Sheet No. 11/LO1: Profile bank customers

Introduction

This learning outcome covers; the classification of bank customer as per the risk profile, types of customer for banks, types of risks that organisations and banks face, different levels of risks that exist, risk mitigation strategies and also countries that have been sanctioned. The outline has also looked at the process of monitoring on-boarded customers as per the policy of the bank.

Definition of key terms

Risks: Are situations that can expose a business or an individual to danger. It can also be defined as the chance that the returns of a business will differ from the actual returns.

Mitigate: This refers to as the activity that is undertaken to reduce or lessen the severity that occurs when a risk occurs.

Content/Procedures/Methods/Illustrations

1.1 Bank customers are classified as per the risk profile

A risk profile is an evaluation carried out to access the willingness and ability of an individual to take risks. Risk profile is very important in determining the appropriate investment strategy or credit allocation. Banks have policies regarding the assessment of a risk profile of a customer. According to the policy, a bank should access the capital adequacy of a customer before profiling the customers. One of the main objectives of banking is making profits. To achieve this objective, the banks around the world are attempting to make their services to be customer centred. By understanding the specific needs of their customers, banks are customizing their services to meet the needs of their customers. Banks have also customized not only their services but also other products that banks are offering.

Customer profiling definition

Customer profiling refers to the process of classifying customers based on the existing facts on their transactional activities. One of the major challenges that banks and other financial institutions face is maintaining customers with high profiles. When banks understand the specific needs of customers, product preferences, purchasing patterns and customer history, it is possible for banks to improve and offer customized products and services.

When customers get customized products and services, they get satisfaction which makes them become loyal customers to the bank. In turn the profits of the bank increase and banks have a high customer retention capacity. All customers have some attributes that can be used to create customer profiles some of the attributes which comprise demographic information such as gender, occupation, age, level of income and education level. Other parameters that can be used to profile customers include financial parameters, purchasing preferences and buying history.

Uses of customer attributes

c. **Low value customers**

Low value customers possess the following features;

Types of risks

Investors have information that for them to benefit from their investments, they must be exposed to various types of risks in the market. There are two broad categories of risks which are **systematic** and **unsystematic risks**.

a. **Systematic risks:** These are risks that affect the entire system and the entire market. The risk affects all the investments in the market and includes risks like political turmoil, inflation and changes in interest rates. It is difficult or impossible for an individual or businessman to protect their business against these risks.

b. **Unsystematic risks:** It is also known as diversifiable risk and affects only a specific company or organization thus an individual or company has the possibility of protecting themselves against the risks through diversification. Examples of unsystematic risks include strikes; poor management and lawsuits.

There are specific risks that are categorized under these broad categories and include;

b. **Risk avoidance:** This refers to a strategy where a bank undertakes an action that prevents it from exposing itself to a risk. However, this is one of the most expensive strategies as it may limit a bank from carrying out most actions.

c. **Risk limitation:** It is one of the most common risk mitigation strategies and provides some limits to a bank that may expose it to the risk. It can be considered as a strategy that combines risk acceptance and risk avoidance. For instance, when a company or bank feels that a hard disk of their computer may fail, they develop backups.

d. **Risk transfer:** This refers to the process of handing off or transferring the risk to another third party. Some companies transfer risks by outsourcing their services to other companies. Risk transfer helps a company or banks to focus on its core competencies.

1.2 Customers are assigned risk levels as per bank regulations

Bank regulation refers to the requirement and policies that a bank has set to guide it in handling its activities. It also helps to enhance transparency between banks and customers. Banks therefore use the bank regulation to assign risk levels of its customers. Assessing risk levels begins by profiling its customers. There are various risk levels that a bank considers or uses to classify and profile its customers and include the following categories;

a. **Low risk levels:** This is the level at which a bank has a low probability of losing its money or properties in case it lends out to a customer. High level customers fall into the category of customers with low risks since they make huge deposits and engage in numerous transactions with the bank.

b. **Medium risk levels:** This is the level at which the probability of a default occurring is moderate. However, the level may change from point to another. In customer profiling, banks consider income earning individuals to be in medium levels of risk as they also engage the bank with a substantial number of transactions that help the banks in generating some profits. Customers at medium risk level have a reduced credit default rate.

c. **High risk levels:** These are levels of risk that a bank or any financial institution considers to be adverse. While profiling customers, banks profile those customers with few and less value transactions as high risk customers. Due to the classification, the banks do not offer such customers nor do they customize products for such customers. According to the bank regulations, it may be difficult to for such customers to access credit/loan facilities as their repayment model or ability is not guaranteed.

Sanctioned countries

Sanctioning is a process by which one country exerts disapproval with the dealings of another country. When it happens, the relationship between such countries become adverse and no trade/business occurs between such countries. The U.S is one of the countries that sanction other countries. Some of the countries that the U.S has sanctioned include; Burma, Ivory Coast, Cuba, Iran, North Korea and Syria. The U.S has a list of organizations or individuals in such countries that it does not engage with or do business with.

1.3 On-boarded customers are monitored as per bank policy

On-boarded customers: These are customers that have recently opened an account with the bank. The banks take an initiative to monitor their transactions for a period of time to facilitate ease in profiling.

How to monitor on boarded customers

i. Checking their deposit amounts
ii. Assessing the amount of cash they withdraw
iii. Assessing the number of transactions they engage in a day
iv. Checking the mode of deposits either cash or cheque deposits

Importance of monitoring on boarded customers

Further Reading

Read on:

1. Reasons that make countries or individuals to be sanctioned.
2. Negative effects of poor customer profiling by banks.

11.3.2.3Self-Assessment

Written Assessment

1. Which of the following does not form part of the demographic factors used in profiling customers?
   a. Age
   b. Height
   c. Occupation
   d. Gender
2. The following are reasons for profiling an on-board customer. Which is the odd one out?
   a. To meet the CBK requirements
   b. To check the client source of income
   c. To curb money laundering
   d. To prevent terrorism
3. How many broad classifications of risks exist?
   a. One
   b. Two
   c. Three
   d. None of the above

8. Which of the following is not a risk mitigation strategy?
   a. Risk avoidance
   b. Risk transfer
   c. Risk acceptance
   d. Risk mitigation

5. Which of the following countries has been sanctioned by the U.S?
   a. Cuba
   b. Kenya
   c. Uganda
   d. South Africa

6. Which of the following is not a characteristic of low value customers?
    a. They make large bank deposits
    b. They have a low income
    c. They have high risk
    d. They have minimal profit contribution to the bank
7. Which of the following is not a use of customer attributes in profiling?
    a. Assess customer eligibility to products
    b. Predicting default rate
    c. Customizing bank products
    d. Identifying the faith of an individual
8. Summarize the role of monitoring on-boarded customers.
9. Discuss briefly on the differences that exist between low value & high value customers.
10. Give a brief elaboration on the factors that banks use to profile their customers.
11. Analyse how the characteristics of customers help a bank in carrying out profiling process.
12. Provide a brief description of what customer profiling entails.

Oral Assessment

1. Mention the types of risks that exist.
2. State the levels of risks that exist for banks.

Practical Assessment

A multi-credit union wanted to grow its membership through services that it provided. However, there was a very high competition in the industry. The union had to target young and highly valued customers to create a strong foundation to enable it have long-term profitable relationships. To establish its objectives, the union created profiles for its customers and customized the products for their customers.

11.3.2.4 Tools, Equipment, Supplies and Materials

11.3.2.5 References

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11.3.3 Learning Outcome No. 2: Check bank compliance status.
113.3.1 Learning Activities

Learning Outcome No. 2: Check bank compliance status.

Learning Activities	Special Instructions
2.1 Identify bank regulators as per bank policy	Demonstrations
2.2 Identify bank compliance standards as per regulators guideline	Class discussions
2.3 Check bank compliance status as per the regulatory standards	Case studies

11.3.3.2 Information Sheet No. 11/LO2: Check bank compliance status.

Introduction

This learning outcome covers; what regulatory bodies are objectives of regulatory bodies, the benefits of regulatory bodies and consequences of noncompliance to the guidelines established by regulatory bodies. It also covers the principles and standards of regulatory bodies for banks and the prudential guidelines on banking and compliance status.

Definition of key terms

Regulatory body: This refers to any functional agency which is either a public or government agency that is established to carry out regulatory roles. The body provides requirements, conditions, standards and rules that are used to govern companies in a specific sector.

Compliance: It is the act of upholding and following the specific set of rules and conditions that have been put in place by a regulatory body.

Standard: This is a term used to describe an agreed way or style of doing something. It is a guideline followed in either making a product or providing a service.

Content/Procedures/Methods/Illustrations

2.1 Bank regulators are identified as per bank policy

According to the banking policies of Kenya, the Central Bank of Kenya (CBK) is the regulatory body for banks. It sets regulations, conditions and guidelines that banks should follow while they operate in Kenya.

Bank regulation: This is a form of government oversight that exposes and subjects banks to some requirements or guidelines and restrictions that help in creating transparency in the financial sector between financial institutions and individuals or companies.

With the current network of banking and financial institutions it is necessary that there are regulatory agencies which can help to maintain or control the activities and practices of such institutions. Financial institutions are highly interconnected with the capital markets, insurance sector and banking. With the interconnection of such activities, it is necessary to have a regulatory body for guiding their operations.

Objectives of bank regulations

capital accords. This committee sets frameworks that are sensitive to the risks that banks are likely to be exposed to.

b. **Reserve need**

The regulatory body for banks sets out the minimum reserve that a bank should have to enable it demand bank notes and deposits. The regulatory bodies also use reserve requirements to control the amount of stock of bank notes that banks hold.

c. **Corporate governance requirements**

The main intention of regulatory bodies establishing this requirement is to ensure that there are good management practices in the banks. Some banks are large and have many branches making it important to check and ensure that all these branches are prudently managed. Some of the corporate requirements include;

Implementation of compliance standards

In order to implement banking compliance standard, an institution should create a culture that aims at complying with the set standards. The management of a bank has a role of ensuring that the culture of compliance has spread among the staff. The management should also provide the right and necessary tools that will facilitate compliance. The compliance department has the following responsibilities;

b. **Credit requirement rating:** Regulatory bodies require banks to have a specific credit rating obtained from a specific credit rating agency and the rating should be disclosed to the creditors and investors. The credit ratings show investors the level of risks that a bank is taking.

c. **Exposure restrictions:** Regulatory bodies may restrict banks from exposing themselves to other counterparties without prudence. Such restrictions prevent banks from exposing equity holders to unnecessary risks.

Conclusion

This learning outcome covered; what regulatory bodies are, bank compliance standards, consequences of non-compliance and prudential guidelines.

Further Reading

1. Read on how regulating bodies deal with banks and financial institutions that comply from the beginning and fail to maintain compliance standards.

11.3.3.3 Self-Assessment

1. The following are objectives of regulatory bodies, which one is not?
    a. To operate minimum operating standards
    b. To mitigate risk levels
    c. To reduce misuse of banks
    d. To protect confidentiality of banks
2. The following are true about a regulatory body, which one is not?
    a. It sets guidelines for operations
    b. It establishes conditions for operations
    c. It creates restrictions for operations
    d. It helps in investments
3. The following are principles of regulations except one. Which is it?
    a. Licensing
    b. Minimum requirements
    c. Market discipline
    d. Non-compliance
4. Which of the following is incorrect about standards of compliance?
    a. Facilitates communication
    b. Enhances security
    c. Managing risks
    d. Engaging in unethical behaviour

5. The following are some requirements of corporate governance except one. Which one is it?
    a. Banks should be locally incorporated
    b. Minimum number of directors be present
    c. Have a constitution
    d. None of the above
6. The compliance department has the following except one. Which one is it?
    a. Ensure money laundering
    b. Ensure no tax evasion
    c. Ensure no illegal dealings
    d. Ensure no debt flight
7. Which of the following is not a consequence of non-compliance?
    a. Denies authorization
    b)

11.3.3.5 References

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11.3.4 Learning Outcome No.3: Prepare regulators report

11.3.4.1 Learning Activities

Learning Outcome No.3: Prepare regulators report

Learning Activities	Special Instructions
3.1 Obtain regulatory data as per bank reports 3.2 Analyse regulatory data as per regulatory requirement 3.3 Compile regulatory data as per regulatory requirement 3.4 Generate the regulatory reports as per regulatory requirements 3.5 Submit the regulatory report as per the regulatory requirements 3.6 Respond to regulatory queries to as per bank procedure 3.7 Report bank compliance performance is reported to board as per bank policy	Lectures Discussions Presentations Illustrations

11.3.4.2 Information Sheet No.11/LO3: Prepare regulators report

Introduction

This learning outcome covers; the different types of regulatory reports, their importance and users of regulatory reports.

Definition of key terms

Regulatory: This is the act of regulating something. Regulation is management of set system according to the rules and regulations that are set.

Report: A report is a document which presents information in an organized format for s specific audience and purpose. Summaries can be presented orally but they must be presented in writing for filing.

Bank reports: It is a report issued by a bank to its depositors document the account balance and activity during the period.

Content/Procedures/Methods/Illustrations

3.1 Regulatory data is obtained as per bank reports

Financial regulation is a form of regulation that subjects financial institutions to certain requirement, restrictions and guidelines, aiming to maintain the integrity of the financial institutions. Aims of regulation include;

Regulation also ensures fairness in the market preventing other companies from edging out competition by using unfair methods. All money markets and equity markets are regulated by the government.

Importance of obtaining regulatory data

Secondary data for regulatory report writing will include;

Importance of data compilation

report. In some cases, the person is not able to respond to regulatory queries because of the banking act that gives occasion one is allowed to disclose information.

How to respond to regulatory queries

The central bank will direct the member to eliminate the said irregularities. It shall further appoint a complement authority to enforce the directions used. In addition, the CBK can give further directions including:

6. Legal protection is an importance of a regulatory report?
    a. True
    b. False
7. Regression is the relation between two variances. True or False?
    a. True
    b. False
8. Analyse the importance of primary data.
9. Discuss types of regulatory reports.
10. Suggest measures taken by the central bank on institutions that do not incorporate regulatory reports.
11. Elaborate ways of presenting data.
12. Evaluate the components of regulatory reports.

Oral Assessment
1. State the uses of regulatory reports
2. What is inferential data?

Practical Assessment
Study the case of imperial bank Kenya. Then discuss how regulations by the central bank would have prevented its collapse.

11.3.4.4 Tools, Equipment, Supplies and Materials

11.3.5 Learning Outcome No. 4: Seek approval of bank products and services

11.3.6.1 Learning Activities

Learning Outcome No. 5: Seek approval of bank products and services

Learning Activities	**Special Instructions**
5.1 Receive bank product and services proposal as per bank policy 5.2 Submit bank product and services proposal to Central Bank as per regulatory guidelines 5.3 Submit amendments on tariffs CBK as per regulatory guidelines 5.4 Receive CBK feedback as per regulatory guidelines	Oral Assessment Discussion

11.3.5.2 Information Sheet No.11/LO4: Seek approval for bank products and services

Introduction

This learning outcome covers; the different E-banking products and services and their importance offered by banks.

Definition of key terms

E-banking: Is a product designed for the purposes of online banking that enables you to have easy and safe access to your bank account.

Bank: An establishment that is authorize by the government to accept deposits, pay interest, clear checks and make loans.

Content/Procedures/Methods/Illustrations

4.1 Bank product and services proposal are received as per bank policy

How they are received

Bank products and services proposals are received in the following ways:

a. **One step receiving process:** This is where bank products are received directly into the inventory/ customers a/c without going through further quantity or quality control process

b. **Two step verification process:** This step is used to record bank products that have been received by enter

Content of central bank

Procedure of central bank as per regulatory guideline

The central of bank of Kenya is guided by the following pieces of legislation.

4.3 Amendments on tariffs are submitted to CBK as per regulatory guidelines

Amendments: Is a formal or official charge made to a law, contract, constitutional or other legal documents.

Content of amendment

4.4 CBK feedback is received as per regulatory guideline

How to do tariffs submission

i. By enabling the application of preferential tariffs rates under the agreement and amending the rules

ii. Submission of amendment tariffs are publicly released and published to the parliament websites

iii.

2. Which one of the following is not a bank product?
   a. Debit cards
   b. Creditor
   c. Customer
   d. Banker
3. Which one of the following is not a bank role?
   a. Ready to listen
   b. React to loans
   c. Lends money to commercial banks
   d. It does not give out loans
4. Which one of the following is a method of credit control?
   a. Bank rate
   b. License
   c. Import duties
   d. Providing feedback
5. Assets convert into cash is called?
   a. Change
   b. Security loan
6. What is the present liquidity rate of commercial banks?
   a. 16%
   b. 16.5%
   c. 19%
7. Which one is not the characteristics of commercial banks?
   a. Providing loans
   b. Receiving deposits
   c. Issuing of notes and coins
8. Categorize the types of commercial banks.
9. Outline types of accounts in the bank.
10. Suggest different ways you can operate accounts.
11. What do you understand by the term overdraft?
12. Evaluate annual percentage rate.

Oral Assessment

1. What are the different ways you can operate accounts?
2. What is the difference between cheques and demand drafts?

Practical Assessment

On a weekend, the students should visit banks and find out the process of using banking cards e.g. ATM and how to apply loans in the bank.

11.3.5.4 Tools, Equipment, Supplies and Materials

11.3.6 Learning Outcome No.5: Handle interbank relationship

11.3.6.1 Learning Activities

Learning Outcome No. 5: Handle interbank relationship

Learning Activities	Special Instructions
6.1 Facilitate operations of correspondence accounts as per bank policy 6.2 Facilitate exchange of security keys as per counterparty agreements 6.3 Facilitate International trade is facilitated as per correspondence banks guidelines 6.4 Facilitate an interbank account settlement as per regulatory and counterparty requirements.	Lectures Group discussions Class presentations

11.3.6.2 Information Sheet No.11/LO5: Handle interbank relationship

Introduction

This learning outcome covers; the meaning of correspondence banking and its significance in relation to interbank relationships, an outline of their guidelines and services and how to facilitate interbank settlements as per regulatory requirements as well.

Definition of key terms

International trade: This refers to the exchange of capital, goods and services between countries.

Correspondence accounts: These are accounts established by a banking institution (correspondent account/institution bank) to handle financial transactions like accepting deposits, making payments on behalf of and preparation and offering credit letters for another financial institution (respondent account/institution/bank).

Counterparty: Counterparty refers to a party to a contract or party to a financial transaction.

Content/Procedures/Methods/Illustrations

6.1 An operation of correspondence accounts is facilitated as per bank policy

Correspondence banking is an essential component of the global payment system for the cross-border transaction. It involves one financial institution/ bank handling financial transactions for another bank/ financial institution. The banking system has

facilitated the interbank relations a great deal. The Wolfsberg Group defines correspondence banking as the provision of a current or other liability account and related services to another financial institution including affiliates used for the execution of third party payments and trade finance as well as its own cash clearing, liquidity management and short-term borrowing or investment needs in a particular currency. The following services are carried out in correspondence banking;

The following are benefits derived from operating correspondence accounts;

The following are reason why central banks facilitate inter bank account settlement;

i. Central banks help provide accounts to qualified banks in which balances of the central bank money may be held.
ii. The central bank is mandated to maintain financial stability and implement monetary policy.
iii. So as to provide a monetary asset free of default risk used to make interbank transfers and settle obligations in a bid to manage systemic risks.

The following are risks associated with the interbank account settlement process;

2. Identify the trade policy that limits specified quantity of goods to be imported at one tariff rate.
    a. Quota
    b. Specific tariff
    c. Import tariff
    d. All of the above
3. From the following services, which one is not offered by a correspondent bank?
    a. Preparation and offering of credit letters
    b. Accepting deposits of the respondent bank clients
    c. Lender of last resort
    d. Money remittance services
4. International is most likely to generate short term unemployment in?
    a. Import competing industries
    b. Industries that sell only to foreign buyers
    c. Industries in which there are neither imports nor exports
    d. Industries that sell to domestic and foreign buyers
5. Which of the following is not a benefit of correspondence banking?
    a. Promote financial inclusion
    b. Promote availability of financial services by banks in different jurisdictions
    c. Enhanced liquidity risks
    d. Customers enjoy faster and cheaper services
6. The following are roles of central bank in facilitating the interbank account settlement except one. Which one is it?
    a. Maintain financial stability and monetary policy implementation
    b. Lender of last resort
    c. Books of accounts of the counterparty banks must be held with the central bank
    d. Central banks accept deposits of the counterparty banks
7. Which is not a risk associated with international trade?
    a. Credit risk
    b. Translation risk
    c. Political risk
    d. Currency risk
8. Analyse the benefits of international trade
9. Discuss the three types of correspondent banking
10. What do you understand by the term credit risk and elaborate ways of reducing it
11. Suggest reasons why banks carry out due diligence on their customers
12. Elaborate reasons for your recommendations of cross boarder banking

Oral Assessment

1. Who is counterparty?
2. Who is a respondent bank?

Practical Assessment

Maleek is a Malaysian client with a Malaysian bank account. Maleek needs to pay a British supplier with a British bank account quite a large amount of money for the goods provided at his baby on board holdings in Uganda. Elaborate how the transfer of funds will be made through a correspondent account.

11.3.6.4 Tools, Equipment, Supplies and Materials