



CRAWFORD UNIVERSITY
FAITH CITY, IGBESA
COLLEGE OF BUSINESS AND SOCIAL SCIENCES
2014/2015 SESSION

HARMATTAN SEMESTER EXAMINATION

COURSE: BANK LENDING AND CREDIT ADMINISTRATION.

COURSE CODE: FIN 407

TIME ALLOWED: 2 HOURS 15 MINUTES.

INSTRUCTION: SECTION A is compulsory, Answer any three (3) questions in SECTIONS B.

SECTION A

1. (a) Mr Bello Alade has banked with your branch for two years. He has maintained a good private account and you are aware that he is the son of a multi-millionaire customer of another branch. Although he is allocated a reasonable shareholding in the family business he is not in very good terms with his father. The income from the family holding produced by ways of dividends and directors fees is about =N=100,000 per annum. He is single and a qualified pilot experienced to fly commercial aircraft. He calls at your branch with a friend Mr Bisi Atilade and tells you that they wish to start a partnership called Atilade business aviation Co for the purpose of operating local flights and chartered flights to West African Countries. Mr Atilade is also a pilot but the bank knows nothing about him other than that he is the managing executive of an airline outfit. They wish to buy an aircraft through a finance company but requires about =N=200,000 overdraft to cover their running expenses for the first six months. They have obtained a small office at the Ikeja local airport where the plane is kept and they have engaged a clerk/typist at a salary of =N=3,500 per month. Mr Atilade will only be available to fly the aircraft at weekend.

Required:

What further information would you require from the prospective partners before considering their proposition. If this information is forthcoming and you decided to make the advance what security if any would you require? Are there any other formalities which should be completed.

17mks

- (b) Mr Olu has maintained an account with the branch for about seven years. He works with a successful electronics company that banks with your branch –Mr Olu’s account has been satisfactorily conducted and has been trouble free. There have been occasional small overdrafts in anticipation of salary but prior agreement have always been obtained. Notes from a recent interview shows that Mr Olu earns a salary of =N5,000 per month and receives as dividend, an average of =N=45,000 (forty five thousand naira) per annum. He requires a personal loan of =N=7,500 to buy a second hand engine for his broken down car. Repayment is to be over a period of twelve months. He has the following commitments to meet every month, rent =N=1,200, food and maintenance =N=3,000, energy =N=350, car fuel and maintenance =N=2,500 and others =N=800.

Comment on the request.

8mks

25 MARKS

SECTION B

1. When a banker is considering a proposition for facility by a customer it is sometimes necessary for the banker to visit the business premises of the customer. Discuss and highlight:
 - i) Why this is necessary?, and
 - ii) What the banker is expected to check.

15marks
 2. One of the most difficult tasks in lending is deciding how to price a loan. Discuss the cost plus pricing method and the price leadership model.

15marks
 3. A bank's credit culture is the sum of its credit values, beliefs and behaviours. Discuss the characteristics of a good credit culture.

15marks
 4. "Overtrading is the expansion of turnover beyond the seal". Discuss this statement by looking at the symptoms and the management of overtrading.

15marks
 5. Write short notes on:
 - a). Syndicated loans.
 - b). Hypothecation.
 - c). Bad debts

15marks
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