



**CRAWFORD UNIVERSITY**  
**FAITH CITY, IGBESA**

**TITLE OF EXAMINATION : B.Sc EXAMINATION.**  
**COLLEGE: COLLEGE OF BUSINESS AND SOCIAL SCIENCES**  
**DEPARTMENT: ACCOUNTING AND FINANCE**  
**SESSION : 2014/15** **SEMESTER: RAIN**  
**COURSE: PRACTICE OF BANKING II.**  
**COURSE CODE: FIN 402** **CREDIT: 3 UNITS**  
**TIME ALLOWED: 2 HOURS 15 MINUTES.**  
**INSTRUCTIONS: (i) Answer question 1 and any other three.**  
**(ii) Time allowed :3 hours.**

1. Mr. Peter Eberendu has been in account with your branch for over 8 years. He is a director of Fine Wears Nig. Ltd, a popular private company which specializes in ladies wears. Mr. Peter Eberendu has approached you for a personal loan of ₦1.5 million repayable over a period of two years. As security he has offered a charge on either an endowment policy over his life taken out by him six years ago and having a surrender value of ₦1.7 million or 30,000 shares in Fine Wears Nigeria Ltd valued at ₦3 million.

You have chosen to take legal charge of the life policy. Mr. David Okoro a trainee security supervisor attached to you is surprised at your decision and queried why you prefer the life policy with only a surrender value of ₦1.7 million to share value of ₦3 million.

Explain clearly to Mr. Okoro what consideration affected your choice of the life policy despite the higher value of the share and set out how you will proceed to take a legal assignment of the life policy.

**(25 marks)**

2. Your customer Mr. Rex Odimadu was retrenched from his job with a popular airline about 3 years ago. His account was then over drawn to extent of ₦150,000.00. You invited the customer who informed you that the only security he could provide was a guarantee by his wife who is a trader in children's wears at the popular Alaba Market. Mrs. Chinyere

Odimadu maintains a good current account with your branch. The guarantee by Mrs. Odimadu was duly executed.

Mr. Odimadu again called six months later with his wife who agreed to guarantee further borrowing by her husband. Mr. Odimadu has requested an increased overdraft of ₦200,000.00 with a limit of ₦500,000.00 to enable him start a cottage industry. Mrs. Odimadu agreed to guarantee her husband's account up to the new limit and supported her guarantee with a legal mortgage of her property professionally valued at ₦1.5 million.

The facility was well utilized and has just been renewed. This morning when the balance of Mr. Odimadu's account stands at ₦25,000.00, Mrs. Odimadu calls to tell you that she wishes to settle the husband's indebtedness immediately, terminate her guarantee and withdraw her security as she is no longer prepared to continue the guarantee because of a pending divorce.

Explain giving reasons how you will deal with the situation

**(15 marks)**

3. Broadway Company Limited went public recently and is desirous of raising ordinary shares of ₦20 million at ₦1.00 each as an initial public offer. The company has engaged the services of First issuing house to handle the transaction. Itemize the steps that the issuing house will follow to carry out the assignment

**(15 marks)**

4. Define forfaiting and with the aid of diagram describe its working as a means of medium term finance to an exporter, explaining four of its advantages.

**(15 marks)**

- 5 Bada Company Ltd, has been in account with your branch for the past 7 years. They deal in the sale of children wears which are imported from abroad. Because of the ban on the importation of this material they have decided to diversify into the production of plastic products for household use. But they lacked enough capital to purchase the machinery to start production and have no security to take loan from your bank. The MD of

the company Mr. Thomas has approached you to advise him on any two methods of debt finance that will be most suitable for the company in the present circumstances.

**(15arks)**

**6 Write short notes on the following:**

- (a) Trust receipt
- (b) Floating charge
- (c) Equitable mortgage
- (d) Pari- passu debenture

**(15 marks)**