



CRAWFORD UNIVERSITY

FAITH CITY, IGBESA

TITLE OF EXAMINATION : B.Sc EXAMINATION.
COLLEGE: COLLEGE OF BUSINESS AND SOCIAL SCIENCES
DEPARTMENT: ACCOUNTING AND FINANCE

SESSION : 2019/20

SEMESTER: HARMATTAN

COURSE: BANK LENDING AND CREDIT ADMINISTRATION

COURSE CODE: FIN 407

CREDIT: 3 UNITS

TIME ALLOWED: 2 HOURS 30 MINUTES.

INSTRUCTIONS: (i) Answer question 1 and any other three.

(ii) Time allowed : 2 hours 30 minutes

QUESTION ONE

Mr Adisa has been a customer of your bank for many years. He is vice chairman of two public companies one of which is a customer at one of your bank branches. You hold in safe custody for him the deeds of his house located in Mushin worth ₦250,000 and a mortgage bank passbook with a credit balance of ₦7,200. Aside from this, the bank has no detailed knowledge of his business.

His account is fed with reasonable income including dividends amounting ₦1,800 per annum and a summary of his account for the past four years is shown below:

Year	Ranges of balances	Average balance	Debit Turnover
1	850DR 2956CR	1634CR	16718
2	410DR 3476CR	1346CR	19347
3	320CR 4844CR	1943CR	17889
4	1896DR 1984CR	348CR	8139

Mr Adisa has not approached you in the past for overdraft facility, but you have always allowed minor excess which had always been honoured. Recently you had to write him about an excess of about ₦2,650 and you received a reply stating that it was caused by his tenement rate of ₦4,500 which was recently settled. Your records confirmed this claim.

You received another letter from him recently indicating a request for an overdraft facility of ₦40,000 to purchase quoted shares of some banks. He added that according to expert advice obtained, he has been told that the market price of the shares will rise in the next few months and he wanted to take advantage of such rise. He is ready to abide with any term so specified.

Required:

What is your view about his request and what conditions would you specify if you are prepared to lend?

30MARKS

QUESTION TWO

“Bad debts in the bank’s books are traceable to the outstanding list of unserviceable risk assets of customers” Discuss the common causes of bad debts.

10marks

QUESTION THREE

Comprehensively discuss how a legal mortgage on land is created.

10marks.

QUESTION FOUR

Overtrading is expansion of turnover beyond the seal. What are the signs and symptoms of problems in an account arising from overtrading?

10marks

QUESTION FIVE

“The volatile economic and political environment has rendered it imperative to monitor the use of funds disbursed and control any excess or divergences from agreed plan by the customer” Discuss.

10marks

QUESTION SIX

Write short notes on the following:

- a) Cost-plus loan pricing
- b) Covenants.
- c) Loan review.

3marks

3marks

4marks

10marks

CRAWFORD UNIVERSITY LIBRARY