



CRAWFORD UNIVERSITY, FAITH CITY, IGBESA, OGUN STATE

COLLEGE: BUSINESS AND SOCIAL SCIENCES

TITLE OF EXAMINATIONS: BSC EXAMINATION

DEPARTMENT: ACCOUNTING AND FINANCE

SESSION: 2018/2019

COURSE CODE: FIN 312/402

SEMESTER: RAIN

COURSE TITLE: PRACTICE OF BANKING 11

CREDIT: 3 UNITS

INSTRUCTIONS: ANSWER QUESTION 1 AND ANY OTHER TWO (2)

TIME ALLOWED: 2 HOURS 30 MINUTES

QUESTION ONE

Your customer Dr. Adekola Jones, who has just retired from a Government hospital in the locality, has approached you for a facility of ₦2million to enable him open a private clinic in the street next to that of your branch. The relative concentration of business concerns and lack of clinics in this area made you to believe that the business will be lucrative. DR. Jones has no security to offer your bank other than the reversion to his grandfather's estate upon the death of his uncle who is now 70 years of and has a life interest in the estate which is claimed to be worth ₦5million. DR. Jones has agreed to give you a mortgage of his reversionary interest.

Required:

- (i) What considerations will you have in mind before deciding to accept the security? (10 marks)
- (ii) How will you complete the security (15 marks)

Total (25 marks)

QUESTION TWO

MR. Bisi Dongo, aged 68 years, has a flourishing furniture business in Ikeja, Lagos State. He enjoys the patronage of the state Government and many companies within Lagos area. Mr. Bisi Dongo has been in account with you for over fifteen years. His only borrowing from your branch which is secured by shares of quoted companies is ₦900,000.00 for working capital needs of the business. Last month he called on you to say that he is retiring from the furniture business in view of old age. He added that his son Sikiru who is well known to you is about to take over the business from him. The furniture factory is located on a plot of land which MR. Bisi Dongo bought 30 years ago. The transfer price is put at ₦600,000.00. Sikiru is to pay N200,000.00 immediately and the balance by annual installments of N50,000.00. Sikiru has this morning visited you to discuss the issues relating to the acquisition of his father's business. He has sought for an assistance of N200,000.00. The security will be by a legal charge on the factory on the land and an unlimited guarantee of Bisi Dongo. You are prepared to help. The solicitor of Bisi Dongo will handle all legal issues connected with the sale and transfer of the property.

How will you complete the transaction and ensure that the bank interest is protected at all times (17 ½ marks)

QUESTION THREE

You have just been promoted as the Head of Capital Market department in a big issuing house where you have worked for the past eight (8) years.

You have been asked to organize a talk for the new recruits in your department and the areas of your focus are the followings.

(a) Various ways by which an issuing house can source capital for a client (5 marks)

(b) Steps that an issuing house should take when floating an issue of ordinary shares for a company. (12 ½ marks)

Explain the contents of your discussion with them.

TOTAL = 17 ½ MARKS

QUESTION FOUR

Mr. Olu Davis, an engineer with a popular legal construction company which is your valued customer has been in account with your branch since he joined the company six years ago. His father was recently involved in a ghastly motor accident and to help him finance the cost of his father's treatment at a specialist hospital, he approached you for a token of ₦250,000.00 You are prepared to help. He has offered a security of shares in some quoted companies, the total market value of which is presently over ₦500,000.00. You have decided to take an equitable mortgage of the share.

State how you will proceed to ensure that your bank has good security and there would be no problem if it becomes necessary to realize the security. (17 ½ marks)

QUESTION FIVE

Write short notes on the following

- A. Trust receipt (4 marks)
- B. Finance lease. (5 ½ marks)
- C. Invoice Discounting. (4 marks)
- D. Acceptance credit. (4 marks)

TOTAL – 17 ½ MARKS