



NATIONAL OPEN UNIVERSITY OF NIGERIA
PLOT 91, CADASTRAL ZONE, NNAMDI AZIKIWE EXPRESSWAY, JABI, ABUJA
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCIAL STUDIES
2020_2 EXAMINATION.

COURSE CODE: BFN405 **CREDIT UNIT: 2**
COURSE TITLE: BANKING LENDING AND LOAN ADMINISTRATION
TIME ALLOWED: 2 HOURS
INSTRUCTION: 1. Attempt question Number one (1) and any other three (2).
2. Question number 1 is compulsory and carries 30 marks, while the other questions carry 20 marks each.
3. Present all your points in coherent and orderly manner.

Q1. You recently accorded a customer a loan package as follows.

- (i) ₦1.5m for repairs to pen, stocking and up-starting of a 4000 bird poultry, repayable in 6 equally monthly instalments; with a 20 week *moratorium* on principal and interest with effect from the date of first *draw down*.
- (ii) ₦1.2m *bridging loan*: repayment, *bullet*, on or before Dec. 31st or on receipt of proceed of the sale of the old tractor, and
- (iii) *Overdraft* facility; limit ₦95000 for the day-to-day running of the farm.

The Managing Director; a 68 year old retired Director General from the Federal Ministry of Agriculture and his 38 year old wife; a Nurse, are here seeking clarification on some of the contents of the letter of offer.

Required

- (i) Explain to them the meanings of the highlighted terms and phrases in the letter.
(Marks: 3x5 = 15)
- (ii) Why would a bank give a moratorium on repayment? **(2 marks)**
- (iii) Why do you think the repayment terms of the bridging loan are the way they are?
(3 marks)
- (iv) Your branch manager is not so versed in credit administration; so he also asks you the following questions:
 - a) The customer applied for ₦4.5 million; the total granted is ₦3.6M. Will that not bring the problem of under lending, which can be as dangerous as over lending?
(5 marks)
 - b) Why did the head office disaggregate the loan as it did? **(5 marks)**

(30 marks)

Q2. (a) What do you understand by credit analysis; give at least 3 primary objects of credit analysis.

(b) List two each of liquidity, profitability and leverage ratios.

(c) Given that current asset is ₦8640 and current liquidity ₦6340

I. Determine current ratio

II. Quick Ratio; 1:2; determine the value of inventory. **(20 marks)**

Q3. (a) As a credit officer, in what order will you place Character, Capacity and Collateral in assessing a customer's credit worthiness; why?

(b) There have been a lot of hues and cries in the Nigerian banking sector: otherwise respected Nigerians are not honouring their loan repayment obligations to the banks. Mention and explain three areas of credit analyses that the banks may have downplayed or over looked *ab-initio*. **(20 marks)**

Q4. (a) What is marketing of financial services?

(b) List 4 financial product/services there are

(c) Mention 3 approaches adopted by Nigerian banks in marketing their services. **(20 marks)**

Q5.

(a) How does the prudential guideline recommend that banks treat their loan portfolios?

(b) What is the recommended treatment of each sub-class?

(c) What was the intention of these recommendations?

(20Marks)