



**NATIONAL OPEN UNIVERSITY OF NIGERIA  
14/16, AHMADU BELLO WAY V/I, LAGOS STATE  
FACULTY OF MANAGEMENT SCIENCES  
2021\_2 EXAMINATION**

**COURSE TITLE: BANK LENDING AND LOAN ADMINISTRATION**

**CODE: BFN 405**

**CREDIT UNIT: 2**

**TIME ALLOWED: TWO HOURS**

**THEORY QUESTIONS**

**INSTRUCTION:** Question ONE is compulsory 30marks and answer any other TWO questions 20marks

Question ONE

- a. Critically discuss the following areas as identified by commercial banks for policy formation on bank lending:
  - i. Loan limit
  - ii. Loan supervision
  - iii. Credit risk management
  - iv. Managing difficult loan beneficiary
  - v. Controlling customer account15marks
- b. In order to evaluate the performance of customer account, the bank set policies to monitor and review the account on certain areas; discuss. (15 marks)

Question TWO

- a. The commercial banks are obliged to institute appropriate measures that would ensure the effective management of loans and credits in order to sustain a balance between funds recovered from the loans and demands of the depositors. Discuss the five modalities for the administration of the loans and credits. (10 marks)
- b. As part of the lending procedure, commercial banks conduct an initial evaluation of the loan request from the customer based on some relevant considerations. Discuss any five of them. (10 marks)

Question THREE

- a. Credit analysis is the assessment of the credit worthiness of an applicant to a loan facility; state and explain five of the considerations of the credit analysis. (10 marks)
- b. In assessing the past business performance of a loan applicant, certain financial ratios are used. State and explain any five of these ratios. (10 marks)

Question FOUR

- a. In addition to the use of financial ratios to assess the credit worthiness for a loan facility request, the banks employ the use of a technique called CAMPARI, explain the technique in detail. (10 marks)
- b. Define what a term loan is and state its characteristics. (10 marks)