



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**91, CADASTRAL ZONE NNAMDI AZIKWE EXPRESS WAY JABI-ABUJA**  
**FACULTY OF MANAGEMENT SCIENCES**  
**JULY 2017 EXAMINATION QUESTIONS**

**COURSE CODE: BFN 405**

**CREDIT UNIT: 2**

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

**TIME ALLOWED: 2 HRS**

**Instructions:** 1. Attempt question number one (1) and any other (2) questions.  
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.

1(a) What are the factors that Banks consider before extending credit facilities to customers?  
(12 marks)

(b) List and explain five major principles of bank lending policies (10 marks)

(c) Explain six reasons why a visit of the bank officers to the customer's place of business becomes imperative.  
(8 marks)

2. (a) What are the benefits of installment loans, explain  
(8 marks)

(b) Explain six loan workout options.  
(12 marks)

3. (a) What are the differences between cash installment loans and income based installment loans?  
(8 marks)

(b) List and explain the internal and external techniques each for managing foreign exchange risk.  
(12 marks)

4. (a) List and explain briefly five relevant ratios used for determining liquidity risk.  
(8 marks)

(b) Explain four marketable securities held by banks.  
(12 marks)

5. (a) List and explain five steps involved in preparing the gap analysis under the measurement of interest rate risk.  
(10 marks)

(b) Explain what a loan interview achieves from the applicant  
(10 marks)