



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91, Cadastral Zone, Nnamdi Azikiwe Express Way, Jabi-Abuja
Faculty of Management Sciences, Department of Financial Studies

2021_1 EXAMINATION

COURSE TITLE: PRACTICE OF BANKING

Units: 3Credits

COURSE CODE: BFN 301

Time Allowed: 2 AND HALF HOURS

Instructions:

- 1. Attempt Question 1 and any other three (3) Questions.**
- 2. Question 1 is compulsory and carries 25 marks while the other 3 Questions carry 15 marks each.**
- 3. Present all your points in a coherent and orderly manner.**

1. There exists a peculiar relationship between the banks and their customers. This relationship has been described in various ways. The various views on such relationship are indicative of the fact that banks cannot exist without customers and customers cannot transact banking business without banking institutions. This makes this relationship a mutual one and very beneficial to both parties.

Required

- a. State at least five (5) various forms of relationship that exist between a banker and customer **(10 marks)**
 - b. Discuss five (5) types of bank account of customers in your bank **(10 marks)**
 - c. List five (5) statutory duties of a banker to its customers **(5 marks)**
2. Lending has long been identified as one of the most important functions of banks. Banks through its intermediation role is expected to channel surplus funds from depositors to deficit units in the form of credit. However, in assessing credit, bankers must apply a mixture of experience, technical knowledge and common sense in reaching their conclusion on whether or not to lend.

Required

- (a) Outline five (5) general considerations a banker would consider in appraising customers credit request? **(10 marks)**
 - (b) Mention five (5) of credits that bank make available to limited liability companies **(5marks)**
3. There are many methods of credit by banks to customers but it appears that letter of credit is as good as bill discounting for customers engaged in international trade.
- (a) Define Letter of credit as a form credit to your customer. **(5 marks)**
 - (b) Mention and explain parties to a Letter of Credit **(10 marks)**
4. Distinguish between the followings
- a. General crossing and specific crossing **5marks**
 - b. Bill of exchange and promissory note **5marks**
 - c. Holder and Holder for value **5marks**
5. Explain briefly the following securities for bank lending and 5 points each of the detailed procedure for their perfection.
- (a) Debentures **(7.5 marks)**
 - (b) Stock and shares. **(7.5 marks)**