

LEAD CITY UNIVERSITY, IBADAN
Faculty of Environmental, Management and Social Sciences
Department of Accounting and Finance
2017/2018 Academic Session

Answer Any Four Questions. Each Question Carries Equal Marks

COURSE TITLE: Practice of Banking

COURSE Code: BFN 311

Lecturer: DR. LADIPO OGUNTOLA

SECTION A:

(1) INTRODUCTION

Practice of Banking is a compulsory and core course in the study of Banking and Finance as a profession.

The course aims to advance a full understanding of banking principles, procedures and practice with particular reference to Nigeria and several reference to developed world. It takes into account various areas of banking service, liabilities, rights and notification to service delivery, failure or dissatisfaction.

(2) Course Objectives

To examine students on the following:

- (a) Rules governing banker and customer relationship: Different types of Accounts and rules guiding their conduct.
- (b) Securities available to lending bankers. Their suitability, procedure for taking, and perfecting and releasing them:
- (c) The feeling of good credit assessment using qualitative and quantitative factors risk analysis for different lending situations and borrowers categories.
- (d) Knowledge of Financial products and special rate services and methods of marketing them.
- (e) The rights and protections of Bankers and the prerequisites for enjoying them.

(3) Teaching Plan

Week	Topics
1-2	Practice of Banking Introduction: Banks in Nigeria; Bankers and Customer Relationship; Accounts of Customers; Negotiable Instruments; Duties of the paying and collecting bankers; other services offered by Banks:
3-4	Relationship with Limited Liability Companies Bankruptcy Securities for Bankers Advances

4 – 8	Securities and Loan Recovery Land and Security Life Policies and Stocks and Shares
9-12	Shares Guarantees Debentures Other Securities

Recommended Reading List

- (1) Esezobor E. A. - Practice of Banking, Printed by CIBN Press Ltd., Lagos
- (2) Adeyeye J. G. - Practice of Banking. Study Pack with Past Questions and Model Answers. Published by Epiteony Investment Nigeria Ltd. Isolo Lagos
- (3) Udendeh, G. Lending Principles Practice and Services for Bankers. Published by Triple Ds Ventures (Educational Services Garki, Abuja. 2016 Education.

(4) Course Requirements

Attendance	-	10%
Test/Term Paper/Assignments		30%
Examination		60%

		100%

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COURSE TITLE: Elements of Banking II

COURSE Code: BFN 211

Lecturer: DR. LADIPO OGUNTOLA

SECTION A:

(1) INTRODUCTION

This course is a continuation of elements of Banking which form part of the fundamental courses in the study of banking and finance in any institution of higher learning. It is a compulsory 3 units course with the intend of lay a solid background of banking both as a course of study and profession for banking students.

(2) Course Objectives

The Objectives of the course are:

- (a) To examine students on the further concepts of banking and finance.
- (b) To test the students on the duties and right in Banker/Customer relationships.
- (c) To understand practical aspects of banking transactions.
- (d) To test for knowledge of the developments in the Nigerian Financial System.
- (e) To examine students on Securities for lending type and perfection procedure to ensure safety of assets.

(3) Teaching Plan

Week	Topics
1-3	Bank Lending
4-5	Securities for Banking Lending
6– 8	Banker/Customer Relationship: Duties, Rights, Types of Customers
9	Fundamental concepts in Banking Regulations and Instruments
10	Bill of Exchange and Cheques
11	Clearing House System
12	Contemporary Issues in Banking in Nigeria.

(4) Recommended Reading List

- (1) Femi Adekanye, Femi. - The Elements of Banking in Nigeria, Published by Faz Born Publishers, Offa.
- (2) Whitehead C & Hoyle J. Elements of Banking made Simple.

(5) Course Requirements

Attendance	-	10%
Test/Term Paper/Assignments		30%
Examination		60%

		100%

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TUTORIAL QUESTIONS

COURSE TITLE: Elements of Banking II

COURSE Code: BFN 211

Lecturer: DR. LADIPO OGUNTOLA

1. Explain the relationships between banker and customer under the following outlines:
 1. Duties owed by a banker to his customers **10mks**
 2. Duties owed by a customer to his banker. **5mks**

2. What do you understand by bankers duty of secrecy? **5mks**
With the aid of at least, a decided cases, discuss instances when a banker can disclose information about his customers to a 3rd party. **10mks**

3. Write short notes on the following:
 - a. Bankers Opinion
 - b. Bankers Lien
 - c. Crossed Cheque
 - d. Open Cheque
 - e. Stale Cheque **15mks**

- 4a. What are Bankers basic rights? **7mks**
- b. Discuss the four instances where the bankers rights of set-off crystallizes. **8mks**

- 5a. L. C. Mather, an expert in the practical aspects of banking recommended 3 basic principles behind all banking lending namely: Safety, Suitability and Profitability. Explain them. **9mks**
- b. List at least 7 canons of lending. **6mks**

6. Write short notes on the following:
 - a. Overdraft Facilities
 - b. Debenture
 - c. Revolving Loan
 - d. B V N **15mks**

- 7
 - a. Distinguish between Guarantees and Indemnities **7mks**
 - b. State 4 each of advantages and disadvantages of guarantees. **8mks**

8. State and discuss the circumstances under which bankers authority to pay is terminated. **15mks**

9. The New Cheques Clearing System is superior to the old system. Discuss. **15mks**

10. Discuss the various reasons for bank failure in Nigeria and what can be done to halt the trend. **15mks**

11. List at least 10 Commercial and 5 Merchant Banks currently operating in Nigeria. Distinguish between a Merchant and Commercial Bank. **15mks**

- 12a. What are the functions of Money? **8mks**
- b. Discuss the functions of Central Bank of Nigeria in Contemporary Nigeria. **7mks**

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2017/2018 Academic Session

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COURSE TITLE: Banking Methods & Processes

COURSE Code: BFN 313

Lecturer: DR. LADIPO OGUNTOLA

SECTION A:

(2) **INTRODUCTION**

Banking Methods and Processes is a compulsory 3 units course for Banking & Finance students at 300 Level. The course is designed to introduce student to processes and procedures in banking operations, mechanisms, instruments and various funds transfer systems for local and international transactions.

(2) **Course Objectives**

- (a) To examine students in the operational systems of banking operation.
- (b) Expose students to various instruments of payments and the guidelines for the remittances.
- (c) To understand the domestic and international regulatory environment in which financial institutions operate.
- (d) To examine their understanding of the clearing house systems for cheque and other instruments of payments.
- (e) To examine knowledge of students on social aspect of banking processes.

(3) **Teaching Plan**

Week	Topics
1	Banking and the Mechanism
1-4	Mode and Methods of Payment.
5	Evolution of Banking Methods and Processes.
6– 7	Instruments of payment in the banking system.
8	Clearing Houses Operation.
9	Electronic and Remote Control
10-11	Funds Transfer System.
12	Social Aspect of Banking Process.

(4) **Recommended Reading List**

- (1) Bhattachary H. - International Trade and Finance, P. C. Bhowal Calcutta

- (2) Agene C. E. Foreign Exchange and International Trade, Arucunda Publication, Lagos
(3) Ibid. Banking Methods and Processes, Hosanna Publications, Enugu.

(5) **Course Requirements**

Attendance	-	10%
Test/Term Paper/Assignments		30%
Examination		60%

		100%

LEAD CITY UNIVERSITY, IBADAN
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2nd Semester 2017/2018 Academic Session

TUTORIAL QUESTIONS

COURSE TITLE: Banking Methods & Processes

COURSE Code: BFN 313

Lecturer: DR. LADIPO OGUNTOLA

1. Banking failure, though a global phenomenon, discuss with particular reference to Nigeria **10mks**
What Steps do you suggest are to be taken to forestall such going forward. **5mks**
2. Over the counter cheque payment is a process. As a banker, detail step by step, what actions to take to complete this transaction to be complete. **15mks**
3. What is Monetary Policy? Discuss Six Instruments of Monetary policy applied by the Central Bank of Nigeria to control banks in Nigeria. **15mks**
4. Write short notes on the following:
 - a. Treasury Bills
 - b. Guarantees
 - c. Indemnities'
 - d. Cheque Crossed Account Payee Only **15mks**
- 5a. Define Bills of Exchange in line with the Bills of Exchange Act of 1882. **5mks**
b. What are the main grounds of discharge of a Bill? **10mks**
6. Discuss three major instruments of payment in international trade. **15mks**
7. What is Nigerian Inter-Bank Settlement system (NIBSS)? Enumerate the payments that can be effected through NEFT Credit transfer. **15mks**
8. a. What is Bulk Clearing? **5mks**
b. List Payments that can be processed with bulk clearing (automated), direct credit and debit systems. **10mks**
9. a. What is a cheque? **5mks**
b. Discuss the circumstances in which a bankers authority to pay is terminated. **10mks**
10. Write short notes on the following:
 - a. Cross Firing
 - b. Stale Cheques

- c. Bankers Lien
 - d. Holder for Value
 - e. Holder in Due Course
- 15mks**

11. Sir George Powell has been your customer for the past 20 years. He has been conducting his account satisfactorily. Today, his daughter Mabel Powell has called at your branch to inform you that her father has a stroke and paralyzed. She shows you a copy of a power of attorney to act on behalf of her father and therefore requested to take over the running of the account.

Required:

- a. What is a Power of Attorney? **5mks**
 - b. What are your considerations as regards the request of the daughter? **5mks**
 - c. How can power of attorney be determined? **5mks**
12. Discuss succinctly the social and environmental impact expected of a banking institution in a developing country like Nigeria. **15mks**

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2nd Semester 2017/2018 Academic Session

TUTORIAL QUESTIONS

1. Mr. Brown is a journalist employed by a reputable publishing company in Lagos. He has banked with your branch for about five years. During the last six months, his account has given rise to considerable problems, whilst a reasonable number of cheques have been returned unpaid. After discussing with him, you have given him one month notice to close his account. The notice has now expired but Mr. Brown claimed that the notice was inadequate. His attempt to make lodgment into the account at your branch was resisted. He thereafter boasted that he would continue to make lodgments into his account through other branches of the bank and also through other banks. He also insisted on issuing cheques on the account. He still held 60 unused cheques out of the 100 leaves issued to him three months ago.

Required:

Explain how you would deal with the situation.

2. Mr. James Ojo who wanted to open a current account with the Idumota branch of your bank was interviewed by your assistant; he was recently appointed. He submitted to you the following note of the interview: "Called to open a current account. Told me he is aged 17 and has started work with Kenbros Ltd as clerk. Paid in N3,000 cash to open the account and will be paying in his salary cheques in future. A cheque book may be issued. "You know that Kenbros Ltd operates a large electronics shop in Idumota and maintains an account with your bank.

Required:

What comments would you make on the note from your assistant?

- 3a. Your branch issued a draft crossed "Not Negotiable" for N50,000 (Fifty Thousand Naira only) in favour of Okoro Traders Plc at the request of your customer, Mr. Dele Momodu, for spare parts to be supplied to him. This morning, Mr. Momodu approaches you to cancel the draft because Okoro Traders Plc has defrauded him. You checked through your books and found that the draft has not been presented for payment. How will you treat his request? Will your attitude be different if the draft was not crossed "NOT NEGOTIABLE"? Give reasons for your answer.
- b. Mallam Audu Sani's account has been regarded as very unsatisfactory for sometime and he has recently taken to drawing cheques and would then telephone you to stop payment in order to avoid their being dishonoured with the answer "Refer to drawer". Through your own strict control, the account is now kept in credit but balances overnight

never exceed N350.00 Cr. As Manager, you wish to see the account closed as soon as possible.

How would you proceed? Give reasons for your answer.

4. Chief Ogala Eze is a wealthy politician who has been your customer for about 10 years. A year ago, he was accompanied by one of his sons to the bank for safe custody of a locked box said to contain valuables. Two months ago, you received the news of the sudden death of Chief Eze through his son with whom he came to deposit the box for safe custody. You attended the ceremony. This morning, his son, who is also your customer, claims that the father's will is in the sealed box kept with his father's estate. He explains further that the deed box (the key to which he shows you) also contains some valuables i.e. collection of stamps, etc, which need to be taken out for valuation for probate purposes. He requests that you should release the box to him.

How would you treat his request? Give reasons for you answer.

5. You are the assistant manager in charge of your branch clearing operations. Mr. Bisi Fagite, a graduate officer recently deployed to your section returned from the clearing house today and drew your attention o some cheques received from the clearing house.
- a. Cheque number 940014 dated 9 months ago drawn in favour of Mr. Y. O. Ajadi for N5,000.00.
 - b. Undated cheque number 41898 drawn in favour of Miss N. Dike for N15,000.00;
 - c. Post-dated cheque number 581952 drawn in favour of Mr. Idowu Peters for N20,000.00.

Required:

Explain to Mr. Bisi Fagite the action he would take in respect of the cheques and the consequences, if any, of paying them.

- 6a. Ogundele and Funke have a joint current account at your branch with the usual form of mandate requiring both to sign for withdrawals. With a balance of N85,000.00 on the account, you received notice of the death of Funke together with a letter from her executors claiming the balance of account. By the same post, you received a request from Ogundele asking for the balance to be transferred to a deposit account in his name at your branch.

Required:

State with reasons, what action you would take.

- b. Your valued customer, Chief Nwoke, called to tell you that he has been appointed treasure of a newly formed social clus, Ojemba Social Club in his locality and he wishes to open a current account for the Club.

Required:

Describe the action you would take and the information you would require in opening the account.

3. Mrs. Beatrice Akpan had been living with her husband in Jos before he decided to relocate to New York five years ago. She decided to continue to live in Jos with their four children; the eldest will be fourteen years next month. Beatrice has been struggling to obtain a visa to join her husband without luck. Last year, she succeeded and decided to travel immediately leaving her children with her illiterate mother. She maintained a well-conducted current account number 41715 at your branch. The balance of the account was never below N300,000.00 (Cr). She used to transfer funds from USA into the account and left signed cheques which her eldest son has been completing to withdraw money from the account. After using the last cheque, the son telephoned his mother about the difficulty in obtaining funds. After a discussion with you (the branch manager), she faxed to your branch a power of attorney appointing her 12-year old daughter as donee. The following day, the girl presented a cash cheque for N180,000.00 signed by her and drawn on the mother's account.
 - a. As the branch manager, what action would you take?
 - b. what could have been branch Manager's reaction if Mrs. Beatrice Akpan's friend (Mrs. Basseyy had been appointed an attorney and the latter had drawn a cheque for N2,000.000 to settle an overdraft granted her (Mrs. Basseyy) in the same branch?
 - c. In what ways could a power of attorney be revoked?

8. Dr. Benson Eze, a long-time customer at your branch, maintains two current accounts – Accounts A and Account B. Account A was drawn to the tune of N250,000.00 but the interest has risen to N175,000.00. Account B has a balance of N50,000.00 (credit). Your divisional manager frowned at Account A as its balance has been long outstanding and you were called upon to recover all or a substantial part of it within the next three weeks.

You as a matter of urgency wrote and informed Dr. Eze to settle the account. He got the letter but ignored it. Yesterday, he paid a sum of N180,000.00 into the bank but forgot to indicate the account which should be deducted. As soon as you saw the lodgment you instructed an employee of the branch to apply the lodgment into Account 1 immediately. Dr. Eze relying on the lodgment, has issued out various cheques totaling N165,000.00 all presented and returned. Dr. Eze phoned you and threatened legal action against the bank unless all the returned cheques are honoured by the bank.

Required:

- i State the position of the bank should Dr. Eze carry out his threat.
- ii What do you think the bank should have done to have an edge over Dr. Eze?
- iii What are the rules to be followed under appropriation by creditor?

9. Mr. Clement Akpan has been your customer for the past 10 years. He has been conducting his account satisfactorily. Today, his first son, Mr. Bassey Akpan, called at your branch to inform you that his father has a stroke and is paralyzed. He shows you a copy of a Power of Attorney to act on behalf of his father and therefore requested to take over the running of the account.

Required:

- a. What is a Power of Attorney?
 - b. What are your considerations as regards the request of the son?
 - c. Briefly outline how a power of attorney can be determined.
10. Bola and Dada are partners in a firm which produces home video drama. They maintain a joint account with Catabank Plc, Ibadan, Oyo State. All cheques and other instruments are signed jointly by both partners. An open cheque for N100,000.00 was issued to Chucks, an actor based in Aba. Payment of the cheque was countermanded and a notice signed by Dada was delivered to the bank's branch at Ibadan on Monday. Receipt was acknowledged by the bank the same day. The cheque was presented by Chucks over the counter the following Friday to the bank's branch at Aba and was paid. The firm demanded reimbursement.

Required

- a. What is the bank's position?
 - b. Assume the countermand order was cancelled by Bola on Wednesday before the cheque was paid. What would have been the effect of Bola's action on the bank's position?
11. Morning Star Plc is a small manufacturing company and the owner of current account No. 005001 in your branch. Chief Ogabi Agaga, the Managing Director, is the sole signatory to the account. He is a pleasant and well-behaved gentleman whose conduct endeared him to all the staff of the branch. During his last annual leave, he travelled to Dubai for four weeks. While he was away, his wife was ill and was rushed to a nearby hospital. The hospital authorities demanded a down payment of N70,000.00 before she could be attended to. His grown-up son found the father's company's cheque on the bedside table in his father's room which was not locked. He wrote a cheque for N70,000.00 in favour of the hospital. He perfectly forged the father's signature. The cheque was paid. When the son explained the issue to his father on his return from Dubai, the son was commended for taking such a wise step to save his mother's life. The father refunded the amount to the company's account. Two years later, the son cleverly removed a cheque leaf and withdrew N20,000.00 from the same account to pay his girlfriend's medical bills without the father's knowledge. When eventually the father knew about it, he sued the bank for recovery of the money.

Required:

As the branch manager, how will you handle the matter?

12. Chief Ade Ojo, your valued customer, has banked with your branch for more than ten years. Last week, his generator developed a problem and he called a technician to rectify the fault. The work was completed yesterday afternoon and Chief Ade Ojo issued a cheque for N4,350.00 to the technician named Ade Dada to cover the cost of the repairs. The generator again developed problem overnight. This morning, you received a letter from Chief Ade Ojo countermanding payment of the cheque he issue to Ade Dada. The letter correctly contained the name of the payee, the cheque number and the amount. You immediately notified the paying cashier of the countermand notice but discovered that he had already paid the cheque. However, the payee is still in the banking hall.

Required:

State how you will treat the issue.