THE CHARTERED INSTITUTE OF BANKERS (GHANA)
ASSOCIATESHIP EXAMINATIONS – FINAL

PRACTICE OF BANKING II – LENDING
APRIL 2025

EXAMINERS REPORT

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Introduction: General Observations

There was a marked improvement in performance over that of the precious sitting. Candidates excelled in both sections of the paper which is heartwarming. This indicates that candidates are paying equal attention to both the quantitative aspects and the knowledge-based aspect of the paper.

2. Comments on Candidates' Performance
2. I. Summary Statistics of the Performance per the format in the table below.

TOTAL NO.	Q. NO.	NO. ATTEMPTED EACH QUESTION	% ATTEMPTED EACH QUESTION	PASS	FAIL	% PASS	% FAIL	TOTAL
57								
	Q1	48	160%	44	4	92%	8%	100%
	Q2	32	107%	27	5	84%	16%	100%
	Q3	28	93%	19	9	68%	32%	100%
	Q4	52	173%	41	11	79%	21%	100%
	Q5	11	37%	5	6	45%	55%	100%
	Q6	45	150%	29	16	64%	36%	100%

3. General Problems Identified

In the case of candidates who failed, it is observed that their major weakness lay in the quantitative aspects of the paper. In order to pass this paper these areas must be mastered thoroughly

Under Section A (Assessment of Business Propositions) in explaining changes to financial ratios, candidates only stated that the ratio had either increased or decreased without explaining the causes of the specified trend.

The Proposition (facility structure) was not handled very well with many candidates only stating the request without expatiation on aspects of facility structure such as purpose, amount, term, repayment structure etc.

Also, in the case of securities candidates failed to state the value of the security and whether it provided adequate margin to cover the exposure.

Under Pricing, candidates only stated that they would charge a risk premium of a specific percentage but failed to draw the link between the assessed risk and the risk premium added.

Under Securities, many candidates only stated what the proposed security would be without stating the value or commenting on the adequacy.

The perennial problem of time management persisted whereby candidates burnt all the time on one question to the detriment of other questions they could have easily handled. This caused some good candidates to fail though a few got enough marks to make a pass from answering only three questions.

4. Specific Comments on each question

Question 1 (Pass rate – 92%)

Fishing industry. Good pass rate candidates were able to apply credit management techniques in answering the question.

Question 2 (Pass rate – 84%)

Oil palm plantation. Good pass rate as in question 1. Those who failed where not prepared for the paper

Question 3 (Pass rate – 68%)

Real estate speculative developer. Above average pass rate. Key weakness lied in the area of building projections and the estimation of bank lending.

Question 4 (Pass rate – 79%)

Straightforward question on impact of nonperforming Advances. Well handled. Good pass rate. This question required a brief introduction featuring the definition of nonperforming advances. This should be followed by a discussion on five areas in which nonperforming advances have an impact on the bank.

Question 5 (Pass rate – 45%)

Credit management governance and organizational structure. Poorly handled by many. A few deviated. Candidates were expected to talk about the role of the board, key management and the executive Credit Committee. In addition they were expected to talk about the various organs or departments for credit delivery, risk management and control. A few were able to present a good outline and got good marks.

Question 6 (Pass rate – 64%)

Pestle and Industry analysis for one selected sector or industry of the economy. This required a discussion of both Pestle factors and Industry factors. Most candidates limited their discussion to only the Pestle factors and lost good marks. Above average pass rate.

5. Conclusion

The pass rate was generally good. Those who failed did so possibly due to lack of preparation. A couple of candidates also deviated in answering specific questions. There were also a couple who failed due to poor time management.

Outline Answers

Section A

Question 1

		Marks	REMARKS
Introduction		1	Gut Reaction giving intuition about case study
External Environment		3	PESTLE/INDUSTRY FACTORS
Management/Resources		3	Age, qualification, experience of management, balance of skills, quality of resources
Financial Analysis		5.5	Discussion under headings Capital, Operations/Profitability, Liquidity/Activity and Debt servicing
Proposition		3	Justification of purpose, amount, term, structure of facility
Pricing		2	Risk/return rate plus fees and commissions, justification
Security		2	Adequacy and suitability of security
Monitoring		1.5	Key monitoring tools e.g. audited accounts, site visits, management accounts
Repayment/Cash Flow			Assessment of repayment ability
Repayment Commitment	1		
Assumptions	1		
Depreciation Estimate	0.5		
Projected Income Statement	1.0		
Balance Sheet Extracts	1		
Cash Flow Projections	1.5		
Comment on Cash Flow	1		
Total Repayment/Cash Flow		7	
Summary/Decision		2	Summary and decision based on analysis
		30	

Question 1
Introduction **- 1 mark**

- Intuitive response to proposition and basic background knowledge of the company
- Longstanding customer of fifteen years, we would wish to assist if at all possible
- Straightforward proposition for the purchase of plant for processing of fish. – we would support if the figures are okay.

External Environment/Industry **- 3 Marks**

- Analysis of PEST and industry factors affecting the industry.

PESTLE FACTORS INCLUDE – 1 ½ Marks

- International tensions on the verge of escalating – has affected the whole international ecosystem
- Election year – a new party in power may introduce drastic changes in policy.
- Significant pressure on the local currency abated by IMF inflows
- Government expenditure largely under control due to IMF interventions
- Technology brings in great opportunities such as online ordering and sales.
- Environment impact of fishing industry relatively low.

INDUSTRY FACTORS INCLUDE:

- Fish processing industry.
- Product has inelastic demand and for that matter has great prospects
- Many players in the industry some large, and numerous small players
- Substitutes available by way of raw fish, important sardine and tinapa, poultry products and meat.
- Concentrations seen in respect of receivables. .

Management/ Resources **- 3 Marks**

- Analysis of Management profile should include age, qualification and balance of management skills.
- Management team of similar if not the same background. This does not contribute to diversity.

- Corporate governance issues may arise as power appears to be concentrated in the CEO/Board Chairman
- This must be separated to provide for effective checks and balances.
- Management team relatively youthful.
- The company is well resourced with a factory building, administration block and warehouse and a pool of ten delivery trucks
- The existing plant is now aged and needs to be replaced.

Financial Analysis – 5 ½ Marks
Capital – 1 Mark

- Shows an appraisal of trends in the capital account including profit retention and gearing
- Reduction in gearing due to decline in the level of borrowing.
- Sustained increase in income surplus an indication of commitment.

Operations/Profitability – 1 ½ Marks

- Areas to be considered include sales growth and trends in profitability
- Decline in sales growth attributable to the breakdown of one of their fishing vessels
- Gross margins also declined due to the increase in direct costs
- Net margin was however stable due to more effective control of operating expenses and interest expense

Liquidity Activity – 2 Marks

- Analysis of liquidity and activity include comments on current and quick ratio and trends in working capital ratios
- Erratic trend in current ratio with an increase in the current year.
- This is attributable to increases in inventory and receivables.
- Inventory turnover declined drastically due to slow down in sales.
- Receivables also trended slightly upward due to slips in credit management
- Payables also increased and was more than receivables.

Debt Repayment – 1 Mark

- Considers debt repayment and cash flow as well as interest cover.
- Interest cover increased marginally due to reduction in interest expenses relative to operating profits.

Proposition – 3 Marks

- Candidates are expected to undertake an appraisal of the facility structure in terms of amount, purpose, term and type of facility amongst others. Candidates are expected to justify these dimensions of facility structure.
- The company is requesting for a medium-term credit facility of GHC 10.0 million to finance the acquisition of a new plant.
- We need to confirm the amount from invoices provided to the company.
- We also need to assess the company's working capital requirements
- The purpose is justified as there is the need to replace the aged plant.
- The projected gearing would amount to (10 m + 2.5 m)/5,154,946 = 242.4% which is excessive

New Loan	10,000,000.00
O/D Limit	2,500,000.00
Total Exposure	12,500,000.00
Capital	5,154,946.00
Projected Gearing	242.49%

- Working capital requirements would be:
  4,889,600/365 X (91+186-105) = 2,304,140

Cost of Sales	4,889,600.00
No of Days in a Year	365.00
Cost of Sales per day	13,396.16

Receivables Days	91.00
Inventory Days	186.00
Payable Days	(105.00)
Cash cycle	172.00
Finance Requirement	2,304,140.27

- The projected working capital requirement is within the current overdraft limit. This can therefore be maintained at the current level.
- The term of the facility would be 5 years due to bank policy
- Repayment would be amortization, no moratorium of principal and interest. Principal to be spread over the term

Pricing **- 2 Marks**

- Pricing includes mark-up on base rate and commissions and fees. Candidates should show a relationship between pricing and risk.
- 5 % over GRR due to high perceived risk
- Processing fees of 1.0 %
- Facility fees of 1.5%

Security **- 2 Marks**

- This section covers an appraisal of security in terms of adequacy, utility and suitability
- Fixed and floating charge over the company's assets with a book value of GHC 7,675,200

Noncurrent Assets	
Building	391,200
Equipment	1,250,000
Motor Vehicles	380,000
Furniture and Fixtures	266,000
Total	2,287,200
Current Assets	
Inventory	2,488,000
Receivables	2,900,000
	7,675,200

- The security is considered adequate as the cost of the new plant will be added to the value of the assets
- This barely covers the proposed exposure

Monitoring **– 1 ½ Marks**

- Suitable monitoring tools must be outlined here.
- Audited accounts
- Management accounts
- Industry surveillance
- Account operations summaries

Projection/Repayment **- 7 Marks**

Repayment Commitment – 1 Mark

	INTEREST	PRINCIPAL	APPROXIMATION	TERM	ANNUAL REPAYMENT
Interest	34.00%	10,000,000.00	0.50	5.00	1,700,000.00
Principal		10,000,000.00		5.00	2,000,000.00
					3,700,000.00

Assumptions – 1 Mark

Sales Growth	30.00%
Gross Margin	60.00%
Overheads to Sales	19.00%
Inventory to Sales	21.00%
Receivables to Sales	25.00%
Payables to Sales	14.00%

Depreciation Estimate – ½ Mark

Cost of New Plant	10,000,000
Useful Life	5
	2,000,000
Depreciation of Existing NCA	567,400
Less Depreciation of Scrapped Plant	-
	.
Depreciation Charge for Year	2,567,400

Balance Sheet Extracts – 1 Mark

Balance Sheet Extracts	2023	2024	CASH FLOW CHANGE
Inventory	2,488,000.00	3,166,800.00	(678,800.00)
Receivables	2,900,000.00	3,770,000.00	(870,000.00)
Payables	1,672,000.00	2,111,200.00	439,200.00

Projected Income Statement – 1 Mark

Sales		15,080,000
Opening Inventory	2,488,000	
Purchases	6,710,800	
	9,198,800	
Closing Inventory	3,166,800	
Cost of Sales		**6,032,000**
Gross Profit		**9,048,000**
Overheads		2,865,200
Depreciation		2,567,400
Operating Profit		**3,615,400**

Projected Cash Flow Statement – 1 ½ Marks

Profit Before Interest and Tax		3,615,400.00
Depreciation		2,567,400.00
Operating Cashflow BF WK Changes		6,182,800.00
Increase in Inventory	(678,800.00)	

Increase in Receivables	(870,000.00)	
Increase in Payables	439,200.00	
Change in WK		(1,109,600.00)
Cash From Operations		5,073,200.00

Comments on Cash Flow – 1 Mark

- Operating Profits of 3,615,400 covers projected interest expenses on the medium-term loan of 1,700,000.00.
- Cash from operations of 5,073,200 also adequately covers the projected repayment commitment of 3,700,000.00 on the medium-term loan
- Cash flow from projections is therefore considered adequate

Summary/Decision **- 2 Marks**

- Summary of appraisal including SWOT and decision.
- High projected gearing of 242.49%
- Cash flow from projections looks good.
- The company has good prospects and needs to be encouraged.
- Recommend
    - Medium term loan of GHC 10,000,000,000 for the acquisition of a new plant
    - Renewal of Overdraft facility of GHC 2,500,000

Question 2

		Marks	REMARKS
Introduction		1	Gut Reaction giving intuition about case study
External Environment		3	PESTLE/INDUSTRY FACTORS
Management/Resources		3	Age, qualification, experience of management, balance of skills, quality of resources
Financial Analysis		5.5	Discussion under headings Capital, Operations/Profitability, Liquidity/Activity and Debt servicing
Proposition		3	Justification of purpose, amount, term, structure of facility
Pricing		2	Risk/return rate plus fees and commissions, justification
Security		2	Adequacy and suitability of security
Monitoring		1.5	Key monitoring tools e.g. audited accounts, site visits, management accounts
Repayment/Cash Flow			Assessment of repayment ability
Repayment Commitment	1		
Assumptions	1		
Depreciation Estimate	0.5		
Projected Income Statement	1.0		
Balance Sheet Extracts	1		
Cash Flow Projections	1.5		
Comment on Cash Flow	1		
Total Repayment/Cash Flow		7	
Summary/Decision		2	Summary and decision based on analysis
		30	

Introduction **- 1 Mark**

- Intuitive response to proposition and basic background knowledge of the company.
- Relatively longstanding customer. We would wish to assist if at all possible.
- Relatively moderate risk sector, though impact may be high

External Environment/Industry **- 3 Marks**

- Oil palm processing – Agro-based industry
- Political and economic threats are posed by adverse impact of the Ukraine, Israel and Sudan wars
- Government policies towards the building industries is good – one district one factory
- There has nonetheless been recent turbulence in the economic sector of the country with the government having defaulted in its investment obligations
- Inflation and interest rates are at high levels in recent times.
- Competition is modest as industry barriers are high with the raw materials taking some time to generate and begin fruiting
- Key risks include pests and adverse weather.
- Key success factors include good storage and delivery systems, loyal pool of clientele and good location.

Management/ Resources - 3 Marks

- Analysis of Management profile should include age, qualification and balance of management skills.

- Relatively aged management team.
- They possess the relevant qualifications
- However, Estella is playing dual role of accountant and marketing manager.
- It may serve the company well to appoint a duly qualified accountant to take charge of the accounts of the business.
- The company is well resourced though its articulator trucks are aged and need replacement.

Financial Analysis – 5 ½ Marks
Capital – 1 Mark

- Shows an appraisal of trends in the capital account including profit retention and gearing

- Gearing increased very marginally over the review period.
- The levels nonetheless were quite low giving scope for increased borrowing
- Sustained retention of profits over the review period.

Operations/Profitability – 1 ½ Marks

- Areas to be considered include sales growth and trends in profitability

- Slow down in sales attributable to adverse changes in the weather
- Gross margin declined marginally over the period due to higher cost of sales
- Net margin also declined drastically due to falling gross margins and rising overheads

Liquidity Activity – 2 Marks

- Analysis of liquidity and activity include comments on current and quick ratio and trends in working capital ratios

- Moderate current and quick ratios due to moderate level of payables and overdraft
- Inventory days rose marginally over the period. We could attribute this to the seasonal nature of raw materials.
- Receivables days reduced marginally possibly due to stronger credit controls.
- Payables days also decreased marginally due to good management of credit terms

Debt Repayment – 1 Mark

- Considers debt repayment and cash flow as well as interest cover.

- Interest cover fell sharply over the period due to declining profitability
- This was reflected in a marginal rise in the overdraft.

Proposition – 3 Marks

- Candidates are expected to undertake an appraisal of the facility structure in terms of amount, purpose, term and type of facility amongst others. Candidates are expected to justify these dimensions of facility structure.

- Customer is requesting for a term facility of GHC 15,970,000 for the purchase of an oil mill, a refinery plant and an articulator truck.
- The purpose is acceptable as the company is embarking on a new initiative and also needs to replace old articulator trucks.
- Projected gearing would amount to 42% as follows:

  (15,970,000+1,500,000)/ 41,570,625 X 100 = 42% which is significantly below the threshold of 1:1
- A tenor of 5 years would be reasonable considering the purpose of the facility
- Repayment structure would be on amortization basis over a period of five years
- The facility would be by way of term loan.

Pricing - 2 Marks

- Pricing includes mark-up on base rate and commissions and fees. Candidates should show a relationship between pricing and risk.
- Interest rate of 5% above GRR due to long term nature of the facility

- Facility fee of 1.5%
- Processing fee of 10%

Security **- 2 Marks**

- This section covers an appraisal of security in terms of adequacy, utility and suitability
- Charge over the assets of the enterprise valued 12,2212,500 book value.
- The actual value may be less than the book value
- In addition the bank will take a charge over the plants and vehicles being purchased.
- Security is considered inadequate

Monitoring **– 1 ½ Marks**

- Suitable monitoring tools must be outlined here
- Audited accounts
- Debenture figures
- Budgets and performance reports
- Customer visits
- Management accounts

Projection/Repayment **- 7 Marks**

- The annual repayment commitment must be shown here
- Candidates are expected to generate cash flows for the business. This would involve the necessary assumptions and projections

Repayment Commitment

	INTEREST	PRINCIPAL	APPROXIMATION	TERM	ANNUAL REPAYMENT
Interest	34.00%	15,970,000.00	0.50	5.00	2,714,900.00
Principal		15,970,000.00		5.00	3,194,000.00
					5,908,900.00

Projected Cash Flows

Candidates will not be able to use assumptions relating to salaries to make the projections as the salaries in the accounts show monthly figures.

Student's cash flows would therefore be marked on a case-by-case approach and depending on the assumptions made.

Assumptions - 1 Mark

Sales Growth	30%
Gross Margin	40%
Overhead Expenses to Sales	9%
Inventory to Sales	13%
Receivables to Sales	17%
Payables to Sales	10%

Depreciation Workings	
Cost of New Plant	15,970,000
Useful Life	10
	1,597,000
Depreciation of Existing Plant	1,368,200
Less Depreciation of Scrapped Plant	-
Depreciation Charge for Year	2,965,200

Balance Sheet Extracts

Balance Sheet Extracts	2023	2024	CHANGE
Inventory	19,876,000.00	26,021,268.00	(6,145,268.00)
Receivables	25,800,000.00	34,027,812.00	(8,227,812.00)
Payables	15,460,000.00	20,016,360.00	4,556,360.00

Projected Income Statement

Sales		200,163,600
Opening Inventory	19,876,000	
Purchases	126,243,428	
	146,119,428	
Closing Inventory	26,021,268	
Cost of Sales		120,098,160
Gross Profit		80,065,440
Overheads		18,616,000
Depreciation		2,965,200
Operating Profit		58,484,240
Interest Paid		-
Profit Before Tax		58,484,240

Projected Cash Flow Statement

Profit Before Interest and Tax		58,484,240.00
Depreciation		2,965,200.00
Operating Cashflow BF WK Changes		61,449,440.00
Increase in Inventory	(6,145,268.00)	
Increase in Receivables	(8,227,812.00)	
Increase in Payables	4,556,360.00	
Change in WK		(9,816,720.00)
Cash From Operations		51,632,720.00

Comments on Cash Flow

- Cash coverage is adequate – 51.6 Million – covers annual repayment commitment of GHC 5.9 million
- The company has the capacity to service the facility

Summary/Decision **- 2 Marks**

- Summary of appraisal including SWOT and decision.
- Viable business
- Good prospects
- Some concentration risks are nonetheless seen.
- Customer making significant contribution

- Approve loan of GHC15,970,000 subject to terms and conditions

Question 3

		Marks	REMARKS

Introduction		2	Gut Reaction giving intuition about case study
External Environment		3	PESTLE/INDUSTRY FACTORS
Management/Resources		3	Age, qualification, experience of management, balance of skills, quality of resources, critical success factors
Proposition		5	Justification of purpose, amount, term, structure of facility
Pricing		2	Risk/return rate plus fees and commissions, justification
Security		2	Adequacy and suitability of security
Monitoring		5	Key monitoring tools e.g. audited accounts, site visits, management accounts
Repayment/Cash Flow			Assessment of repayment ability
Repayment Commitment	1		
Projected Income Statement	4		
Comment on Cash Flow	1		
Total Repayment/Cash Flow		6	
Summary/Decision		2	Summary and decision based on analysis
		30	

Introduction - 2 Marks

- Intuitive response to proposition and basic background knowledge of the company.
- Contract builder who wishes to venture into Speculative development business – a high value, high risk area
- Relatively old customer.
- We would wish to support if the projections are good.

External Environment/Industry - 3 Marks

- Analysis of PEST and industry factors affecting the industry.
- Vibrant sector
- Stable political environment
- Worsening economic variables though as regards the sector activity levels are high due to the high demand for commercial property.
- Entry requirements are high for that matter the level of competition is moderate
- Risks include lack of takers, shoddy work by contractors etc.
- Critical success factors include good services, attractive accessible location, good designs, adequate parking space

- .

Management/ Resources - 3 Marks

- Analysis of Management profile should include age, qualification and balance of management skills.
- Very youthful management team
- Richard Branson has minimal qualifications.
- We are nonetheless comforted by the fact that his friend and old school mate has relevant industry qualification
- They would need an additional person to take charge of the accounts of the business.
- Over time they would be able to garner the requisite experience for themselves.
- The company is well resourced and has the opportunity to put up a new project on land belonging to a founder.

Proposition – 5 Marks

- Candidates are expected to undertake an appraisal of the facility structure in terms of amount, purpose, term and type of facility amongst others. Candidates are expected to justify these dimensions of facility structure.
- Customer is requesting for a loan of GHC 72,000,000 to finance a building project for the construction of 100 residential homes.

Financing Assumptions

Service costs – 50 % contribution by bank and customer
Development costs – 2/3 contribution by bank and 1/3 contribution by customer

Cumulative Development Costs of Property – 1 ½ Marks

	CUMULATIVE COST PER HOUSE	50 HOUSES	BANK CONTRIBUTION (2/3)	CUSTOMER CONTRIBUTION (1/3)
Foundation	90,000.00	4,500,000.00	3,000,000.00	1,500,000.00
Lintel	180,000.00	9,000,000.00	6,000,000.00	3,000,000.00

Roofing	240,000.00	12,000,000.00	8,000,000.00	4,000,000.00
Plastering	330,000.00	16,500,000.00	11,000,000.00	5,500,000.00
Finishing	420,000.00	21,000,000.00	14,000,000.00	7,000,000.00
Services		-	-	-
Land		1,200,000.00	600,000.00	600,000.00
TOTAL COST		22,200,000.00	14,600,000.00	7,600,000.00
Contribution per house			292,000.00	152,000.00

Available Cash	
Land	1,200,000.00
Fixed Deposit	750,000.00
	1,950,000.00
Number of houses per phase	12.83
Rounded up to	13

Bank Contribution per house	292,000.00
Number of houses	13
Bank Lending	3,796,000.00

- The bank will lend GHC 3,796,000 in the first phase
- Repayment will come from proceeds of the sale of the office space once the project is completed
- The amount being requested is therefore on the higher side as by the bank's policy customer is required to come up with some contribution as detailed above

Pricing **- 2 Marks**

- Pricing includes mark-up on base rate and commissions and fees. Candidates should show a relationship between pricing and risk.
- Interest rate of 5% above GRR due to high perceived risk
- Facility fees of 1.5%
- Processing fees of 1.0 %
- Commitment fees of 1.0%

Security **- 2 Marks**

- This section covers an appraisal of security in terms of adequacy, utility and suitability
- The bank will take a first legal mortgage over the development
- Value is expected to increase and may fluctuate due to sales and new development
- By and large, security is considered adequate

Monitoring **– 5 Marks**

- Suitable monitoring tools must be outlined here.
- Project estimations and time lines
- Customer visits
- Confirmation of planning permits and zoning plans
- Confirmation of land ownership
- Monitoring of sales

Projection/Repayment **- 6 Marks**

- The annual repayment commitment must be shown here
- Candidates are expected to generate cash flows for the business. This would involve the necessary assumptions and projections

Profit Projections – 3 Marks

Sales	1,200,000.00	50.00	60,000,000.00
Direct Costs			
Land	1,200,000.00		
Services	-		

Building cost of 50 houses	21,000,000.00		
Total Direct Costs			22,200,000.00
Gross Profit			37,800,000.00
Gross Margin			63.00%

- Gross Margins are quite impressive

Cash Flow – 3 Marks

Assumptions

- Construction of 13 houses in Phase 1 of the project
- Customer to devote part of angel financing for construction of services

Sales from twelve (13) houses			15,600,000.00
Building Cost for 13 houses			6,240,000.00
Net Proceeds			9,360,000.00
Less			
Bank Lending	3,796,000.00		
Interest @ 34% for one year	1,290,640.00		
Total Loan Commitment			5,086,640.00
Cash Surplus			4,273,360.00

- Significant surpluses available.
- If the company is able to sell, it can reap substantial profits

Summary/Decision - 2 Marks

- Summary of appraisal including SWOT and decision.
- Viable business
- Huge profits available
- Cohesive management team
- Profitable project.

- Approval of initial lending amount of GHC 3,720,000.00, to be reviewed after completion of the first phase of the project

SECTION B

Question 4

One of the factors that precipitated the recent banking crisis in Ghana was the high incidence of nonperforming loans. Discuss the impact that non-performing loans have on a financial institution.

TOTAL MARKS **[20 Marks]**

Introduction - 3 Marks

Definition of NPL. Brief on factors causing the high incidence

Impact on financial Institutions – 5 points @ 3 Marks each

Liquidity

Profitability

Poor quality assets

Reputation

Capital

Solvency

Reduction in bonuses of staff leading to low motivation to work

Increase in legal costs

Reduction in market value of shares

Conclusion – 2 Marks

Remarks on the overall impact on the bank

Question 5

You have been employed as an expert credit professional to develop a credit management organization in a new financial institution that has been granted a banking license.
Outline a suitable credit governance, delivery and organizational system you would recommend clearly delineating the roles of the various organizational units within this governance system.

TOTAL MARKS **[20 Marks]**

Introduction **– 3 Marks**

Requirements of the question. Summary of what credit governance entails.

Credit Governance Structure – 4 Marks

Role of the Board and Senior Management as regards credit strategy, risk appetite, culture and policies. Role of Management to execute such strategies and policies.

Credit Organizational Structure and Functions of Credit Units

Board	- 2 Marks
Credit Risk committee	- 2 Marks
Credit Departments	
Credit risk management department	- 2 Marks
Credit Control Departments	
Credit Review	- 1 Mark
Internal Audit	- 1 Mark
Credit origination departments	
Retail branches	- 1 Mark
SME	- 1 Mark
Corporate	- 1 Mark

Conclusion - 2 Marks

Good conclusion or any extra points on the subject matter.

Question 6

Undertake a PESTLE and industry analysis of any one of the following sectors of the Ghanaian economy

(a) Mining
(b) Manufacturing
(c) Agro-based industries
(d) Hospitality industry

TOTAL MARKS [20 Marks]

PESTLE FACTORS

5 points @ 2 Marks each

Say,

International political tension

Election year

Decline in economy

Economic variables high

Depreciation in exchange rates

INDUSTRY FACTORS

5 points @ 2 Marks each

Number of players in the industry
Porter’s 5 forces
Level of competition
Level of power.
Risks of industry
Critical success factors