

POKHARA UNIVERSITY

Level: Bachelor

Semester: Fall

Year: 2021

Programme: BBA-BI

Full Marks: 100

Course: Financial Institutions and Markets

Pass Marks: 45

Time: 3 hrs.

Candidates are required to answer in their own words as far as practicable. The figures in the margin indicate full marks.

Section "A"

Very Short Answer Questions

Attempt all the questions. [10×2]

1. What are the functions of financial markets?
2. Why central bank is known as banker of the banks?
3. If the nominal interest rate for the given year is 14.5 percent and the rate of inflation is 6 percent. What was the real rate of interest?
4. What is initial public offering?
5. What is stop limit order?
6. What is money market?
7. What are the off-balance sheet activities of commercial banks?
8. List the major assets of commercial banks.
9. The BR Fund, a closed-end investment company, has a portfolio of assets of Rs 1500 million. It has liabilities of Rs 5 million. It also has 160 million shares outstanding. Find the NAV of this Fund.
10. What are mutual funds? Briefly explain.

Section "B"

Descriptive Answer Questions

Attempt any six questions. [6×10]

11. What are the types of financial institution? Explain its classification in the context of Nepal.
12. What are the major monetary tools used by the central bank to influence the economy? How recent liquidity crisis problem can be solved by central bank?
13. A 91-days Treasury Bill of Rs. 100,000 face value has been issued by Nepal Rastra Bank at 5% discount yield. You want to buy that T-bills.
 - a) At what price you can purchase the bill?
 - b) What is the 91 days holding period return?
 - c) What is the bond equivalent yield of the bill?
 - d) What is the effective annual yield of the bill?

14. Mr. X purchased a stock of ABC Company for Rs 50 under margin purchase and paid 50% of the price as initial margin. The brokerage firm charges 10% interest on the loan. At the end of year one, ABC Company paid Rs 2 as dividend and price of stock increased to Rs 60.

Required:

- Holding period return.
 - Calculate HPR of Mr. X, if he purchased the stock on cash basis.
 - Calculate the HPR under margin basis and cash basis if the stock price is decreased to Rs 40 after the purchase.
15. From the following forward rates, compute the one-, two-, three-, and four-years spot rates.

Forward time period	Forward rate
$f_{0,1}$	13%
$f_{1,2}$	14%
$f_{2,3}$	15.5%
$f_{3,4}$	18%

16. Suppose XYZ bank holds Rs. 56 million in interest rate sensitive assets and Rs. 135 million in interest rate sensitive deposits and other liabilities.
- If it's non-rate sensitive liabilities and equity capital total Rs 62 million. What is company's total volume of non-rate sensitive assets?
 - What is the size of the company's interest sensitive GAP?
 - Calculate the ratio of interest rate sensitive assets to interest rate sensitive liabilities for the saving institution.
 - If the market interest rates rise from 6% to 6.25%, how much net interest income will the company lose?
17. Suppose a Life Insurance Company has 800,000 policyholders. Each of the policyholder has 35 years of age. Each policyholder has been paid by Rs 2 million for life insurance policy. The company has to set an annual premium rate to charge to these policyholders so that it will have sufficient cash to pay off the beneficiaries of any policyholders who die this year. Suppose the expected death rate for 35 years is 4 per thousand. The company's analysts estimated that it would earn an average of 7 percent return on its portfolio investment in coming year.
- Calculate the mortality rate of 35 years aged policyholders.
 - How much the insurance company pays for the claim for the expected death?
 - How much the company charge to policyholders at the beginning of the policy period?

- d) What would be present value of expected claims?
- e) What would be the gross premium if it costs Rs 18.69 million to service the insurance need of 800,000 policyholders?

Section "C"

Case Analysis

18. Following information about the price and number of shares in the stock exchange are given to you. [20]

Stock	Number of shares	Price on Jan 1, 2020	Price on Dec 31, 2021
P	2000	700	740
Q	1500	835	790
R	3000	1055	1120
S	3500	390	425
T	900	345	580

- a) Compute the Price Weighted Index on January, 2020 and December, 2020 and percentage price change in 2021.
- b) Compute the Value Weighted Index for the year 2021.
- c) Compute the Equally Weighted Index for the year 2021 taking base year index as 100.
- d) Why stock market indexes are constructed?
- e) Does the NEPSE index (presently available in Nepal Stock Exchange Ltd) provides sufficient information for investment decision? Give your opinion.

POKHARA UNIVERSITY

Level: Bachelor

Semester: Fall

Programme: BBA/BI/BHM/TT

Course: Introduction to Management Information System

Year: 2021

Full Marks: 100

Pass Marks: 45

Time: 3 hrs.

Candidates are required to answer in their own words as far as practicable. figures in the margin indicate full marks.

Section "A"

Very Short Answer Questions

Attempt all the questions. [10×2]

1. What do you mean by computer software?
2. List different phases of SDLC.
3. Briefly define computer network.
4. Define Data Mart & Data mining.
5. Differentiate between e-business and e-commerce?
6. What do you mean by POS?
7. Define ERP.
8. What is OLAP?
9. What do you mean by Intranet and Extranet?
10. List the characteristics of MIS.

Section "B"

Descriptive Answer Questions

Attempt any six questions. [6×10]

11. Define information system. What are the fundamental resources of an information system? Explain.
12. Define network topology. Explain any three network topologies used in computer networks.
13. Differentiate between MIS and DSS? Describe the components of DSS.
14. Define CRM and its components. Explain the significance of CRM in business.
15. a) What do you mean by computer reservation system? Explain.
b) Discuss the concept of Global Distribution System.
16. What is computer memory? Briefly discuss the different types of memory used in computer.
17. a) Write about different types of decision structures.
b) Briefly describe TPS with its major characteristics.

Section "C"
Case Analysis

18. *Read the case situation given below and answer the questions that follow:*
[20]

First, we didn't need to visit the bank teller anymore. Then we were able to stick our checks right into the ATM without an envelope. Now we won't have to leave the house to make deposits.

Sacramento, California – based Schools Financial Credit Union is one of the latest banks to allow customers to scan checks at home and deposit them over the Internet. Golden One Credit Union, also from California, had introduced scanner-based check deposits in July 2009. "Banking's not the way it was five or 10 years ago," said Nathan Schmidt, a vice president at Schools Financial. "With any type of technology, it becomes more convenient to self-service."

Even with the widespread use of direct deposit and online banking, people still write and receive millions of paper checks each year. And for the most part, when we have to deposit a paper check, we still need to go to an ATM to do it.

Businesses have been making deposits over the Internet far longer, ever, since the passage in 2004 of the federal Check 21 Act, which made a digital image of a check legally acceptable for payment. Businesses quickly saw the benefits of the new law. Sending checks as digital images eliminated courier costs and paperwork.

The extension of the service to consumer has come much more slowly. Cary Whaley, a director at Washington, D.C. – based Independent Community Bankers of America, says financial institutions have been wary about potential fraud.

"For many banks, it remains a business application," Whaley says. "The next step is the consumer side, but a lot of community banks are a little wary. When you're getting into thousands of consumers, the challenge for banks and credit unions is not only monitoring risk, but monitoring for changes in transactions and transaction amounts."

But some bankers say consumers are increasingly demanding the same convenience given to their business counterparts, and it's simply a matter of time before remote deposits become much more widespread.

When Schools Financial Credit Union decided to take the plunge, it included safeguards to prevent abuse. Customers must use their existing secure online banking log-in, and they can't transmit items more than twice a day.

Users have a time limit to scan and deposit the check online, and checks

must meet specific requirements before they are deposited. Post-dated, damaged, or lightly printed checks, for instance, will not scan properly and cannot be deposited.

"So many people prefer to do self-service. They choose to go online-maybe they're parents with small kids, or they might not want to go to an ATM at 3 a.m.," says Golden One's chief executive officer, Teresa Halleck.

"People are already online," she says. "They're comfortable with electronic delivery and they're looking for more."

Questions:

- a) How has this new system supported business processes and operations?
- b) In what ways have customers achieved value from this implementation?
- c) How vulnerable might this system be to external threats?
- d) What kind of internet and mobile technologies do customers need to access this system?
- e) In the context of Nepal, do you think this kind of system will be a success?

POKHARA UNIVERSITY

Level: Bachelor

Programme: BBA-BI

Course: Management of Commercial Banks

Semester: Fall

Year: 2021

Full Marks: 100

Pass Marks: 45

Time: 3 hrs.

Candidates are required to answer in their own words as far as practicable. The figures in the margin indicate full marks.

Section "A"

Very Short Answer Questions

Attempt all the questions. [10×2]

1. What is a bank?
2. Why regulation is required for banks and financial institutions?
3. Define unit banking organization?
4. What is online banking? Introduce call center concept in banks.
5. What are the off balance sheet items?
6. What is internal performance of bank?
7. Define capital adequacy ratio.
8. What are the non-deposit sources of liabilities in banks?
9. Suppose a bank reports net income of \$12, pre-tax net income of \$15, total assets of \$600, and \$100 in equity capital. What is the bank's ROE and ROA?
10. What is the requirement of capital for class A and national level, class B, C, and D financial institutions?

Section "B"

Descriptive Answer Questions

Attempt any six questions. [6×10]

11. What are the services provided by the commercial banks? Explain them in brief.
12. Discuss the bank regulatory framework of Nepal.
13. Explain the structure of commercial banking industry with reference to Nepalese context.
14. What are the key factors that should be taken into consideration before opening a bank's branch? Also explain the clauses of unified directives regarding the branch opening.
15. What are the key risks faced by commercial banks? How capital play the role in managing these risks?
16. a) Define and differentiate among saving deposit, demand deposit and time deposit.
b) Suppose a bank has a ROA of 0.75 percent and the equity multiplier of 12 times. What is its ROE? Suppose this banks ROA rise to 0.85 percent, what size equity multiplier must it has to hold its ROE unchanged?

17. What do you mean by liquidity management in banking? What are reasons behind current liquidity problem in Nepal?

Section "C"

Case Analysis

18. Comprehensive question:

[20]

- a) Selected figures of two banks are given below.

	Bank of Pokhara (BOP)	Bank of Nepaljung (BON)
Total Assets	Rs. 28,800	Rs. 13,636
Equity	2,280	1,080
Net Income	624	172
Operating revenue	2,400	658

Compare the profitability of the banks by measuring net profit margin, ROA and ROE.

- b) Following information exacted from the balance sheet of Bank of Dhangadi :

Particulars	Amount in million
Debt	Rs. 850
Common stock	950
Share premium	450
Exchange fluctuating reserve	90
Interest spread reserve	140
Retained earning	400
Subordinated term loan	550
Capital reserve	120

Required:

- Tier 1 and Tier 2 Capital.
 - If risk weighted assets is Rs. 30,000 million, find out capital adequacy and core capital adequacy ratio.
- c) Information has been extracted from the financial statements of Common Wealth Bank.

Interest income	1,875	Interest expenses	1,210
Total Assets	15,765	Securities gain	21
Earning assets	12,612	Total liabilities	15,440
Taxes	16	No. of shares	0.145
Non-interest income	16	Non-interest expenses	685
Provision for loan losses	381		

On the basis of above information, determine the following:

- ROE
- ROA
- Net Interest margin
- EPS (Earning per Share)
- Net operating margin