

# POKHARA UNIVERSITY

Level: Bachelor

Semester: Fall

Year: 2021

Programme: BBA-BI

Course: Credit Risk Management

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. Differentiate between funded and non-funded credit facilities.
2. List out principles of lending.
3. Briefly highlight the significance of credit scoring.
4. NPR 1000,000 loan is made for 90 days at 10% per annum. Compute the effective yield using 360 days in a year.
5. Briefly mention characteristics of good collateral.
6. What is consumer lending?
7. Brief out basic documents used in Letter of Credit (LC).
8. Why credit audit is necessary?
9. What do you mean by non-performing asset (NPA)? What are the provisioning requirements for NPA?
10. Why banking and financial institutions are failure?

## Section "B"

### Descriptive Answer Questions

Attempt any six questions. [6×10]

11. What are the essential steps followed by the banks and financial institutions in bank lending procedures? Explain.
12. Define the concept of asymmetric Information in lending. How asymmetric information play role in lending decision making in competitive environment.
13. What are the principles of lending? Discuss the major regulatory provision related to credit disbursement in Nepal.
14. Define the commercial real estate and differentiate it from residential mortgage loan.
15. What is letter of credit? Being a risk analyst, what are the different types of risk you will observe while making risk assessment of letter of credit? Explain.
16. Banks have to secure their loan with a view to save the depositors' fund. Describe different securities taken by a bank along with methods used for creating charge over such securities?
17. What is credit risk? How can credit risk be mitigated? Explain in brief.
18. Consider the following Trishakti Company P.Ltd 's balance sheet and income statement for year end of FY 2077/78.

## Section "C"

### Case Analysis

## Balance Sheet

NPR "000"

Assets	Amount	Liabilities	Amount
Cash	72	Notes Payable	967
Account Receivable	1,846	Account Payable	1,282
Inventory	1,779	Accruals	427
<b>Total current Assets</b>	<b>3,697</b>	<b>Total Current Liabilities</b>	<b>2,676</b>
Fixed Assets	683	Long Term Debt	300
Investments	50	Equity	700
		Retained Earnings	754
<b>Total Assets</b>	<b>4,430</b>	<b>Total Liabilities and Equity</b>	<b>4,430</b>

## Income Statement

Amount in NPR "000"

Sales	12,430
Cost of goods sold	(8,255)
Gross Margin	4,175
Selling and Administrative Expenses	(3,418)
Depreciation	(73)
EBIT	
Interest Expenses	684
Earning before Tax	(157)
Taxes	527
Net Income	(188)
Dividends	339
Retained Earnings	(50)
	289

a) Considering above financials calculate the followings ratios:  
i. Current ratio, ii. Inventory turnover ratio, iii. Operating profit margin,  
iv. Return on assets, v. Debt to Asset ratio

b) What are the major procedures for business loan that you as a credit analyst must undergo while appraising any loan proposal? Also briefly discuss about post disbursement monitoring mechanism of loan.

# POKHARA UNIVERSITY

Level: Bachelor

Semester: Fall

Year: 2021

Programme: BBA-BI

Full Marks: 100

Course: Property and Liability Insurance

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. Briefly mention the meaning of general insurance.
2. What is the current provision of the coverage of third party motor insurance?
3. Mention the different types of aviation insurance.
4. Elaborate the coverage of bankers' indemnity insurance.
5. What are the products under the general insurance in Nepal?
6. Describe the risk to be covered by fire insurance.
7. What is knock for knock motor insurance?
8. Why reinsurance is essential?
9. Describe the micro insurance.
10. Differentiate between commercial and government health insurance.

## Section "B"

### Descriptive Answer Questions

Attempt any six questions. [6×10]

11. "Nonlife insurance is backbone of the industry and commerce." Support the statement.
12. "Crops and cattle insurance is a type of social insurance in Nepal". Elaborate this statement.
13. Explain the 'CAR' insurance and discuss the status of CAR insurance in Nepal.
14. Trace out the history of nonlife insurance in Nepal.
15. Discuss the different types of Aviation Insurance and predict its scope in Nepal.
16. Explain the role of agents and surveyors in general insurance with the reference of the Insurance Regulation of Nepal.
17. "Liability insurance provides protection against claims resulting from injuries and damage to people and/or property." Elaborate the statement.

Section "C"  
Case Analysis

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

WHO and World Banks' a report reveals that every day thousands of people are killed and injured on our roads. Men, women or children walking, biking or riding to school or work, playing in the streets or setting out on long trips, will never return home, leaving behind shattered families and communities. Millions of people each year will spend long weeks in hospital after severe crashes and many will never be able to live, work or play as they used to do. Current efforts to address road safety are minimal in comparison to this growing human suffering. Road traffic injuries are a growing public health issue, disproportionately affecting vulnerable groups of road users, including the poor. More than half the people killed in traffic crashes are young adults aged between 15 and 44 years – often the breadwinners in a family. Furthermore, road traffic injuries cost low income and middle-income countries between 1% and 2% of their gross national product – more than the total development aid received by these countries. Road traffic injury prevention must be incorporated into a broad range of activities, such as the development and management of road infrastructure, the provision of safer vehicles, law enforcement, mobility planning, the provision of health and hospital services, child welfare services, and urban and environmental planning. The health sector is an important partner in this process. Its roles are to strengthen the evidence base, provide appropriate pre-hospital and hospital care and rehabilitation, conduct advocacy, and contribute to the implementation and evaluation of interventions.

Furthermore, a research report that was carried out in the context of Nepal also reveals that everyday 5-6 people die and 30-33 people injure due to the road accident. During last five years, more than Rs. 1 billion of property loss faced by the country. There are various causes of road accident. Negligence of driver is major (67%) followed by the condition of the vehicle (17%) and environment (16%). The road accident and its consequence are gradually increasing year by year. But concerned authorities are not seemed serious in this issue. Nepal police initiated a **No drive having alcohol policy** and it is implemented satisfactorily.

Answer the following questions: [4×5]

- a) Do you think that the above reports is relevant to the insurance industry? Justify your answer.
- b) What are the major causes of the road accident and how it can be mitigated?
- c) Is there any impacts of the increasing road accidents to motor premium? Elaborate.
- d) Prepare a road accident mitigation plan and submit to government with the role of insurance companies and Insurance Board of Nepal.

# POKHARA UNIVERSITY

Level: Bachelor

Semester: Fall

Year: 2021

Programme: BBA-BI

Full Marks: 100

Course: Treasury Management

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. Define the term wire transfer.
2. What do you mean by treasury control?
3. List out the role of front office staff in treasury management.
4. Define SWIFT.
5. Why do commercial banks face liquidity management problems?
6. What are factors that determine the investment options?
7. What do you mean by Net Interest Margin?
8. How is the exchange rate determined through Purchasing Power Parity?
9. What is Cross Rate?
10. Convert Rs 100000 to USD. If exchange rate is Rs 120/\$.

## Section "B"

### Descriptive Answer Questions

Attempt **any six** questions. [6×10]

11. What do you mean by liquidity? Estimating liquidity needs is a complex task for bank managers? Do you agree?
12. What are the various modes of payments used in the domestic and international payment system? Development of payment system has helped the people to do the transactions in holidays as well. Do you agree?
13. What are the various functions discharged by the Treasury Department of a commercial bank?
14. US Treasury bills are available for purchase this week at the following prices (based upon \$100 par value) and with the indicated maturities.
  - a) \$ 98.25, 182 days
  - b) \$ 97.25, 270 days
  - c) \$ 99.25, 91 days

Calculate the bank discount rate on each bill if it is held to maturity. What is the equivalent yield to maturity on each of these treasury bills?

15. What is Foreign Exchange Risk? Explain the concept of Operating Exposure, Transaction Exposure and Translation Exposure.
16. Discuss the concept and characteristics of clearing and settlement process.
17. Differentiate between Money Market and Capital Market.

**Section "C"**  
**Case Analysis**

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

a) Vide the monetary policy of FY 73/74, Nepal Rastra Bank made it mandatory for the commercial banks to maintain CRR for 14 days starting from Sunday of first week to the Saturday of the subsequent week, against the previous arrangement of 7 days. Also, the central bank eased the commercial banks allowing to maintain at least 70% of daily CRR requirement subject to maintaining the required amount till the end of two weeks. It eased the banks since the banks might have to face with some liquidity problems on any single day and end up with deficit in the account at NRB. It has been seen that the banks borrow from Inter Bank market to maintain the CRR deficit amount towards the end of second week in order to fulfill the required CRR amount at NRB. The Inter Bank money market has the maturity of 7 days and there is a huge volume of transaction in the Inter Bank money market. The treasury department of the commercial banks discharges these tasks like maintaining CRR, managing the inflow and outflow of cash to and from the bank, managing the foreign currency accounts known as NOSTRO account, entering into derivative contracts like Forward and Non Deliverable Forward (NDF). The central bank has directed the commercial banks to restrict the value of NDF to 30% of the banks' Core Capital.

i. Why do you think the central bank allowed the commercial banks to maintain the CRR for 14 days, against the previous arrangement of 7 days? Why are the commercial banks required to maintain CRR with the central bank? Give your opinion. [5]

b) Based on the information below, construct a spreadsheet of CRR for 14 days. [10]

Deposit 2 weeks prior (Rs. in thousand)						
	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday
Deposit	50,000	45,000	25,000	38,000	26,000	39,000

- NRB Balance at the beginning of week was Rs. 1200 thousand, Fund in Transit was Rs. 125 thousand and Note Kosh was Rs. 20 thousand.
- On 2<sup>nd</sup> day of the week, there is a withdrawal of Rs. 35 thousand, On 12<sup>th</sup> day of the week there is withdrawal of Rs. 40 thousand from NRB account.
- On 13<sup>th</sup> day of the week Rs. 75 thousand is added in the NRB balance.

c) First National bank estimates that its current deposits and non-deposit liabilities break down as follows:

Hot money	Rs 25 million
Vulnerable funds	Rs 25 million
Core fund	Rs 100 million

First National's management wants to keep a 95% reserve behind its hot money deposits (less 3% legal reserve) and 30% liquidity reserve in back of its vulnerable funds (less legal reserve) and 10% liquidity reserve in back of its core fund (less legal reserve).

First National banks loans total Rs 135 million but recently have been as high as Rs 140 million, with a current trend growth rate of about 10% a year. The bank wishes to be ready at all times to honor customer demands for all those loans that meet its quality standards.

Calculate the banks total liquidity requirement. [5]