

POKHARA UNIVERSITY

Level: Bachelor

Semester: Spring

Year: 2021

Programme: BBA-BI

Full Marks: 100

Course: Credit Risk 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. Why credit information is important in lending process?
2. Differentiate between fixed term and working capital loan?
3. Define the term "Credit Committee".
4. What does an increase in the average collection period suggest?
5. Define the term "Credit Scoring"?
6. What do you mean by KYC & why its important?
7. How Ussance LC is different from Sight LC?
8. List out the methods of creating charge over securities.
9. Highlight the characteristics of residential mortgaged loan.
10. What are the indicators of credit risk?

Section "B"

Descriptive Answer Questions

Attempt **any six** questions. [6×10]

11. What are the principal of lending activities? Also discuss about structuring commercial loan agreements.
12. How asymmetric information play role in lending decision making in competitive environment.
13. What are the characteristics of mortgage loan? Elaborate the alternative mortgage instruments in lending process.

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Define the commercial real estate and differentiate it from residential mortgage loan.

14. Explain various types of consumer and business loans offered by Nepalese banks.
15. Explain the indicator of problematic loan and what measures / mechanism can be taken for monitoring problem loans.
16. What is credit scoring and how its used in commercial lending?

17. Following are the projected financial information relevant to business of loan applicant:

Sales	500M
Total Asset	600M
Total Equity Capital	200M
5% Long term Loan	200M
Short term loan	100M
Other interest free loan and Liabilities	100M
Income Tax	20M
Net Profit	60M

Suppose that the application is for short term loan of Rs.100M and interest rate is 10%. Bank is very strict in evaluating the loan application. It doesn't grant the loan if applicant does not meet any of following Financial Criteria

ROA	5%
ROE	20%
Debt service Ratio	4 times
Profit Margin	10%

Section "C"
Case Analysis

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

How are the lending practices of banks in Nepal today different from traditional moneylenders? i.e. taking pledge of assets and extending loans, irrespective of the borrower's capacity to pay. In fact, the money lenders wish the borrowers to default, so that they can take possession of pledged assets, at negligible cost. Banking is said to be a specialized business or process, run under certain norms. Do the banks in Nepal follow the same prudential norms that are followed universally? While it may be difficult to validate, there are strong suspicions that not all banks in Nepal adhere to prudential practices.

The basic philosophy of lending is primarily to assess the borrower's "ability or capacity to pay" and "willingness to pay" aspects. The entire credit process revolves around these two fundamental questions. There are numerous credit tools available to determine the 'capacity to pay' aspect viz assessing the historical financials of the borrowing company, business risk, industry risk, management risk, past track record of the borrower and the bank's judgment on their future prospects/projections, which establishes their ability to repay the debt.

However, there are limited tools to test the willingness to pay aspect. Many

cases of default may be caused by the inability to manage the underlying risks as originally envisaged, which is though a normal scenario since banks are in the risk business. As opposed to this, if a borrower utilizes the loan proceeds for purposes other than the approved one, with the intention of willful default it may trigger the 'willingness to pay'. Hence, the willingness to pay aspect characterizes the credibility of the borrower. Any prudent banker would not normally want to deal with people, having questionable integrity, at any cost.

The credit officer should be able to assess all the risks inherent to subject credit, weigh the borrower's strengths and weaknesses and find reasonable mitigants before arriving at a decision to lend. There should be a control mechanism to ensure that the borrower utilizes the funds for the intended purpose and a proper mechanism should be in place, to monitor the performance of the borrower. The loan should be self-liquidating in nature. For instance, if the loan is extended against any specific receivable or sales proceeds the same should repay the loan and not through the sale of property or other sources, where the repayment becomes uncertain.

- a) How are the lending practices of banks in Nepal today different from traditional moneylenders?
- b) What factors needs to be consider while analyzing the credit worthiness of borrower?
- c) As a lender what types of ratios a bank need to analyze before granting loan to business? Explain

POKHARA UNIVERSITY

Level: Bachelor

Programme: BBA/BI/TT/BCIS

Course: Fundamentals of Operations Management

Semester: Spring

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Section "A"

Very Short Answer Questions

Attempt all the questions. [10×2]

1. What do you understand by the transformation process? Explain.
2. Mention the inventory models for independent demand and define any one of them.
3. How do companies compete with 'Response' Strategy? Explain any two in brief.
4. Define Quality Function Deployment (QFD).
5. What is inventory buffer?
6. What are the costs of quality? Define.
7. What is vertical integration in supply chain management?
8. How Johnson's rule differ from assignment method?
9. Chip Gillkin's company wants to establish kanbans to feed a newly established work cell. The following data have been provided. How many kanbans are needed?

Daily demand	250 units
Production lead time	$\frac{1}{2}$ day
Safety stock	$\frac{1}{4}$ day
Kanban size	50 units

10. Mention all the criteria for vendor selection.

Section "B"

Descriptive Answer Questions

11. Attempt any six questions. [6×10]
11. Distinguish between the product design and service design. Describe about different stages of product development processes.
12. Define operations management. Explain the major changing operations environment you have observed, in the context of global pandemic situation due to COVID-19.

13. Five jobs have to be processed with two workstations cutting and drilling shown as follows:

Jobs	Cutting (hr.)	Drilling (hr.)
A	9	6
B	7	10
C	12	8
D	14	11
E	11	16

You are required to prepare the optimal plan schedule. Also calculate:

- a) Total completion time
- b) Total Job waiting time
- c) Total machine idle time

14. Shampoo manufacturing company wants that the contents of a bottle should measure 100 ± 1 mls net. A statistical quality control operations is established and the following data are obtained:

Sample No.	Quantity mls					
1	100.4	101.6	102.4	100.3	101.4	100.5
2	102.3	99.8	101.8	99.6	100.2	101.5
3	100.6	99.5	99.6	100.5	99.8	99.2
4	100.3	99.4	100.5	99.8	101.0	99.8
5	101.5	101.0	104.0	102.0	102.5	105.0

From the table, for $n=6$, $A_2 = 0.483$, $D_3 = 0$, $D_4 = 2.004$

- a) Construct neat and suitable control charts of mean and range for these given data.
- b) What points, if any, out of control?
- c) Comment on your result.

15. A 'Cosmetic Store' procures and sells cosmetic goods. Data for an item are given below:

Expected sales per year	= 4800 units
Ordering cost per year	= Rs. 50 per order
Holding cost cost.	= 20 % of the inventory
Working days per year	= 300 days
Lead time	= 3 days
Safety stock	= 15 units

The normal cost of the item is @ Rs. 200 and the item can be bought according to any of the three prices and the price schedule is:

Lot size (units)	Price Discount (in %)
≤ 100	No Discount
101 to 200	10
above 200	20

Daily demand can be considered a constant value.

- a) Determine the inventory policy that will yield a minimum total inventory cost.
- b) Calculate re-order point.
- c) Find out time between orders.

How supply chain performance is measured in an organization? Define outsourcing and explain its importances, risks and ethical issues for outsourcing.

Define the term ISO. Explain how implementation of JIT layout, JIT inventory, JIT scheduling and JIT quality leads to lean operations?

Section "C"

Case Analysis

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

Productivity Gains at Whirlpool

Workers and management at Whirlpool Appliances Benton Harbour plant in Michigan have set an example of How to achieve productivity gains, which has benefited not only the company and its stockholders but also Whirlpool customers and the workers themselves.

Things weren't always rosy at the plant. Productivity and quality weren't good. Neither were labour-management relations. Workers hid defective parts so management wouldn't find them, and when a machine broke down, workers would simply sit down until sooner or later someone came to fix it. All that changed in the late 1980s. Faced with the possibility that the plant would be shut down, management and labor worked together to find a way to keep the plant open. The way was to increase productivity – producing more without using more resources. Interestingly, the improvement in productivity didn't come by spending money on fancy machines. Rather, it was accompanied by placing more emphasis on quality. That was a shift from the old way, which emphasized volume, often at the expense of quality. To motivate workers, the company agreed to gain sharing, a plant that rewarded workers by increasing their pay for productivity increases.

The company overhauled the manufacturing process, and taught its workers how to improve quality. As quality improved, productivity went up because more of the output was good, and costs went down because of fewer defective parts that had to be scrapped or reworked. Costs of inventory also decreased because fewer spare parts were needed to replace defective output, both at the factory and for warranty repairs. And workers were able to see the connection between their efforts to improve quality and productivity, and pay.

Not only was Whirlpool able to use the productivity gains to increase

workers. ...ay, it was also to hold the lid on price increases and to funnel some of the savings into research, which added to cost savings and Quality improvements.

Questions:

- a) What were the key things that Whirlpool management did to achieve productivity gains?
[6]
- b) In reference to the case, who has benefited from the productivity gains? Explain.
[6]
- c) Regarding the case, how has productivity and quality been related? Explain
[7]

POKHARA UNIVERSITY

Level: Bachelor

Semester: Spring

Year: 2021

Programme: BBA-BI

Full Marks: 100

Course: Property and Liability Insurance

Pass Marks: 45

Time: 3 hrs.

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Section "A"

Very Short Answer Questions

Attempt all the questions. [10×2]

1. Define the term Peril and Hazard.
2. Explain in short about the goods in transit insurance.
3. What do you mean by Bankers indemnity insurance?
4. Write scope of Marine Insurance in Nepal.
5. What do you mean by Hit and Run in motor insurance?
6. Describe the term reinstatement of the policy.
7. Give your brief understanding about pecuniary loss insurance?
8. What are the steps of claim settlement in Non-Life Insurance?
9. How marine insurance aids international trade?
10. Define burglary Insurance.

Section "B"

Descriptive Answer Questions

Attempt any six questions. [6×10]

11. What are the major types of marine insurance in practice? What are the documents required for the marine insurance?
12. "Underwriting is a critical risk mitigation mechanism adopted in the insurance industry." Discuss in details.
13. "Aviation risk insurance is intended for airport owners and operators and also for business entities." Justify the statement with its types and importance.
14. Define the term legal liability and negligence. Provide the details of various types of liability insurance.
15. Briefly explain scope of agriculture and micro insurance in Nepal.
16. Why claim settlement process should be prompt in case of fire Insurance? How prompt claim settlement helps insurance company for the promotion of business?
17. Briefly explain the term "Policy Condition and Exception of Engineering Insurance."

Section "C"
Case Analysis

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

Mr. Jeevan Singh Gurung ('B' Class Contractor) is planning to upgrade as 'A' class contractor. Mr. Gurung comes to you as you are expert of insurance asking for advice for Contractor's all risk (CAR) and Machinery breakdown insurance policy. As Mr. Gurung is going to upgrading to 'A' class contractor, he will get awarded big and complex projects. As you being aware of all the relevant issues and practices of CAR insurance and Machinery breakdown insurance policy, now you need to assist him in dealing the CAR related insurance and Machinery breakdown insurance policy. He needs information regarding various issues like types, coverage and other related regarding CAR insurance.

Based on the above scenario answer the following:

- a) What do you mean by CAR insurance policy? Please elaborate the types of projects covered by this policy?
- b) Mr. Gurung wants to know the process of insurance as project related insurance are relatively complex ones, hence please elaborate the insurance process.
- c) Mr. Gurung also want to know regarding machinery breakdown insurance policy and its scope. Please elaborate.
- d) Mr. Gurung has heard about slow and lingering claim settlement process of Nepalese insurance companies. Convince Mr. Gurung regarding the claim settlement process.

POKHARA UNIVERSITY

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Course: Treasury Management

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Section "A"

Very Short Answer Questions

Attempt all the questions. [10×2]

1. What do you mean by treasury controls?
2. Define card based payment systems.
3. What do you mean by ALCO?
4. Why do banks hedge interest rates?
5. What is Basel rule?
6. Calculate GBP/NPR rate:

	Bid rate	Ask rate
USD/NPR	67.93	68.22
GBP/USD	1.37	1.49

7. Shortly explain FEDWIRE and Continuous Link Settlement (CLS) systems.
8. What are the components of Interest rates?
9. Define Gross and Net Settlement.
10. Define treasury bills.

Section "B"

Descriptive Answer Questions

Attempt **any six** questions. [6×10]

11. What are the various functions carried out by the treasury department of a commercial bank?
12. Briefly explain the Payment Systems widely used for local and international payments in Nepal.
13. NIC Asia Bank reports a net interest margin of 2.5 percent in its most recent financial report with total interest revenues of \$88 million and total interest costs of \$72 million.
 - a) What volume of earning assets must the bank hold?
 - b) Suppose the bank's interest revenue rises by 8 percent and its interest costs and earnings assets increase by 9 percent. What will happen to NIC Asia net interest margin?
 - c) Suppose the bank has earning assets of Rs. 227 Billion also have interest bearing liability of 211 Billion. Bank is earning a fixed rate of 12 % on

assets and rate on the liability float is 6%. Compute bank Net Interest Income.

14. Briefly explain the factors affecting choice of Investment Securities.
15. Based on the information below, construct a spread sheet of CRR. The total Local Currency Deposits of a Commercial Bank two weeks prior are as follows:

Date	Amount in NPR
Sunday	80,000
Monday	82,000
Tuesday	83,000
Wednesday	80,000
Thursday	76,000
Friday	74,000
Saturday	74,000

Balance at the beginning of the week is given as:

- NRB Kathmandu Rs. 2200
- NRB Branch Rs. 800
- Fund in Transit Rs. 150
- Note Kosh Rs. 50

Additional Details:

- On the 4th day of the CRR maintenance period, there is a withdrawal of NPR 400 from NRB Kathmandu
- On 6th day of the CRR maintenance period, there is a withdrawal of NPR 150 from NRB Kathmandu.
- On 9th day the CRR maintenance period, there is a deposit of NPR 350 in the NRB Kathmandu account.

16. Discuss the sources of foreign exchange risk with relevant examples.

17. Differentiate between CHIPS and ACH system.

Section "C"

Case Analysis

18. Consider the following Balance Sheets. [20]

Assets	Rs	Duration (Years)	Liability	Rs.	Duration (Years)
Cash	100	0.00	CD, 1 Year	600	1.00
Business Loans	400	1.25	CD, 5 Years	300	5.00
Mortgage Loans	500	7.00	Equity	100	
Total	1,000			1,000	

- a) Average Duration of Assets
- b) Average Duration of Liability
- c) Duration Gap

- d) Suppose interest rates on both assets and liabilities rise from 8 percent to 10 percent, what is the change in value of the bank's net worth?
- e) Suppose interest rate falls by two percentage points from 8 percent to 6 percent, what would happen to the value of the bank's net worth?