

# POKHARA UNIVERSITY

Level: Bachelor

Semester: Spring

Year: 2024

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. What do you mean by non-funded facilities?
2. Why BFIs needed to update KYC time to time?
3. What do you mean by asymmetric information? What are its roles?
4. What are the characteristics of Mortgage Loan?
5. What is the difference between commercial lending and consumer lending?
6. What are the different types of consumer loans?
7. What is credit rating?
8. Differentiate between LC and Bank guarantees.
9. Write down two roles of Audit Committee.
10. What are the key indicators of credit risk?

## Section "B"

### Descriptive Answer Questions

Attempt **any six** questions. [6×10]

11. What is credit facility? Explain the Funded and Non-funded credit facilities.
12. Discuss the fundamental principles that guide the lending activities of banks.
13. Why ratio analysis is used in analyzing the financial viability of the credit customer? Also write down its limitation.
14. What is a loan policy? Why is monitoring and loan review important in commercial lending?
15. Describe the key characteristics of a mortgage loan. What factors that lenders consider when approving residential mortgage loans?
16. What is letter of credit? Being a risk officer, what kind of risks do you observe during the time of LC Process?
17. What do you mean by credit evaluation memo in the credit administration process? Highlight the key information that should be included in credit evaluation memo.

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

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

XYZ Bank Limited, a leading bank in Nepal, has been aggressively expanding its commercial and industrial lending portfolio. The bank aims to support small and medium enterprises (SMEs) and large industrial projects, which are crucial for Nepal's economic growth. However, the bank faces several challenges, including asymmetric information, evaluation of loan requests, and effective risk management.

**Scenario:** XYZ Bank Limited received a loan application from Himalayan Textile Industries (HTI), a medium-sized enterprise seeking NPR 100 million to expand its manufacturing capacity. HTI plans to use the loan to purchase new machinery and increase its production to meet the rising demand in both domestic and international markets. HTI has provided financial statements, a business plan, and collateral details as part of the loan application.

**Key Information:**

**Asymmetric Information:** HTI's financial statements show a steady increase in revenue and profit over the last three years. However, the bank's credit officer is concerned about the accuracy of these statements and the potential risk of undisclosed liabilities or financial distress.

**Loan Policy:** XYZ Bank has a comprehensive loan policy that emphasizes the importance of thorough due diligence, risk assessment, and compliance with regulatory requirements. The policy also outlines the types of acceptable collateral and the procedures for loan approval.

**Major Lending Activities:** The bank's major lending activities include providing working capital loans, term loans for asset acquisition, and project financing for large industrial projects. The bank has a dedicated team for credit risk management and loan monitoring.

**Collateral:** HTI has offered its manufacturing plant and machinery as collateral. The collateral is valued at NPR 150 million, and the bank's policy requires a collateral coverage ratio of at least 1.5 times the loan amount.

**Lending Process:** The lending process at XYZ Bank involves several stages, including loan application, initial screening, credit analysis, loan structuring, approval, disbursement, and monitoring. Each stage requires

careful evaluation and adherence to the bank's policies.

**Evaluating a Loan Request:** The bank's credit officer must assess HTI's creditworthiness by analyzing its financial statements, business plan, market conditions, and management capabilities. The officer must also verify the collateral's value and legal standing.

**Structuring, Pricing, Monitoring, and Review:** The loan officer needs to determine the loan structure (term, repayment schedule, interest rate), pricing (interest rate based on risk profile), and ongoing monitoring and review procedures to ensure the loan's performance aligns with the bank's expectations.

**Questions:**

- a. Discuss the potential risks associated with asymmetric information in HTI's loan application. What steps can XYZ Bank take to mitigate these risks and ensure accurate assessment of HTI's financial health?
- b. Explain the importance of a well-defined loan policy in the context of XYZ Bank's lending activities. How should the bank's loan policy guide the lending process for HTI's loan application?
- c. What key factors should the credit officer consider to determine HTI's creditworthiness and the feasibility of the loan?
- d. Outline the appropriate loan structure, pricing strategy, and monitoring plan for HTI's loan. How can XYZ Bank ensure effective loan management and minimize credit risk throughout the loan's lifecycle?

# POKHARA UNIVERSITY

Level: Bachelor

Semester: Spring

Year: 2024

Programme: BBA/BBA-BI/BBA-TT/BCIS

Full Marks: 100

Course: Fundamentals of Operations 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. Differentiate between production and productivity.
2. Define the comparative advantage.
3. Explain the meaning of ERP.
4. Differentiate between design capacity and effective capacity.
5. Define OC curve.
6. Define the agile supply chain strategy in brief.
7. What is critical ratio?
8. What is lean production system?
9. A company that processes fruits and vegetables is able to produce 400 cases of canned peaches in one-half hour with four workers. What is labor productivity?
10. What do you mean by Kanban?

## Section “B”

### Descriptive Answer Questions

Attempt **any six** questions. [6×10]

11. Define Operation Management. Explain with example about the transformation process in operation management.
12. Distinguish between the product design and service design. Describe about different stages of product development processes.
13. Explain the major assumption and requirement of JIT. Is JIT system possible to implement country like Nepal? Explain.
14. Herald College of Management keeps their inventory in special rooms. Each item occupies 20 square feet of room space. Only 5000 sq. ft. of 10000 items per year at price Rs. 10 per items. The ordering cost is a Rs. 40 per order and annual carrying cost is 20% considered, would you recommend to increase the storage?
15. 10 samples of 15 parts each were taken from an ongoing process to establish a chart for control. The samples and the no. of defective in each are shown in the following table.

Samples	1	2	3	4	5	6	7	8	9	10
Defectives	3	1	0	0	0	2	0	3	4	0

Draw a suitable quality control chart for 95% confidence interval. Comment on the information provided by the chart.

16. Six jobs are to be processed through a two-step operation. The first operation involves sanding, and the second involves painting. Processing times are as follows:

Jobs	Sanding	Painting
A	10	5
B	7	4
C	5	7
D	3	8
E	2	6
F	4	3

**Determine:**

- Sequences of Job [2]
- Total idle time [1]
- Flow time of each Job [2]
- Total Completion Time [5]

17. Define the Bullwhip effect on supply chain management. Outline the major reasons of Bullwhip effect in supply chain.

Section "C"

**Case Analysis**

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

**Background**

Ghorahi Cement Industry, established in 2009, is a leading cement manufacturing company in Nepal. Known for its high-quality products, the company utilizes state-of-the-art technology and adheres to international standards. In 2023, Ghorahi Cement Industry launched a new product, "Ghorahi Ultra-Strength Cement," which was designed to meet the growing demand for high-durability cement in large-scale infrastructure projects.

**The Issue: Product Design Failure**

Shortly after the launch, Ghorahi Ultra-Strength Cement encountered significant issues. Numerous construction companies reported premature cracking and setting failures. An investigation revealed several critical flaws in the product design. The composition of the cement was inconsistent, leading to variability in strength and setting times. Additionally, the new product had not been adequately tested under different environmental conditions, resulting in unanticipated performance problems. Furthermore, the proportions of additives intended to enhance the cement's properties were incorrect, compromising its durability.

## **Impact**

The product design failure had severe repercussions for Ghorahi Cement Industry. The company's reputation for producing reliable cement was significantly damaged, leading to a decline in customer trust and sales. Financially, the recall and replacement of the defective product, along with compensation to affected clients, resulted in substantial losses. Moreover, competitors capitalized on the situation, capturing a significant portion of Ghorahi Cement's market share.

## **Root Cause Analysis**

A thorough root cause analysis identified several operational management flaws. Insufficient investment in research and development led to inadequate testing and quality assurance of the new product. There was also ineffective communication between the product development team and the production department, resulting in discrepancies in the manufacturing process. Additionally, employees were not adequately trained to handle the new product's manufacturing process, leading to errors and inconsistencies.

### **Questions:**

- a. Identify and explain the primary operational management issues that led to the failure of Ghorahi Ultra-Strength Cement. [5]
- b. Discuss the impact of the product design failure on Ghorahi Cement Industry. What were the main repercussions, and how did they affect the company's overall performance? [5]
- c. What corrective actions would you recommend for Ghorahi Cement Industry to address the product design failure? Justify your recommendations. [5]
- d. How can a flowchart be created based on the above case? [5]

# POKHARA UNIVERSITY

Level: Bachelor

Semester: Spring

Year: 2024

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. Define non-life Insurance.
2. What do you mean by Principle of Indemnity?
3. What do you mean by no-claim discount?
4. Write three benefits of fire insurance.
5. Write the risk cover by cattle and crops insurance.
6. Briefly explain about Third Party Administrator (TPA).
7. Describe shortly goods in transit insurance.
8. What are the types of Reinsurance?
9. Discuss about the Hit & Run insurance.
10. List out the different type of Liability Insurance.

## Section "B"

### Descriptive Answer Questions

Attempt **any six** questions. [6×10]

11. Explain why insurance principles are called foundation of insurance business.
12. “Engineering Insurance is backbone of Infrastructure development” Justify this statement.
13. Discuss the importance of general insurance in the economic development of the economy with reference to developed countries.
14. What is the impact of motor liability insurance in Nepal? If the policy would not have been mandatory, what would be the consequences? Explain.
15. Discuss the “importance of Marine insurance and Aviation insurance for the development of international trades and industry”.
16. Discuss the claim settlement process in non-life insurance with reference to Insurance Act and Regulation of Nepal.
17. Explain the components of fire insurance contract.

**Section “C”**  
**Case Analysis**

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

Dhaulagiri Food Corporation (DFC) is government owned corporation established thirty years before. Its objective is to collect the cereal products and distribute it in the remote districts through various means of transportation around the year. It aims to purchased 1, 00,000 Metric Tons cereal (Rice, maize, wheat) per year, process and sold to the public. It has more than 100 vehicles including truck, bus, tracker, crane, car and motorcycles, more than 100 buildings and warehouses in major cities of the country. More than 1000 employees are working all districts of the mountain and remote hills including major cities and Kathmandu. It has five rice and wheat processing mills.

During December to June, DFC keeps cereals of almost Rs.1 billion of cereal stock in warehouse. During the period of July to September, DFC sells the goods by more than 100 outlets inside the country. In the meantime, it exports the best cereal product to ASEAN countries. It was the single trading concern in the country exporting the rice and wheat. It has earned attractive profit and paid tax to government.

During the last ten years period, DFC lost its profit due to various reasons. A committee was formed to identify the reasons behind the loss. The committee prepared the reports based on investigation. Major points of the reports are:

- a. DFC has paid almost Rs. 50 lakhs to different people in different places as compensation due to the road accident made by the goods carriers of DFC. The amount was not claimed to Insurance companies as these vehicles are not under the insurance policy.
- b. During the last five years, five workers were killed in grain processing mills. DFC paid almost Rs. 5 lakh each as compensation but it is also not claimed to insurer.
- c. During last seven years 20 percent of the grain was lost. Almost 10 percent was stolen from warehouse, 3 percent wastage at the time of load on and load off, 5 percent due to the wet warehouse and 2 percent date expired while keeping in warehouse not following FIFO methods.
- d. During the last 20 years, it exported almost Rs.20 billion grain to

ASEAN countries but only Rs. 19 billion cash was realized. It is found that remaining amount was not found due to the loss of the goods in the ship. DFC requested many times to insurer for the compensation but lack of proper proof DFC failed to get such amount. The employee assigned for the claim settlement also resigned from DFC. Another person was not assigned for longer period. Few years back, again letter was sent but it was too late to initiate for the claim settlement.

- e. The team of investigation found many things wrong doing and malpractice in the corporation including the lack of proper risk management so that large amount of property was lost during the construction of the building, warehouse carriage of goods, processing of goods and exporting of the goods abroad.

**Questions:**

- i. According to the report, list out five major problems of the DFC. [5]
- ii. The practices of loss of goods in warehouse very long. How it can be solved? [5]
- iii. How can DFC manage the loss of the goods exporting abroad in coming days? [5]
- iv. If you were the Chief Executive officer of DFC, prepare the five major plans so that it will earn profit by next years. [5]

# POKHARA UNIVERSITY

Level: Bachelor

Semester: Spring

Year: 2024

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. What do you mean by front office in treasury management?
2. What do you mean by automated clearing house?
3. List down the forces of interest rate.
4. Define portfolio risk in bank.
5. What do you mean by CRR and SLR of central bank?
6. If USD/INR is 67.20/22 and GBP/USD is 1.22/11. What will be the GBP/INR rate?
7. What do you mean by SWIFT?
8. What is the primary responsibility of an Asset-Liability Management Committee (ALCO)?
9. What is treasury management systems?
10. Define purchasing power parity approach.

## Section "B"

### Descriptive Answer Questions

Attempt **any six** questions. [6×10]

11. Explain the position of Treasury Department in context of Bank. Briefly discuss the role of treasury manager.
12. What are the payments systems available? Explain briefly any two payment system widely used in Nepal.
13. Define asset liability management. Why is it very important to manage the assets and liability in a bank? What kind of consequences can occur by a prolonged asset liability mismatch in a bank?
14. Briefly explain the major investment strategies for FIs. Also highlight factors affecting choice of investment securities.
15. Based on the information construct a spreadsheet on cash reserve ratio.

Local Currency Deposits (Preceding two weeks) in NPR

Sunday	500,000
Monday	450,000
Tuesday	250,000

Wednesday	380,000
Thursday	260,000
Friday	390,000
Saturday	370,000

Balance at beginning of the week (Fig in NPR)

- i. NRB Kathmandu 10500
- ii. NRB branch balance 1500
- iii. Fund in Transit 1250
- iv. Note Kosh 200
- v. On 2<sup>nd</sup> day of the week there is withdrawal of NPR 350, on 4<sup>th</sup> day of the week there is a withdrawal of NPR 400 from NRB Kathmandu.
- vi. On 3<sup>rd</sup> day of the week NPR 750 is added on NRB branch balance.

16. Describe CHIPS and FEDWIRE system with suitable examples.

17. What is Foreign Exchange Risk Management? What are the various type of Foreign Exchange Exposure?

**Section “C”**  
**Case Analysis**

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

a. Considered the following balanced of a bank. (Rs in Million)

Assets	Rs.	Duration (Year)	Liabilities and Equity	Rs.	Duration (Year)
Cash	100	0.00	CD 1 Year	600	1.00
Business Loan	400	1.25	CD 5 Year	300	5.00
Consumer Loan	500	7.00	Equity	100	
<b>Total</b>	<b>1000</b>		<b>Total</b>	<b>1000</b>	

- i. Average Duration of Assets [2]
- ii. Average Duration of Liability [2]
- iii. Duration Gap [2]
- iv. 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? [4]
- v. 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? [4]

b. US Treasury bills are available for purchase this week at the following prices (based upon \$100 par value) and with the indicated maturities.

- i. \$97.05, 182 days [2]
- ii. \$95.85, 270 days [2]
- iii. \$98.95, 91 days [2]

Calculate the bank discount rate on each bill if it is held to maturity.