

POKHARA UNIVERSITY

Level: Bachelor

Semester: Spring

Year: 2025

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. Define credit management.
2. What is mean by credit manuals?
3. What is credit scoring?
4. What are profitability ratios and how are they calculated?
5. What is the significance of analyzing the external business environment?
6. What do you mean by asymmetric information?
7. What are the characteristics of mortgage loans?
8. What role do bank guarantees play in securing financial obligations?
9. How credit risk differs from other types of financial risks?
10. What are the indicators of problem loans?

Section "B"

Descriptive Answer Questions

Attempt **any six** questions. [6×10]

11. Elaborate on the step-by-step lending process followed by banks in Nepal.
12. What are principles of lending? Discuss how each principle is related to management of credit risk?
13. What is credit rating? Discuss its importance for the borrower, banks and the economy as a whole.
14. What are the characteristics of good collateral? Explain various mortgage instruments. [3+7]
15. What is a Bank Guarantee? Describe its types and explain how each type serves different business needs.
16. Discuss the key indicators of problem loans and identify the early warning signs that lenders should monitor. In your response, refer to the recent trend in non-performing loans (NPLs) among commercial banks in Nepal and analyse the causes contributing to the rise in NPLs. [4+6]
17. What is portfolio risk? How can banks manage concentration risk within their credit portfolio?

Section “C”

Case Analysis

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

Credit flow from banks has slowed down in The month of June. Credit expansion has also slowed down due to low demand for credit. In previous years, the credit expansion had picked up pace in the last month of the fiscal year. Banks also increased their lending as the development expenditure would increase, the last phase of the government budget would be spent, and various projects and business activities would intensify. However, such a trend was not seen in June of the current fiscal year.

With the appointment of Dr. Biswo Nath Poudel as the new Governor of Nepal Rastra Bank (NRB), expectations are surging. Dr. Poudel brings to the table not just policy intellect but also political savvy and a liberal economic character. These qualities if translated into decisive action that revives bank confidence could turn today's stagnation into tomorrow's momentum.

At first glance, Nepal's macroeconomic indicators have shown some promise. Foreign reserves stood at Rs. 2,409.25 billion as of mid-March 2025, capable of covering over 17 months of imports. The country recorded a Balance of Payments surplus of Rs. 284.41 billion, and remittances surged.

Non-performing assets (NPAs) have risen across many institutions. The required provisioning has tightened capital adequacy ratios, constraining lending. Liquidity may appear comfortable on paper, yet banks remain reluctant to lend due to skepticism among lenders which is worryingly low and heightened risk aversion. Unless banks feel confident, credit will not flow. And unless credit flows, the economy cannot gain traction. The Governor must focus on unlocking confidence within banks first, only then will the broader economy begin to believe.

Another essential step is recalibrating the regulatory environment. In recent years, overregulation has created a climate of fear and caution in the banking sector. Micro-level rules, compliance burdens, and delayed approvals have made financial institutions risk-averse. NRB doesn't need to loosen its guard. But it must move toward smart supervision as already advocated by the chief himself prioritizing transparency, risk-based audits, and responsive regulation over bureaucratic policing. The Governor himself has acknowledged this need in recent comments. Now is the time to act.

Questions:

- a. As mentioned in first paragraph what reasons do you think led to the slow expansion of credit? What relationship do you think exist between credit growth and the growth of the economy?

- b. As mentioned in fourth paragraph NPA has been rising. What factors do you think led to the rise of the NPA in banking sector in Nepal?
- c. As mentioned in case " over regulation has created a climate of fear and caution in banking sector". How do you think over regulation can limit the credit granting process?
- d. What recommendations can you give to the policy makers considering the slow growth of credit expansion happening recently in order to uplift the economy as a whole.

POKHARA UNIVERSITY

Level: Bachelor

Semester: Spring

Year: 2025

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. State any four functions of operation manager.
2. Define competition advantages in operation system.
3. Define concept of design capacity.
4. Define the critical ration.
5. What is KANBAN?
6. Define Fishbone Diagram.
7. Differentiate between backward integration and forward integration.
8. What is type one errors in product control.
9. Construct a service blueprint for hospital admission process.
10. A company that processes fruits and vegetables is able to produce 1000 cases of canned peaches in 3.5 hours with 5 workers. The electricity cost is Rs 10 per kilowatt-hour. The company uses two 500 watt. machines for 3 hours. What is the productivity?

Section "B"

Descriptive Answer Questions

Attempt **any six** questions. [6×10]

11. Define the operation management. How is a operational activities are changing over the time. Explain.
12. What is house of quality? Construct the house of quality of any organization on your choice.
13. The following data represent the size of product from when the process was in control.

Sample	Observations			
	1	2	3	4
1	10	12	10	12
2	10	12	13	13
3	10	10	9	11
4	11	10	9	14
5	12	12	12	12

[For n=4, A2=0.729, D3=0, D4=2.282]

- a. Calculate the control limit for Mean Chart and Range chart.
 - b. Is the process still in control? Explain.
14. A manufacturer of baby strollers purchases the seat portion of the stroller from a supplier who lists these prices: less than 1,000 seats, \$5 each; 1,000 to 3,999, \$4.95 each; 4,000 to 5,999, \$4.90 each; and 6,000 or more, \$4.85 each. The annual usage is 4,900 seats, ordering cost are \$50 per order and a holding cost of 20% of the unit price per year. Determine the optimal order quantity.
15. Five jobs are waiting to be assigned at cozy architects. Their work times and due date are given in the following table.

Jobs	A	B	C	D	E
Processing time	6	2	8	3	9
Due date	8	6	18	15	23

Set the processing sequence according to EDD and SPT. Also, interpret your results.

16. Outline the major types of waste in operation. Also, suggest the methods to overcome it.
17. Define the term outsourcing. Do you see any risks in outsourcing? If yes, outline the major risks of outsourcing faced by the operational manager under the operational system.

Section “C”

Case Analysis

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

US-based coffee company and coffeehouse chain Starbucks Corporation (Starbucks) was popular for giving its customers a highly enjoyable experience through its hand crafted cold and hot beverages. The coffee company, spread out globally, sourced its supplies from different corners of the world and offered customers what was known as the unique ‘Starbucks Experience’. Every customer who visited Starbucks in any of its stores in 76 countries enjoyed a similar experience of great coffee and service, thanks to its highly agile supply chain. In 2008, after a wave of rapid expansion, Starbucks witnessed a downturn in its fortunes. On examining the reasons, Starbucks found out that its existing supply chain was unable to cope with the massive development and needed an overhaul. Starbucks then went about eliminating the complex procurement, transportation, warehousing, and distribution systems and substituting it with highly responsive systems, which made Starbucks a company with the most admired and efficient supply chain in the world. Starbucks, the global coffeehouse chain, has long been recognized not only for its premium coffee but also for its efficient supply chain management. However, as the company expanded globally, it faced significant challenges in maintaining the quality, consistency, and sustainability of its supply chain. By the early 2000s, Starbucks realized that

its existing supply chain model was not scalable enough to support its rapid growth.

Starbucks' aggressive expansion strategy led to a complex and fragmented supply chain. The company struggled to maintain consistency in product quality and delivery timelines across different regions. As a company committed to ethical sourcing, Starbucks faced pressure to ensure that its coffee beans were sourced sustainably. However, the existing supply chain lacked transparency, making it difficult to track the origin of raw materials. The supply chain was plagued by inefficiencies, including high transportation costs, inventory mismanagement, and a lack of integration between suppliers, distributors, and retail outlets. With increasing competition, customers demanded faster service, personalized experiences, and consistent quality. The existing supply chain was not equipped to meet these expectations.

Starbucks shifted from a decentralized supply chain model to a centralized one. This involved consolidating procurement, manufacturing, and distribution under a single global logistics system. The company established regional distribution centers to streamline operations and reduce costs. Starbucks invested heavily in technology to enhance supply chain visibility and efficiency. It implemented advanced analytics, IoT (Internet of Things) devices, and block chain technology to track the journey of coffee beans from farms to stores. This ensured transparency and sustainability in sourcing. Starbucks strengthened its relationships with coffee farmers and suppliers. It introduced programs like Coffee and Farmer Equity (C.A.F.E.) Practices, which provided training and resources to farmers, ensuring high-quality and ethically sourced coffee beans. The company committed to reducing its environmental footprint by optimizing transportation routes, using eco-friendly packaging, and sourcing 100% of its coffee through ethical practices. It also set ambitious goals to reduce waste and carbon emissions. Starbucks leveraged data analytics to understand customer preferences and predict demand. This enabled the company to optimize inventory levels, reduce waste, and offer personalized products and services.

The centralized supply chain model and technology integration significantly reduced operational costs and improved delivery timelines. Starbucks was able to maintain consistent product quality across its global network. The company achieved its goal of sourcing 99% of its coffee ethically by 2020. The use of block chain technology ensured transparency, building trust among customers and stakeholders. By leveraging data analytics, Starbucks was able to anticipate customer needs and offer personalized experiences. This resulted in higher customer loyalty and increased sales. The supply chain transformation gave Starbucks a competitive edge in the market. The

company was able to scale its operations efficiently while maintaining its commitment to quality and sustainability.

Starbucks' supply chain transformation is a testament to the importance of adaptability and innovation in today's dynamic business environment. By addressing its challenges head-on and implementing strategic changes, Starbucks not only improved its operational efficiency but also reinforced its brand values of quality, sustainability, and customer-centricity. This case study serves as a valuable example for other organizations looking to transform their supply chains in the face of growth and changing market demands.

Questions:

- a. How Starbucks is one of the best coffee house chain in the world?
- b. Mention factors affecting mission and develop Starbucks mission statement.
- c. What were the primary challenges Starbucks faced in its supply chain before the transformation, and how did these challenges impact its global operations?
- d. What lessons can other companies learn from Starbucks' approach to balancing rapid growth with ethical sourcing and customer satisfaction?

POKHARA UNIVERSITY

Level: Bachelor

Semester: Spring

Year: 2025

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 General Insurance.
2. Define "No Claim Discount" in Motor Insurance Policy.
3. What is Hit and Run in motor vehicle insurance?
4. List out the risk cover by contractor all risk (C.A.R) insurance policy.
5. What do you mean by reinsurance? Write its types.
6. Write the significance of exclusion in insurance.
7. What do you mean by Green Card system?
8. Define liability insurance.
9. What is the Micro insurance?
10. Write five advantages of cattle and crop insurance.

Section "B"

Descriptive Answer Questions

Attempt **any six** questions. [6×10]

11. Explain the development of non-life insurance market in Nepal with major events.
12. Elaborate the meaning of principle of indemnity insurance interest and principles of subrogation in detail.
13. List out various kinds of fire (property) insurance policies and explain any three policies.
14. "Underwriting of general insurance is a challenging job. Company's financial and non-financial performance and goodwill depends on the underwriting practice of the insurer". Explain this statement.
15. Discuss the roles and responsibilities of insurance surveyors and third-party administrators (TPSSs) in insurance industry.
16. Why agriculture insurance is essential in Nepal? What are the challenges and solution of agriculture insurance in Nepal?
17. What do you mean by law of Negligence? Describe the elements of Negligence.

Section “C”
Case Analysis

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

Kavya Group (KG) was established two decades ago and has grown into a major player in Nepal’s construction and transportation sectors. The company owns over 2,000 vehicles, including trucks, buses, tractors, cranes, and road machinery. KG is currently handling more than 50 ongoing construction projects worth NPR 20 billion and employs over 8,000 staff across its operations. The company operates seven strategically located transportation warehouses nationwide and aims to transport 500 metric tons of cereal products annually. Historically, KG has been profitable and has consistently met its tax obligations with the government.

In the last five years, KG has faced a sharp decline in profitability. To address this, a strategic team was formed to investigate the root causes, and several serious issues were uncovered that significantly affected the company’s financial health. Majors are listed below:

1. KG incurred around NPR 20 million in compensation payments for road accidents involving its carrier vehicles. These costs were not reimbursed by insurance companies because many of the vehicles and related projects lacked proper insurance coverage. KG faced an additional expense of NPR 50 million in compensation for construction-site incidents, including third-party liabilities, boiler explosions, and machinery failures. These costs were not recoverable from insurance companies due to inadequate or missing insurance coverage on the affected projects.
2. In the past five years, KG has suffered major losses in its grain transportation operations. Of 50 vehicles involved in accidents, 40 had expired insurance. Additionally, 30 vehicles caused accidents leading to NPR 20 million in third-party liabilities, which the company had to pay directly due to lapsed motor insurance coverage.
3. The investigation revealed malpractice, poor record-keeping, and operational misconduct within KG. Weak risk management contributed to significant property damage, accidents, and higher third-party liabilities in construction projects.

Questions:

- a. What are the major reasons for the losses faced by Kavya Group (KG)? [3]
- b. How can KG manage the losses arising from its construction business? [5]
- c. How can KG manage the losses arising from its transportation business? [5]
- d. If you are the Chief Executive Officer of KG, prepare five major plans to ensure the company makes a profit by next year. [7]

POKHARA UNIVERSITY

Level: Bachelor

Semester: Spring

Year: 2025

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 department?
2. What do you mean by check based payment and cash based payment?
3. What is interest rate risk?
4. Define treasury Bills.
5. What is CRR?
6. Calculate cross rate:

	Bid	Ask
GBP/USD	1.3075	1.3077
EUR/USD	1.1455	1.1456
EUR/GBP	?	?

7. What do you mean by net interest margin?
8. What do you mean by Assets Liability Management Committee (ALCO)?
9. Define security specific risk.
10. Define gross settlement?

Section “B”

Descriptive Answer Questions

Attempt **any six** questions. [6×10]

11. Explain about the treasury and the role of treasury department of a bank.
12. Briefly explain the payment systems widely used for domestic and international payment in Nepal.
13. Nepal Bank holds assets and liabilities whose average duration and amounts are as shown in the table:

Assets and Liability Items	Average Duration (Years)	Amount in NPR (Millions)
Assets		
Government Bonds	8.0 Years	100
Commercial Loans	5.1 Years	300
Retail/SME Loans	3.2 Years	120
Liabilities		
Deposits	1.5 Years	450
Non-Deposit Borrowings	0.1 Years	20

- a. What is the weighted-average duration gap of Nepal Bank's assets portfolio and liability portfolio? [4]
 - b. What is its' leverage-adjusted duration gap? [2]
 - c. Calculate the Change in value of net worth if interest rate on both assets and liabilities rises from 10% to 12%, other things remaining same. [4]
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)

- NRB Kathmandu 10500
 - NRB branch balance 1500
 - Fund-in-transit 1250
 - Note Kosh 200
 - On 2nd day of the week there is withdrawal of NPR 350, on 4th day of the week there is a withdrawal of NPR 400 from NRB Kathmandu.
- On 3rd day of the week NPR 750 is added on NRB branch balance.
16. Explain about the major sources of foreign exchange risk exposure. Also discuss some techniques to control such risk.
 17. Explain about the ACH and CHIPS with examples.

Section "C"

Case Analysis

18. a. First National bank estimates that its current deposits and non-deposit liabilities break down as follows;

Hot Money	Rs 25 million	Hot Money
Vulnerable funds	Rs 25 million	Vulnerable funds
Core funds	Rs 100 million	Core funds

First national's managements 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 requirements. [7]

- b. A Government bond is currently selling for \$ 900 and pays \$ 75 per year in interest for nine years when it matures. If the redemption value of this bond is \$ 1000, What is its yield to maturity if purchased today for \$ 900? [8]
- c. An investor wishes to buy EUR spot at 0.9185 and sell EUR forward for 180 days at USD 0.9210. [5]
 - i. What is the swap rate on EUR?
 - ii. What is the forward premium or discount on 180 days EUR?