

2 0 1 0

BANK FINANCIAL MANAGEMENT

FIRST PAPER

Full Marks : 100

Time : 3 hours

*The figures in the margin indicate full marks
for the questions*

1. Write True or False : 1×5=5
- (a) Under double entry system of book-keeping, both aspects of each and every transaction are recorded.
 - (b) A bank requires to set aside 5% of its net income to its reserve fund as statutory reserve.
 - (c) The Capital Adequacy Ratio is the ratio of the bank's capital to its risk weighted assets.
 - (d) Government departments cannot open savings bank account in a bank.
 - (e) Standard assets are free from default risk.

2. Give direct answer to the following (any ten) :

5×10=50

- (a) State the difference between current account and savings bank account.
- (b) Write the capital adequacy formula. Discuss the features of Cash Reserve Ratio (CRR). Why RBI keeps on changing the CRR level?
- (c) Discuss the important features of recurring deposit scheme and cash certificate.
- (d) Given the interest rate of 10 percent per annum on a certificate having a value of Rs 2,000 after one year, calculate the issue price on the cash certificate.
- (e) Explain the difference between floating and fixed rates.
- (f) What is credit risk? What are the major sources of credit risk?
- (g) Define Net Present Value method. State its acceptance criteria. What is the need for calculating Modified Net Present Value?
- (h) What are derivatives? Discuss the important features of futures.
- (i) Discuss the books of accounts maintained by a bank.

- (j) Define capital structure of a bank. Explain the important features of bank's capital structure.
- (k) Discuss briefly the cash management process at ATMs.
- (l) Write the composition of Tier-I capital and Tier-II capital.
- (m) UCO Bank has computed its liabilities to others' at Rs 2,500 crore. What will be its NDTL if its inter-bank liabilities are at Rs 1,000 crore, but its inter-bank assets stand at (i) Rs 1,000 crore, (ii) Rs 700 crore and (iii) Rs 1,300 crore?
- (n) What is the present value of Rs 2,000 receivable 6 years hence if the interest rate is 10%? Why present value is found out by discounting?
[PVIF (6, 10%)=0.565, PVIF (10, 6%)=0.558]

3. Answer any two questions from the following : $7\frac{1}{2} \times 2 = 15$

- (a) Discuss the concept of interest rate risk. Explain any two sources of interest rate risk.
- (b) Describe the different factors used by banks for cash forecasting.

- (c) Discuss the features of equity capital in a bank. State the difference between par value and market value of equity share.

4. Answer any *three* questions from the following : 10×3=30

- (a) At March 31st, 2009, PNB has the following position :

(Rs in crore)

Liabilities	Amount	Interest (%)	Assets	Amount	Interest (%)
Capital	900	0	Cash and bank balance	500	0
Deposits	8,400	6	Advances	7,000	10
Borrowing	300	7	Investments	2,000	6
Other Liabilities	400	0	Fixed assets	500	0
Total	10,000		Total	10,000	

- (i) Calculate net interest income earned from risk sensitive assets and liabilities.
- (ii) Discuss the concept of GAP. Mention the impact of positive and negative GAP.
- (b) Explain the judgemental analysis of demand forecasting of cash by banks.
- (c) Describe the different types of lending done by banks. Explain the important features of each type of special loans.

- (d) Write the format of Balance Sheet and profit and loss account of an Indian Bank. Describe the components of liabilities side of the Balance Sheet.
- (e) (i) Discuss the concept of Time Value of Money.
- (ii) Mr Varma wants to buy a house after 6 years when it is expected to cost Rs 300,00,000. How much should he save annually if his savings earn a compound interest of 10% per annum?
