TRIBHUVAN UNIVERSITY
2081

B.B.S. 4 Yrs. Prog. / IV Year / MGMT

Management of Financial Institutions   Full Marks: 100

FIN 255   (New Course)   Time: 3 hrs.

*Candidates are required to give their answers in their own words
as far as practicable.
The figures in the margin indicate full marks.*

Group "A"

Brief Answer Questions   [10×2=20]
Attempt ALL questions.

1. Write about the non-depository financial institution.
2. What do you mean by required reserve and excess reserve?
3. Suppose that real risk-free rate is 3 percent, average inflation premium for five year is 7 percent. If maturity risk premium on 3-year security is 2 percent, what is the yield on 3-year securities?
4. A commercial bank has loans and advance of Rs 1,100 million, government security of Rs 200 million and cash-in-transit of Rs 50 million. What will be its risk weighted assets if the weights assigned to these assets are 100 percent, 0 percent and 20 percent, respectively?
5. What do you mean by social intermediation service of microfinance?
6. Write about any one principle of cooperatives.
7. What is property - casualty insurance?
8. The net asset value (NAV)per share of Equity Fund at the beginning of the year was Rs 300. At the end of the year, its NAV was Rs 350. At year-end, the fund paid out Rs 10 in income and capital gains. What was the return on investment in the Equity Fund during the year?
9. Write the difference between private and public pension funds.
10. How does stock broker differ from stock dealer?

Group "B"

Descriptive Answer Questions   [5×10=50]
Attempt any FIVE questions.

11. Explain the concept of securities firms and investment banks with their examples in the context of Nepal. What functions do investment banks perform in securities issuing process?   [4+6]

12. Assume the real risk-free rate of interest is 3 percent. The rate of inflation expected in year 1 is 4 percent, year 2 is 5 percent, year 3 is 6 percent and year 4 is 6.5 percent. There is no maturity risk premium associated to the securities with 3 years or less to maturity.
    a. What is the yield on 3-year securities?
    b. If the yield of 4-year securities is 10 percent, what is the maturity risk premium associated with 4-year securities?
    c. Why longer terms bonds are exposed to maturity risk? Explain.   [4 + 4 + 2]

13. National Bank Ltd. currently has Rs 25,000 million in transaction deposits on its balance sheet. Current reserve requirement set by Nepal Rastra Bank is 4 percent. Suppose Nepal Rastra Bank decreases the reserve requirement from 4 percent to 3 percent. For simplicity suppose that National Bank Ltd. holds all of its reserve at Nepal Rastra Bank and it does not have any vault cash.

    a. How much National Bank Ltd. does hold the reserve at Nepal Rastra Bank to back up its deposits before decrease in reserve ratio?
    b. How much National Bank Ltd. does hold the reserve at Nepal Rastra Bank to back up its deposits after decrease the reserve ratio from 4 percent to 3 percent?
    c. How much National Bank Ltd. will have the excess reserve after change made by Nepal Rastra Bank in the reserve ratio?
    d. What will be the resulting change in the deposits of National Bank Ltd. after lowering the reserve ratio?   [4 x 2.5]

14. How do you evaluate the performance of saving and credit cooperatives under PEARLS framework? Explain.

15. (a) Suppose a fixed-payment 7-year annuity life policy has the present value of Rs 850,000 and the annuity earns a

P.T.O.

guaranteed annual return of 9 percent. The payments are to begin at the end of 4 years. Calculate the annual cash flows (annuity payments) from the annuity. [5]

(b) At the beginning of a day, XYZ Funds' portfolio has a value of Rs 12.5 million and liabilities of Rs 2.5 million. Outstanding number of shares of the fund is 1 million. Assume that during a day Rs 350,000 is deposited into the funds and Rs 200,000 is withdrawn from the funds. Further assume that prices of all securities in the portfolio remain constant. What are the net asset values of the portfolio at the beginning and end of the day? [5]

16. Explain the methods for calculating retirement benefits under defined contribution and defined benefits plan.

Group "C"

Analytical Answer Questions   [2×15=30]
Attempt any TWO questions.

17. Discuss about the importance of risk management for a financial institution? How can a financial institution minimize credit risk and liquidity risk? Explain. [8+7]

18. Explain the role and functions of Nepal Insurance authority (formerly known as Beema Samiti) in regulating insurance in Nepal.

19. Consider the following elements of core and supplementary capital of ABC Bank Ltd. (Rs in millions):

Paid up capital	Rs 2,400	General reserve	40
Capital redemption funds	120	Capital adjustment funds	220
Retained earnings	120	Goodwill	70
Fictitious assets	24	Cumulative preference shares	550
Subordinated term loans	600	General loan loss provision	240
Exchange equalization reserves	120	Hybrid capital instruments	260
Investment adjustment reserve	110	Asset revaluation reserve	220

(3)

Suppose the followings are the balance sheet items and off-balance sheet items, and risk weights to corresponding items of ABC Bank Ltd.

Balance sheet items	Book Value (in millions)	Risk weight (in %)
Cash balance	480	0
Government securities	1,200	0
Claims on foreign government and central bank	450	50
Claims on domestic companies	17,500	100
Staff loans and advances	150	60
Claims secured by residential properties	25,200	60
Off-balance sheet items		
L/C commitment	1500	50
Bid bond	120	50
Advance payment guarantee	550	100

a. Estimate the core capital, the supplementary capital and the total capital fund of ABC Bank?

b. What are the on-balance sheet, the off-balance sheet and total risk-weighted assets of ABC Bank?

c. What is the core capital ratio and the capital adequacy ratio of ABC Bank?

d. Calculate the minimum required capital fund if required capital is 11 percent of the total risk-weighted assets?

e. Do you think that ABC Bank has adequate capital to support its assets? [4 + 4 + 4 + 2 + 1]

B.B.S. (4 Yrs.)/ IV Year / MGMT

Fundamentals of Service Marketing   Full Marks: 100

MKT-254 (New Course)   Time: 3 hrs.

Candidates are required to give their answers in their own words as far as practicable.

The figures in the margin indicate full marks.

Group "A"

Brief Answer Questions   [10×2=20]

Attempt ALL questions.

1. Point out the components of the services marketing mix.

2. Write down any two reasons for the growth of service marketing.

3. What is a service encounter?

4. Give the meaning of the zone of tolerance.

5. What is a service blueprint?

6. Mention the types of service guarantees.

7. Give any two examples where services are distributed through indirect channels.

8. Point out the importance of marketing research in service business.

9. What is service recovery?

10. Give the meaning of internal communication.

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Group "B"

Descriptive Answer Questions [5×10=50]
Attempt any FIVE questions.

11. Define service. Explain the characteristics of service with examples.
(4+6)

12. Differentiate between transactional marketing and relationship marketing. (10)

13. What are the factors affecting customer expectations? Explain. (10)

14. What is the service-profit chain? Explain. (10)

15. Explain the various pricing objectives with examples. (10)

16. Discuss the factors affecting the distribution channel for service products. (10)

17. Explain the emerging service sector of Nepal in short. (10)

Group "C"

Analytical Answer Questions [2×15=30]
Attempt any TWO questions.

18. Discuss the concept of market segmentation and its relevance in service marketing. (5+10)

19. Discuss the new service product concept and its development process.
(5+10)

20. Discuss the service promotion mix's components and explain the importance of promotion in service marketing (5+10)

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B.B.S. (4 Yrs.)/ IV Year / MGMT
Fundamentals of Investment
(FIN-253) (New Course)

Full Marks: 100
Time: 3 hrs.

Candidates are required to give their answers in their own words as far as practicable.

The figures in the margin indicate full marks.

Group "A"

Brief Answer Questions
Attempt ALL questions.

[10×2=20]

1. State four money market vehicles.

2. Suppose you have a call option of Rs. 25 premium to buy share of Delta Company (DC) at Rs. 350 per share. Calculate value of call option (payoff) and profits if the market price of Delta stock rises to Rs. 400 per share.

3. Assume that the risk-free rate is 6 percent and the market risk premium is 5 percent. What is the required rate of return on stock X with its beta of 1.30? Would you like to sell the stock X if its expected rate of return is 10 percent?

4. State major sources of risk.

5. Differentiate between open-end and closed-end funds.

6. What is the technical analysis of financial securities?

7. What are the major sources of investment information?

8. Write the meaning of fixed income securities.

9. What is term structure of interest rates?

10. Assume current market price of stock Y is Rs. 175, and constant growth rate is 10 percent. One convertible bond of Company Y can be converted into its 5 common stocks, what is the conversion value of the convertible present?

(1)

Group "B"

Descriptive Answer Questions
Attempt any FIVE questions.

[5×10=50]

11. Gautam short sells 2,000 stocks at Rs. 100 per share. The initial margin requirement is 60 percent and maintenance margin is 30 percent.
    a. What would be Gautam's amount of margin equity and margin level if stock price rises to Rs. 115 per share?
    b. What is the margin call price of stock? Would Gautam receive margin call if the market stock price rises to Rs. 115 per share?
    c. What is Gautam's rate of return from short sells of stock if stock price falls to Rs. 80 per share assuming no interest on margin?

[4+3+3]

12. The current dividend on common stock of Alpha Company (AC) is Rs. 12 per share. The required rate of return on common stock of the company is 16 percent
    a. What is the present value of the Alpha's stock if the constant growth rate of earnings is 9 percent per year forever?
    b. Suppose growth rates of earnings of the company are not constant. Growth rate of earnings of Alpha stock is 10 percent for the first three years and 6 percent thereafter. What would be the present value of the stock?

[4+6]

13. The composition and information of shares and prices of Artificial Fund Portfolio are given below:

Stocks	Number of shares	Price per share (Rs.)
K	2,000	120
L	3,000	140
M	4,000	150
N	5,000	110

The fund has accrued management fee obligation of Rs. 100,000. There are 50,000 shares outstanding.
    a. What is the net assets value of the Artificial fund?
    b. What is the percentage of premium or discount if the fund is currently selling in the market at Rs. 32 per share?

[5+5]

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14. Consider the following three stocks given in the following Table. Q represents number of shares and P represents price of stock.

Stocks	Day 0		Day 1		Day 2	
	Q_0	P_0 (Rs.)	Q_1	P_1 (Rs.)	Q_2	P_2 (Rs.)
Alpha	200	80	200	90	200	110
Beta	300	100	300	110	600	65
Gamma	400	120	400	130	400	120

Stock Beta splits two-for-one on day 2.

a. Calculate price weighted indexes (PWI) for Day 0, Day 1 and Day 2.
b. What would be return for the day 1 based on PWI?
c. Calculate value weighted indexes (VWI) for Day 1 and Day 2, assume base index is 100.
d. What would be rate of returns for day 2 based on value weighted index? [4+1+4+1]

15. Consider the following information of portfolios A, B and C:

Portfolios	Average portfolio return (%)	Standard deviations (%)	Beta
A	16	12	1.15
B	14	5	1.05
C	11	7	0.80

Assume risk free rate is 5 percent.
a. Estimate Sharpe's indexes.
b. Estimate Treynor's indexes.
c. Interpret your results.
d. Would you prefer Treynor's measures rather than Sharpe's measures for portfolio performance evaluation? [3+3+2+2]

16. Describe the investment processes for financial assets in Nepal. [10]

(3)

Group "G"

17. Describe present investment environment in Nepal. Discuss the different types of security markets in Nepal. [7+8]

18. Consider the following probability distribution and returns of stock M and stock N:

State of Economy	Probability	Return of stock M (%)	Return of stock N (%)
First	0.30	10	35
Second	0.40	15	15
Third	0.30	20	(5)

a. Calculate expected returns of stock M and stock N.
b. Estimate standard deviations of stock M and stock N.
c. Calculate coefficient of variations of stock M and stock N. Which stock would you prefer to invest?
d. Compute the correlation coefficient between returns of stock M and stock N.
e. If you form a portfolio with your investment of 45 percent funds in stock M and 55 percent funds in stock N, calculate the expected portfolio return and risk. [2+3.5+2+3.5+4]

19. An 11 percent coupon bond of Rs. 1,000 par has 5 years maturity. The bond is currently selling in the market at Rs. 950 per bond. Assume coupon is paid annually.
a. What is the current yield of the bond?
b. What is the yield to maturity of the bond?
c. What is the capital gain of the bond?
d. Would you prefer to buy the bond at current prevailing price of Rs. 950 if your required rate of return is 12 percent?
e. Differentiate between yield to maturity and yield to call of the bond. [2+5+2+3+3]

□

(4)

Candidates are required to give their answers in their own words as far as practicable. The figures in the margin indicate full marks.

Group "A"

Brief Answer Questions [10×2=20]

Attempt ALL questions

1. Write the meaning of corporate finance.

2. What are the key features of operating lease?

3. What do you mean by optimal capital structure?

4. Write about the importance of financial plan.

5. Write the meaning of cumulative preferred stock.

6. List out two major reasons for going global market.

7. Why do firms issue convertible bonds?

8. Define the term "purchasing power parity"

9. Star Traders buys under terms of $\frac{1}{10}$ net 40. Star Trader does not take discount and pays on 50th day. What is the annual percentage cost of stretching accounts payable? Assume 360 days in a year.

10. Bagmati Company has 400,000 shares outstanding and the firm's charter provides for a cumulative voting procedure. The company has seven directors. What is the minimum number of shares needed to ensure the election of one director?

Group "B"

Descriptive Answer Questions [5×10=50]

Attempt any FIVE questions.

11. "A financial manager should make decisions that maximize shareholder wealth." In the light of this statement, what managerial actions a financial manager should take to maximize shareholder wealth? Explain.

12. What are advantages and disadvantages of long term bonds as a source of long-term financing? Explain.

13. Delta Company can lease equipment for three years, making annual payments of Rs 300,000 per year at the end of each year or they can buy the equipment for Rs 600,000. At the end of third years, the equipment will have salvage value Rs 120,000 which is both book salvage value and cash salvage value. The firm's before tax cost of debt is 10 percent. The company uses straight-line depreciation and has a 40 percent tax rate.

    a. Calculate cost of leasing.

    b. Calculate cost of purchasing. Should the machine be leased or purchased? [4+6]

14. Hi-Tech Ltd. has warrants outstanding that allow the holder to purchase 3 shares of stock for a total of Rs 60 for each warrant. Currently, the market price per share of Hi-Tech is Rs 18. Investors hold the following probabilistic beliefs about the stock 6 months hence:

Market price per share	Rs 16	Rs 18	Rs 20	Rs 22	Rs 24
Probability	0.15	0.20	0.30	0.20	0.15

    a. What is the present theoretical value of the warrant?
    b. What is the expected value of stock price 6 months hence?
    c. What is the theoretical value of the warrant 6 months hence?
    d. Would you expect the present market price of the warrant to equal its theoretical value? If not, why not?

15. Koshi Company's balance sheet is given below:

Balance Sheet as of December 31, 2024

Cash	Rs. 100,000	Accounts payable	Rs. 50,000
Account receivable	200,000	Accruals	150,000
Inventory	100,000		
Total current assets	Rs. 400,000	Total current liabilities	Rs. 200,000
Net fixed assets	600,000	Common stock	500,000
		Retained earnings	300,000
Total assets	Rs. 1,000,000	Total liabilities and equity	Rs. 1,000,000

Sales are expected to increase from Rs 2,000,000 in 2024 to Rs3,000,000 in 2025. Firm's after-tax profit margin is forecasted to be 10 percent and its payout ratio will be 80 percent.

a. What is the firm's additional fund needed for the year 2025 if company is running at full capacity? Use AFN equation.

b. Prepare Koshi Company's pro-forma balance sheet of as of December 31, 2025. [4+6]

16. (a) How does multinational financial management differ from domestic financial management? [5]

(b) The nominal interest rate on six-month T-bills denominated in NR is 12 percent, while the nominal interest rate on six-month default free Japanese bonds is 6 percent. In the spot exchange market, one Yen equals NR 0.90. If interest rate parity holds.

i. What is the six-month forward exchange rate?

ii. What is the premium on forward Yen?

(3)

Group "C"

Analytical Answer Questions [2×15=30]

Attempt any TWO questions.

17. Explain the concept and types of mergers. Also discuss the rationales behind the mergers and acquisitions. [6+9]

18. The Himal Cement Company has planned to raise long-term fund. Recently it has announced a rights offer to raise Rs 50 million for a new plant. The stock has Rs 100 par value and currently sells for Rs 250 per share, and there are 1,000,000 shares outstanding.

a. Why do companies prefer rights offering instead of further public offering?

b. If the subscription price is set at Rs 100 per share, how many shares must be sold? How many rights will it take to buy one share?

c. What is the value of a right? What is the ex-rights price?

d. Show the wealth of Mohan Thapa, a shareholder with 2,000 shares and Rs 100,000 cash balance before the offering.

e. Show Mr. Thapa's wealth after rights offering assuming that the exercises all his rights. [5×3]

19. The Kathmandu Electronic Company intends to borrow Rs 800,000 to support its short-term financing requirements during the next year. The financing alternatives offered by the bank include:

Alternative 1: A discount interest loan with a simple interest of 15 percent and no compensating balance requirement.

Alternative 2: A 14 percent simple interest loan that has a 15 percent compensating balance requirement.

Alternative 3: Rs 1 million revolving line of credit with simple interest of 12 percent paid on the amount borrowed and a 1 percent commitment fee.

a. Compute the effective cost (rate) of each financing alternative assuming Kathmandu borrows Rs 800,000. Which alternative should it use?

b. Discuss the factors other than cost to be considered while choosing a bank for short-term loan. [12+3]

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TRIBHUVAN UNIVERSITY
2081

B.B.S. 4 Yrs. Prog. / IV Year / MGMT

Business Research Methods

MGT- 221 New Course

Full Marks: 50

Time: 1½ hrs

Candidates are required to give their answers in their own words as far as practicable.

The figures in the margin indicate full marks.

Group "A"

Brief Answer Questions [5×2=10]

Attempt ALL questions.

1. What do you mean by literature review?
2. What is case study?
3. Write an example of referencing a book by APA format.
4. State the objectives of research.
5. Discuss about moderating variable.

Group "B"

Short Answer Questions [2×10=20]

Attempt any two questions from Q. No. 6 to 8 and Q. No. 9 is compulsory.

6. Discuss why reliability and validity are important in the attitude scale.
7. Explain in brief about the various research designs.
8. Describe principles of questionnaire writing on the basis of design and components.
9. Write short note on any ONE: [5]
   a. Ethical concerns in research.
   b. Concept of hypothesis formulation

Group "C"

Comprehensive Answer Questions [1×15=15]

Attempt any ONE question.

10. What is the characteristics of scientific research? Also describe the process of scientific research.

11. State the purposes of research proposal. Also explain format of research proposal.

TRIBHUVAN UNIVERSITY
2080 (Partial)

B.B.S. 4 Yrs. Programme / I Year / MGMT   Full Marks: 100
MGT 202 : (Business Statistics)   Time: 3 hrs.
(New Course)

Candidates are required to give their answers in their own words as far as practicable.
The figures in the margin indicate full marks.

Group "A"

Brief Answer Questions   [10×2=20]
Attempt ALL questions.

1. Calculate the coefficient of kurtosis, when quartile deviation = 25, 10th percentile = 15 and 90th percentile = 95.

2. If mean and median of a moderately asymmetric distribution are 16 and 20 respectively. Compute the value of mode.

3. If the values of lower and upper quartiles are 40 and 90 respectively. The median value is 60, then calculate the quartile coefficient of skewness.

4. Calculate combined mean from the following information:

	Group A	Group B
Mean	125	140
Number of observation	200	150

5. Find the coefficient of correlation between two variates X and Y. Given that their covariance is 20. The variance of X and Y are 16 and 36 respectively.

6. Find $P(A \cup B)$, if $P(A) = 0.7$ and $P(B) = 0.6$ and $P(A \cap B) = 0.5$, where A and B are not mutually exclusive events.

7. Find the simple aggregative price index number for the year 2024 from the following information:

Commodities	A	B	C	D	E
Price in 2023	555	565	673	485	397
Price in 2024	558	567	675	488	400

8. Find the value of following determinant:
$$\begin{vmatrix} 1 & 2 & 3 \\ 4 & 5 & 8 \\ 3 & 1 & 4 \end{vmatrix}$$

9. Find 5(A-B) where $A = \begin{bmatrix} 9 & 3 \\ 2 & 8 \\ 3 & 4 \end{bmatrix}$ and $B = \begin{bmatrix} 4 & 5 \\ 2 & 3 \\ 3 & 2 \end{bmatrix}$

10. Define geographical classification with a suitable example.

Group "B"

Descriptive Answer Questions   [5×10=50]

Attempt any FIVE questions.

11. The following table shows the marks of students of terminal examination of a campus. Find the lowest marks of highest 20% of students.

Marks	0-10	10-20	20-30	30-40	40-50	50-60	60-70	70-80	80-90
Students	10	13	30	35	40	25	15	10	3

12. Find missing frequencies when mean value is Rs 45 and total number of workers is 30.

Wage(Rs)	20-30	30-40	40-50	50-60	60-70
Workers	3	-	10	7	-

13. Solve the following system of linear equations by using determinant or matrix method:
$$2x - y + z = -2$$
$$x + y - 2z = -9$$
$$x + 2y + z = 9$$

14. The following data shows the profit (million Rs) of a company from the year 2018 to 2024 :

Year	Profit (million Rs)
2018	19
2019	22
2020	21
2021	25
2022	28
2023	30
2024	32

Fit a straight line trend to these data. Calculate the trend values and short term fluctuations.

15. The following table gives the price and quantity of the years 2023 and 2024.

Commodity	2023		2024	
	Price	Quantity	Price	Quantity
A	1500	20	2600	23
B	1700	35	3500	28
C	1600	55	2900	60
D	1400	50	1900	55

Calculate price index number according to

(a) Laspeyre's formula

(b) Paasche's formula

(c) Fisher's formula

16. (a) Solve the following Linear Programing problem graphically:
   Maximize Z = 5x + 2y
   Subject to constraints: $2x + y \le 10$
   $3x + 2y \le 12$
   and $x \ge 0, y \ge 0$

(b) From the given Pay-off table, give the decision according to
   (i) Maximax approach   (ii) Maximin approach
   (iii) Minimax regret approach.

State of nature	Strategies		
	S_1	S_2	S_3
N_1	70	50	120
N_2	90	100	60
N_3	40	60	50

Group "C"

Analytical Answer Questions   [2×15=30]
Attempt any TWO questions.

17. The following data shows the monthly wage distribution of workers of a locality:

Wage (in 000 Rs.)	Number of workers
10-15	5
15-20	15
20-25	25
25-30	35
30-35	27
35-40	15
40-45	8
45-50	5

Calculate (a) coefficient skewness (b) coefficient of kurtosis.
Also, comment on the nature of distribution.

18: The following table provides the height (in cms) and weight (in kgs)
of 10 persons:

Height (cms)	Weight (kgs)
172	63
165	59
170	66
168	60
175	75
168	68
174	69
166	60
159	54
163	56

(a) Develop the regression line of weight on height.

(b) Estimate the weight of a person whose height is 167 cms.

(c) Develop the regression line of height on weight.

(d) Calculate the correlation coefficient between height and weight
and interpret the result.

19. The following table gives the prices (00 Rs) of two securities at
yearly intervals:

(5)

Security A	Security B
58	84
59	56
60	92
54	65
65	86
66	78
52	44
75	54
69	78

(a) Which of the securities has more uniformity of prices? Give a
reason for your answer.

(b) Calculate combined standard deviation.

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B.B.S. 4 Yrs. Prog. / IV Year / MGMT
Accounting for Banking ACC- 250   **Full Marks: 100**
(New Course)   Time: 3 hrs.

Candidates are required to give their answers in their own words as far as practicable.
The figures in the margin indicate full marks.

Group "A"

Attempt ALL Questions

Brief Answer Questions   (10x2=20)

1. What is debit card?
2. Write about fixed deposit.
3. Define remittance.
4. Explain about BAFIA.
5. What is endorsement?
6. A customer discounted a bill amounting to Rs.300,000 from a bank on 1st Ashad, 2081 and bank charged Rs.3,000 as discount. Accounts are closed on 31st Ashad every year.
   Required: Entries in the books of the bank
7. Different in revenues and profit for the two periods of a trading concern are Rs.600,000 and Rs.120,000 respectively. Similarly, it has fixed cost of Rs.225,000
   Required: Profit if revenue is Rs.1,500,000

8. PP Bank Ltd. approved personal overdraft of Rs.1,000,000 to Mr. Keshav for his personal use and amount was disbursed to his account. Processing fee of Rs.10,000 was charged.
   Required: Journal entries to record the loan disbursement

9. Jumla Branch of KK Bank Ltd. issued a draft on request of its customer for Rs.600,000 payable at Main Branch, Kathmandu. Bank charged Rs.600 as commission and Rs.60 as communication.
   Required: Accounting entries in Jumla Branch

10. A firm can invest Rs.100,000 in a project with a life of five years. The project can generate cash flow after tax of Rs.22,000 each year. The firm's cost of capital is 12%.
    Required: Net Present Value

Group "B"

Short Answer Questions   [5×10=50]
Attempt any FIVE questions.

11. The following foreign currency assets and liabilities are extracted from the records of the KK Bank Ltd. as on 31st Ashad 2081.

(Rs. in millions)

Currency	Exchange Rate	Assets	Liabilities
Indian Rupees	1.6	17	12
USD	138	65	72
GBP	172	14	11
EURO	148	18	12
Thai Bhat	4.35	11	
Australian Dollar	86	50	52
Canadian Dollar	95	86	25
Singapore Dollar	88	30	
Japanese Yen	1	15	12
Total		**306**	**196**

Required: The risk weighted exposure for market risk as per the Capital Adequacy Framework, assume that the bank allocate 5% of their net open position and risk weightage is 10%. [10]

12. The following is the statement of profit and loss account of ZZ Bank limited for the period ended 31 Ashad 2080

Particulars	Rs. in Millions
Interest Income	4,500
Interest Expenses	3,300
Net Interest Income	**1,200**
Commission and Discount	210
Other Operating Income	90
Exchange Fluctuation Income	80
Total Operating Income	**1,580**
Staff Expenses	590
Depreciation	230
Bad Loans written off	30
Other Overhead Expenses	30
Operating Profit Before Provisions For Possible Loss	**700**
Provisions for possible losses	30
Operating Profit	**690**
Income from Sale of Investments	110
Profit From Regular Operations	**800**
Tax Provision	160
Net Profit /(Loss)	**640**

Statement of Financial Position of ZZ Bank Limited

Rs. in Millions

Capital & Liabilities	Ashad 2080	Ashad 2079
Share Capital	12,000	12,000
Reserve and Funds	3,440	2,800
Debenture & Bonds	-	-
Borrowings	3,400	3,000
Deposits	70,000	60,000
Bills Payables	40	40
Loan Loss Provisions	770	740
Income Tax Liabilities	160	190
Total Liabilities	**89,810**	**78,770**

Assets	Ashad 2080	Ashad 2079
Cash Balance	9,000	6,000
Balance with Nepal Rastra Bank	10,000	8,000
Balance with Banks/Financial Institution	2,200	2,000
Money at Call and Short Notice	1,000	800
Investment	21,670	19,230
Loans, Advances and Bills Purchase	45,000	42,000
Fixed Assets	900	700
Non-Banking Assets	40	40
Total Assets	**89,810**	**78,770**

Required: Cash Flow Statement for 2080   (10)

13. a . The following information of KK Bank Ltd. as at second quarter ending 2081 Poush were as under

Loan outstanding	Amount (Rs. in '000)
Up to 3 months	2,200,000
More than 3 months but less than 6 months	140,000
More than 6 months but less than 12 months	50,000
More than 12 months	10,000
Total	2,400,000

The bank has not rescheduled or restructured any of its credit.
Following additional information relating to previous quarter ending were

Paid up equity share capital	300,000
Statutory general reserve	60,000
Retained earning	30,000
Loan loss provisions	70,000
Exchange equalization reserve	14,000
Unaudited current year cumulative profit	66,000
Deferred revenue expenses	500

The bank has provided a term loan of Rs.150,000 to a party

Required:

a.   Core Capital

b.   Single Obligor Limit (SOL) 25% of Core Capital

c.   Loan Loss Provision required for the quarter   (1+1+3)

b. Write in brief about business risk analysis.   (5)

14 a. The bank statement of a company shows a balance of Rs.50,000 on 30th Poush 2081. However the company balance showed a different balance of Rs.46,000. On the investigation, the following differences were noticed:

Outstanding cheque Rs.15,000

Deposit in transit Rs.12,000

A customer's cheque of Rs.6,000 was return with the bank statement marked NSF.

Collection of notes receivable for Rs.8,000 and interest on investment Rs.4,000

Bank charge Rs.3,000 for the service provided by the bank

Bank deposited Rs.10,000 but the company recorded Rs.12,000 in its statement.

Required: Bank Reconciliation Statement   (5)

b. Explain Cost Volume Profit Analysis with its importance.   (2+3)

15. Write about Anti Money Laundering (AML). Also, explain the importance of AML.   (4+6)

16. What is treasury management? Also, write down the dimension of treasury management.   (5+5)

Group "C"

Long Answer Questions   [2×15=30]
Attempt any TWO questions

17. The following information are extracted from the financial statement of a commercial bank:

Particulars	Amount (Rs.)
Net profit before tax	600,000
Fixed assets	2,000,000
Current assets	1,000,000
Borrowing	900,000
Deposit	1,400,000
Non-performing loan	50,000

Total operating expenses	500,000
Current liabilities as percentage of fixed assets	30 %
Equity as percentage of total assets	40 %
Non-performing loan to total loan	5 %
Interest on loan	10 %
Tax rate	25 %

Required: (a) Net profit after tax (b) Current ratio (c) Return on fixed assets (d) Return on assets (e) Amount of total loan (f). borrowing to shareholder equity (g) Assets growth rate (h) Interest to total operating expenses (i) Cost of fund (j) Credit deposit ratio. (10×1.5)

18. The following Trail Balance of Hamro Bank Ltd. for the year ended 31st Ashad 2081 is given below:

Account Heads	Debit	Credit
Share Capital @ Rs.100 each		1,900,000
Reserve on 1st Shrawan, 2078		130,000
Bad Debts Recovered		50,000
Establishment Expenses	100,000	
Current Deposits		1,300,000
Interest Paid on Deposit	700,000	
Saving Accounts		1,700,000
Discount Received		70,000
Fixed Deposits		2,200,000
Income from Commission and Exchanges		200,000
Income from Lockers and Service Charges		150,000
Land and Building	2,600,000	
Cash in Hand	650,000	
Balance with Nepal Rastra Bank	350,000	
Interest Received		1,100,000
Investment in Shares	700,000	
Cash with Other Banks and Financial Institutions	400,000	
Term Loan in Nepal	1,300,000	
Cash Credit – Hypothecation in Nepal	800,000	
Bills Purchased	350,000	
Salaries, Allowances and Provident Fund	800,000	
Investment in Government Securities (T. Bills)	400,000	
Dividend Received		50,000
Bills Payable		170,000
Pension and Gratuity Payable		130,000
Total	**9,150,000**	**9,150,000**

Additional information:
 a. Unexpired discount as on 31st Ashad, 2081 was 50,000
 b. Provision for bad debts is Rs.40,000
 c. Provision for taxation is 25%
 d. Amount transfer to statutory reserve is 20%

Required: a. Income Statement and Balance Sheet on 31st Ashad, 2081 as per the directives of Nepal Rastra Bank (15)

19. Explain about the concept, objectives and functions of banks. (4+4+7)

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