

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 is a bank?
2. Why regulation is required for banks and financial institutions?
3. Define unit banking organization?
4. What is online banking? Introduce call center concept in banks.
5. What are the off balance sheet items?
6. What is internal performance of bank?
7. Define capital adequacy ratio.
8. What are the non-deposit sources of liabilities in banks?
9. Suppose a bank reports net income of \$12, pre-tax net income of \$15, total assets of \$600, and \$100 in equity capital. What is the bank's ROE and ROA?
10. What is the requirement of capital for class A and national level, class B, C, and D financial institutions?

Section "B"

Descriptive Answer Questions

Attempt any six questions. [6×10]

11. What are the services provided by the commercial banks? Explain them in brief.
12. Discuss the bank regulatory framework of Nepal.
13. Explain the structure of commercial banking industry with reference to Nepalese context.
14. What are the key factors that should be taken into consideration before opening a bank's branch? Also explain the clauses of unified directives regarding the branch opening.
15. What are the key risks faced by commercial banks? How capital play the role in managing these risks?
16. a) Define and differentiate among saving deposit, demand deposit and time deposit.
b) Suppose a bank has a ROA of 0.75 percent and the equity multiplier of 12 times. What is its ROE? Suppose this banks ROA rise to 0.85 percent, what size equity multiplier must it has to hold its ROE unchanged?

17. What do you mean by liquidity management in banking? What are reasons behind current liquidity problem in Nepal?

Section "C"

Case Analysis

18. Comprehensive question:

[20]

- a) Selected figures of two banks are given below.

	Bank of Pokhara (BOP)	Bank of Nepaljung (BON)
Total Assets	Rs. 28,800	Rs. 13,636
Equity	2,280	1,080
Net Income	624	172
Operating revenue	2,400	658

Compare the profitability of the banks by measuring net profit margin, ROA and ROE.

- b) Following information exacted from the balance sheet of Bank of Dhangadi :

Particulars	Amount in million
Debt	Rs. 850
Common stock	950
Share premium	450
Exchange fluctuating reserve	90
Interest spread reserve	140
Retained earning	400
Subordinated term loan	550
Capital reserve	120

Required:

- Tier 1 and Tier 2 Capital.
 - If risk weighted assets is Rs. 30,000 million, find out capital adequacy and core capital adequacy ratio.
- c) Information has been extracted from the financial statements of Common Wealth Bank.

Interest income	1,875	Interest expenses	1,210
Total Assets	15,765	Securities gain	21
Earning assets	12,612	Total liabilities	15,440
Taxes	16	No. of shares	0.145
Non-interest income	16	Non-interest expenses	685
Provision for loan losses	381		

On the basis of above information, determine the following:

- ROE
- ROA
- Net Interest margin
- EPS (Earning per Share)
- Net operating margin