

POKHARA UNIVERSITY

Level: Bachelor
Programme: BBA-BI
Course: Credit Risk Management

Semester: Fall

Year: 2021
Full Marks: 100
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 funded and non-funded credit facilities.
2. List out principles of lending.
3. Briefly highlight the significance of credit scoring.
4. NPR 1000,000 loan is made for 90 days at 10% per annum. Compute the effective yield using 360 days in a year.
5. Briefly mention characteristics of good collateral.
6. What is consumer lending?
7. Brief out basic documents used in Letter of Credit (LC).
8. Why credit audit is necessary?
9. What do you mean by non-performing asset (NPA)? What are the provisioning requirements for NPA?
10. Why banking and financial institutions are failure?

Section "B"

Descriptive Answer Questions

Attempt any six questions. [6×10]

11. What are the essential steps followed by the banks and financial institutions in bank lending procedures? Explain.
12. Define the concept of asymmetric Information in lending. How asymmetric information play role in lending decision making in competitive environment.
13. What are the principles of lending? Discuss the major regulatory provision related to credit disbursement in Nepal.
14. Define the commercial real estate and differentiate it from residential mortgage loan.
15. What is letter of credit? Being a risk analyst, what are the different types of risk you will observe while making risk assessment of letter of credit? Explain.
16. Banks have to secure their loan with a view to save the depositors' fund. Describe different securities taken by a bank along with methods used for creating charge over such securities?
17. What is credit risk? How can credit risk be mitigated? Explain in brief.

Section "C"

Case Analysis

18. Consider the following Trishakti Company P.Ltd 's balance sheet and income statement for year end of FY 2077/78.

Balance Sheet

NPR "000"

Assets		Liabilities	
	Amount		Amount
Cash	72	Notes Payable	967
Account Receivable	1,846	Account Payable	1,282
Inventory	1,779	Accruals	427
Total current Assets	3,697	Total Current Liabilities	2,676
Fixed Assets	683	Long Term Debt	300
Investments	50	Equity	700
		Retained Earning	754
Total Assets	4,430	Total Liabilities and Equity	4,430

Income Statement

Amount in NPR "000"

Sales	12,430
Cost of goods sold	(8,255)
Gross Margin	4,175
Selling and Administrative Expenses	(3,418)
Depreciation	(73)
EBIT	684
Interest Expenses	(157)
Earning before Tax	527
Taxes	(188)
Net Income	339
Dividends	(50)
Retained Earnings	289

- a) Considering above financials calculate the followings ratios:
 i. Current ratio, ii. Inventory turnover ratio, iii. Operating profit margin,
 iv. Return on assets, v. Debt to Asset ratio
- b) What are the major procedures for business loan that you as a credit analyst must undergo while appraising any loan proposal? Also briefly discuss about post disbursement monitoring mechanism of loan.