

# POKHARA UNIVERSITY

Level: Bachelor  
Programme: BBA-BI  
Course: Treasury Management

Semester: Spring

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. What do you mean by treasury controls?
2. Define card based payment systems.
3. What do you mean by ALCO?
4. Why do banks hedge interest rates?
5. What is Basel rule?
6. Calculate GBP/NPR rate:

	Bid rate	Ask rate
USD/NPR	67.93	68.22
GBP/USD	1.37	1.49

7. Shortly explain FEDWIRE and Continuous Link Settlement (CLS) systems.
8. What are the components of Interest rates?
9. Define Gross and Net Settlement.
10. Define treasury bills.

## Section "B"

### Descriptive Answer Questions

Attempt **any six** questions. [6×10]

11. What are the various functions carried out by the treasury department of a commercial bank?
12. Briefly explain the Payment Systems widely used for local and international payments in Nepal.
13. NIC Asia Bank reports a net interest margin of 2.5 percent in its most recent financial report with total interest revenues of \$88 million and total interest costs of \$72 million.
  - a) What volume of earning assets must the bank hold?
  - b) Suppose the bank's interest revenue rises by 8 percent and its interest costs and earnings assets increase by 9 percent. What will happen to NIC Asia net interest margin?
  - c) Suppose the bank has earning assets of Rs. 227 Billion also have interest bearing liability of 211 Billion. Bank is earning a fixed rate of 12 % on

assets and rate on the liability float is 6%. Compute bank Net Interest Income.

14. Briefly explain the factors affecting choice of Investment Securities.
15. Based on the information below, construct a spread sheet of CRR. The total Local Currency Deposits of a Commercial Bank two weeks prior are as follows:

Date	Amount in NPR
Sunday	80,000
Monday	82,000
Tuesday	83,000
Wednesday	80,000
Thursday	76,000
Friday	74,000
Saturday	74,000

Balance at the beginning of the week is given as:

- NRB Kathmandu Rs. 2200
- NRB Branch Rs. 800
- Fund in Transit Rs. 150
- Note Kosh Rs. 50

Additional Details:

- On the 4<sup>th</sup> day of the CRR maintenance period, there is a withdrawal of NPR 400 from NRB Kathmandu
  - On 6<sup>th</sup> day of the CRR maintenance period, there is a withdrawal of NPR 150 from NRB Kathmandu.
  - On 9<sup>th</sup> day the CRR maintenance period, there is a deposit of NPR 350 in the NRB Kathmandu account.
16. Discuss the sources of foreign exchange risk with relevant examples.
  17. Differentiate between CHIPS and ACH system.

Section "C"

### Case Analysis

18. Consider the following Balance Sheets. [20]

Assets	Rs	Duration (Years)	Liability	Rs.	Duration (Years)
Cash	100	0.00	CD, 1 Year	600	1.00
Business Loans	400	1.25	CD, 5 Years	300	5.00
Mortgage Loans	500	7.00	Equity	100	
<b>Total</b>	<b>1,000</b>			<b>1,000</b>	

- a) Average Duration of Assets
- b) Average Duration of Liability
- c) Duration Gap

- d) Suppose interest rates on both assets and liabilities rise from 8 percent to 10 percent, what is the change in value of the bank's net worth?
- e) Suppose interest rate falls by two percentage points from 8 percent to 6 percent, what would happen to the value of the bank's net worth?