

[This question paper contains 2 printed pages.]

**Sr. No. of Question Paper : 1402**                      **F-7**                      **Your Roll No.....**

Unique Paper Code            : DC II :1091503

Name of the Paper            : Management of Financial Institutions

Name of the Course           : **BMS**

Semester                        : V

Duration : 3 Hours

Maximum Marks : 75

**Instructions for Candidates**

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Answer **any five** questions.
3. Marks are indicated against the question.

1. Explain the followings in brief (**any five**) :

- |                    |                          |
|--------------------|--------------------------|
| (a) Volatile funds | (b) Sensitivity analysis |
| (c) ALCO           | (d) Tier-I Capital       |
| (e) Yield curves   | (f) Loss Asset           |
| (g) Repo rates     | (h) Credit Risk          |
- (5×3=15)

2. (a) Briefly explain the cash flow approach for liquidity risk management with the help of an example. (6)

- (b) A finance company has the following securities in its portfolio :

Name	Current MV (Rscore)	Maturity (in years)	Duration (in years)	YTM (%)
CG2012	10.00	1	1.000	9.9465
ICICI 13	08.00	2	1.787	10.8760
CG2016	05.00	5	4.107	10.3690
IOC18	32.00	7	5.242	10.9721

What will be the change in the value of the investments if the interest rates go up by 1% across the board? (9)

3. (a) The following is the abridged Balance Sheet of a financial institution.

P.T.O.

(Rs. Crore)

Maturity	Nature of Liability	Amount	Interest rate (%)	Duration (years)	Nature of Asset	Amount	Interest rate (%)	Duration (years)
< 1yr	Demand	1000	5	0.25	Cash	100	--	--
	Term	1400	8	0.75	Investment	1400	12	0.95
> 1yr	Term	3700	11	2.75	Credit	800	18	0.50
	Capital	400			Investment	600	14	1.5
		6500			Credit	3600	20	4.5
		6500				6500		

Based on the above data.

- (i) Estimate the change in net interest income for a 1% change in interest rates.
  - (ii) If the FI accepts a variation of 4% in its NIM, what should it do to maintain the target gap for the decline in interest rates by 100 bp. (10)
- (b) Explain Universal Banking and its future challenges in detail. (5)
4. Consider the following data :

Date of NDTL	16/2/2016
Liabilities of the banking system	Rs. 850 cr
Asset with the banking system	Rs. 1200 cr
Liabilities to others	Rs. 4500 cr
Expected own funds	Rs. 300-cr

You are required to compute

- (a) CRR and SLR requirement.
  - (b) Minimum borrowing requirement for the day 1 of the maintenance period.
  - (c) Maximum borrowing requirement for the day 1 of the maintenance period. (15)
5. (a) "NPAs, which have reached to the present level are unacceptable. They reached this level partly because of indiscretion, partly because of inaction, partly because of challenges in some sectors of the economy, which were evident through the high NPA in these sectors". In the light of above statement by our finance minister in the month of august 2105. Explain the reasons for increasing NPAs. (8)
- (b) What do you mean by Banking Frauds ? Suggest the measures to prevent banking frauds. (7)
6. (a) "Life Insurance is not a contract of indemnity." Explain. (7)
- (b) Highlight the major Insurance Sector reforms in India. (8)
- (600)