

**M.Com. IV Semester Degree Examination, October - 2023****COMMERCE****C. Bank Financial Management****(NEP)**

Time : 3 Hours

Maximum Marks : 70

Instruction : Answer **any five** of the following questions with question no.1 is **compulsory**.
Each question carries **fourteen** marks.

1. (a) Briefly explain the uses of funds from a Bank's perspective. **7**
- (b) Explain the various areas of Financial Management applicable to the Banking Decision. **7**
2. (a) What is Value at Risk (VaR) ? Explain the applications of VaR in bank. **7**
- (b) HDFC Bank is holding the following securities. **7**

Particulars of Securities	Cost	Dividends	Market Price	Beta
Gold Ltd. Equity Shares	11,000	1,800	12,000	0.6
Silver Ltd. Equity Shares	16,000	1,000	17,200	0.8
Bronze Ltd. Equity Shares	12,000	800	18,000	0.6
GOI Bonds	40,000	4,000	37,500	0.01

Calculate :

- (i) Expected rate of return in each case.
- (ii) Average rate of return, if risk free rate of return is 14%.



3. (a) What is Counter Cyclical Capital Buffer ? Why is it relevant ? **7**
- (b) Perfect Bank Ltd. has the following capital funds and assets, find out Risk Weighted Assets ratio. **7**

Particulars	Rupees in crores
Capital funds :	
Equity share capital	200
Statutory Reserves	40
Capital(of which Rs. 5 crores due to revaluation of assets)	15
Share premium	10
General reserve	20

Assets :	
Cash Balance :	
Balance with RBI	10
Balances with other banks	5
CD's with other commercial banks	12
Equity investments in subsidiaries	20
Other investments	78
Loans and advances :	
i. Guaranteed by Government	100
ii. Guaranteed by Public sector	200
iii. Others	1,500
Premises, furniture & fixtures	100
Other assets	120
Fictitious assets	10
Off Balance sheet items :	
Acceptance, endorsements and letters of credit	800



4. From the following information of AI Bank, find out the following ratios : 14

- (a) Performing Assets to Total Assets
- (b) Net Interest Margin
- (c) Interest Spread
- (d) Loan loss coverage Ratio
- (e) Ratio of Deposits to Capital
- (f) Credit-Deposit Ratio

Particulars	Amount in Lakhs
Equity share capital	350
Total assets	500
Non Performing Assets	60
Interest Earned	95
Interest Expended	35
Yield on Assets	75
Cost of Interest bearing funds	22
Profit Before Tax	68
Provisions and Contingencies	13
Loans and advances :	
1. Guaranteed by Government	300
2. Guaranteed by Public sector	120
3. Others	37
Deposits :	
Fixed Deposits	45
Current Deposits	32
Savings Deposits	450

5. (a) Explain the benefits of Securitization from the perspective of Banks. 7
- (b) Explain the RBI guidelines on Securitization of Standard assets. 7



6. (a) Following are the statements of Interest on advances in respect of performing and non-performing assets of Madura Bank Ltd. find out the income to be recognized for the year ended 31st March 2023 : 7

Rs. In Lacks		
Particulars	Interest Earned	Interest Received
Performing Assets :		
Cash credits and overdrafts	1,800	1,060
Term loans	480	320
Bills purchased and discounted	700	550
Non Performing Assets :		
Cash credits and overdrafts	450	70
Term loans	300	40
Bills purchased and discounted	350	36

- (b) Explain the Basel Accords I and II relating banking capital. 7
7. (a) What are the techniques used for analyzing the financial statements of banks ? 7
- (b) Explain the RBI guidelines on classification of bank assets with percentage of provision. 7
8. (a) What is market risk ? How do banks in India minimize market risk ? 5
- (b) Differentiate between Economic Capital and Regulatory Capital. 5
- (c) Highlight the issues that arise during analysis of financial statements of Bank. 4

