

/PGDM/IB, 2016-18  
Management of Commercial banks  
DM-416/IB-407

Trimester – IV, End-Term Examination: September 9, 2017

Time allowed: 2 Hrs 30 Min  
Max Marks: 50

Roll No: \_\_\_\_\_

**Instruction:** Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. All other instructions on the reverse of Admit Card should be followed meticulously.

Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 5 (Short Questions)	5 Marks each	$3 \times 5 = 15$
B	2 out of 3 (Long Questions)	10 Marks each	$2 \times 10 = 20$
C	Compulsory Case Study	15 Marks	15
		<b>Total Marks</b>	<b>50</b>

**Section A**

1. What is the role of Reserve Bank of India and implications for Commercial banks?
2. What are Income Recognition & Asset Classification norms?
3. What are the 3 pillars of Basel 2?
4. What is the importance of Asset Liability Management in Banks?
5. How do banks in India recover NPAs?

**Section B**

1. Explain how a Bank's Balance Sheet differs from that of a manufacturing company.
2. What are the features of Basel 1,2 and 3 and the impact of these on Commercial Banks?
3. How can Bank's prevent frauds and the role of ethics in Banking?

### Section C

ABC Bank has the following Balance sheet as on 31.3.XXXX

Liabilities	Rs.Crores	Assets	Rs.Crores
Equity	12	Cash	336
Reserves	719		
& Deposits	3090	*Investments	1688
		Advances	3178
		Fixed Assets	433
Borrowings	1454		
Other Liabilities	360		
<b>Total</b>	<b>5635</b>	<b>Total</b>	<b>5635</b>

**& Deposits includes**

Savings	935
Current	404

**\*Investments includes**

SLR	986
Equity in Subsidiaries	120
RIDF	229

ABC Bank's Income Statement for the current & previous year are given below

Particulars in Rs.billion	Fiscal Previous	Fiscal Current
Interest Income	335.42	400.75
Interest Expense	228.08	262.09
Average interest Earning assets	3932.59	4465.40
Average interest bearing liabilities	3603.51	4073.47
Fee Income	67.07	69.01
Treasury Income	-0.13	4.95
Dividend (subsidiaries)	7.36	9.12
Other income (including lease income)	0.72	0.38
Operating Income	182.36	222.12
Operating Expenses	78.5	90.13
<b>Operating Profit</b>	<b>103.86</b>	<b>131.99</b>
Provisions net of write backs	15.83	18.03
<b>Profit before tax</b>	<b>88.03</b>	<b>113.96</b>
Tax including deferred tax	23.38	30.71
<b>Profit after tax</b>	<b>64.65</b>	<b>83.25</b>

**Questions (with marks in brackets):**

- i) What is the CASA ratio versus Deposits for ABC bank . Why is this important?.....(2)
- ii) What is the net worth of ABC Bank ?.....(2)
- iii) What is the Debt Equity ratio?.....(2)
- iv) Assuming NPA are 2% of Advances what is NPA by value and as % of book value?..... (2)
- v) If the RWA of ABC Bank is Rs.4971 crores calculate the Capital Adequacy ratio.....(2)
- vi) Calculate Net Interest Margin, Average yield, Average cost of funds & interest spread for both years.(3)
- vii) Calculate Fee Income & Net interest income as a ratio of operating income & comment.....(2)