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MS-422

**MANAGEMENT PROGRAMME
(BANKING AND FINANCE) (MPB)**

Term-End Examination

December, 2020

MS-422 : BANK FINANCIAL MANAGEMENT

Time : 3 Hours

Maximum Marks : 100

Weightage : 70%

Note : *Attempt any **five** questions. All questions carry equal marks.*

1. Briefly explain the role and functions of Financial Markets. List the various primary market instruments and discuss their basic characteristics.
2. What do you understand by 'Owned Funds' of Banks ? Explain the items which are listed in Schedule 1 and 2 of bank's balance sheet and

discuss the provisions of Section 11 of the Banking Regulation Act, 1949 regarding paid up capital and reserves.

3. How is cost of capital computed for commercial banks ? Discuss the important ratios used in assessing cost of capital and explain, how the rates on various liquidity enhancement instruments impact bank's cost of capital.
4. Explain the following :
 - (i) Commercial Papers
 - (ii) Liquidity Adjustment Facility (LAF)
5. Explain the price determination mechanism of a bond and also discuss the pricing mechanism of zero coupon bonds. Discuss the relationship between the required yield and the price of a bond.
6. Explain the meaning and significance of credit risk. How is it measured ? Discuss the approaches used for credit risk measurement.

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7. How does liquidity risk arise and what are its components ? Discuss the techniques used for liquidity risk measurement and highlight the issues that may arise while using GAP approach for measurement of liquidity risk.
8. Explain the pricing issue in the context of banks. Describe the inputs required for pricing of banking products.