TRIBHUVAN UNIVERSITY
2079

B.B.S. 4 Yrs. Prog. / IV Year / MGMT   Full Marks: 100

Foundations of Financial Institutions and Markets FIN 252
Time: 3 hrs.

Candidates are required to give their answers in their own words as far as practicable.

The figures in the margin indicate full marks.

Group "A"

Brief Answer Questions   [10×2=20]

Attempt ALL questions.

1. What are the two principle roles of financial assets?

2. What is depository institution? List out the depository institutions in Nepal.

3. What are the major risk faced by financial institutions?

4. What is a syndicated bank loan?

5. Write any two differences between market order and limit order.

6. List out the role of broker in the capital market.

7. Define capital adequacy ratio.

8. State the components of M1.

9. For the 90 days treasury bills with a face value of Rs. 10,00,000, if yield on a bank discount basis is quoted as 8%, calculate the price of treasury bills.

10. Consider an investor facing a 35% marginal tax rate who purchases a tax exempt issue with yield of 2.6%, what is equivalent taxable yield?

Group "B"

Descriptive Answer Questions   [5×10=50]

Attempt any FIVE questions.

11. Define the pension funds and explain the different types of pension funds.

12. Suppose, a bank has assets of Rs. 10 million with a risk weight of zero. Assets of Rs. 350 million with a 0.2 risk weight, assets of Rs. 680 million with a 0.5 risk weight, and assets of Rs. 1,010 million with a risk weight of 1.00. Further, suppose that this bank reports tier-one capital of Rs. 60 million and tier-two capital of Rs. 70 million.

    a. What is the total risk-weighted asset of this bank?
    b. What is the tier-one capital ratio?
    c. What is the tier-two capital ratio?
    d. What is the total capital ratio?
    e. Does the bank have enough total capital? Explain why or why not.

13. Suppose the NRB's required reserve ratio is 12%. Bank A has a deposit of Rs. 200 million, while Bank B has Rs. 100 million. Bank A has reserve of Rs. 26 million and Bank B has reserve of Rs. 5 million.

    a. What will be required reserve of Bank A and Bank B?
    b. What will be the excess or short reserve of Bank A and Bank B?
    c. Why do central banks set reserve ratio?   [4+4+2]

14. Suppose you own a bond that pays Rs. 75 yearly in coupon interest and that is likely to be called in two years (because the firm has already announced that it will redeem the issue early). The call price will be Rs. 1,050. What is the price of your bond now, in the market, if the appropriate discount rate for this asset is 9%? ١٠١٥

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15. You decide to take out a 30 year mortagage loan to buy the home of your dream purchase price is Rs. 120,000. You manage Rs. 20,000 down payment and borrow the balance of the purchase price. Guru Savings and Loan Association quotes annual loan rate of 12 percent. What will your monthly payment be? How much total interest will you have paid at the end of 30 years?

16. Describe the role of brokers and dealers in the stock market. Also explain the major problems of Nepalese stock market.

Group "C"

Analytical Answer Questions   [2×15=30]
Attempt any TWO questions.

17. What is insurance? Explain the nature of business of different types of insurance.   [5+10]

18. You plan to purchase a Rs. 20,00,000 house using a 20 years mortgage obtained from your local bank. The mortgage rate offered to you is 6% you will make a down payment of 20 percent of the purchased price.
    a) What will be the amount of the down payment?
    b) What will be the face value of the mortgage loan?
    c) What will be your monthly payment on this mortgage?
    d) What will be the amount of principal and interest of 37th payment of the mortgage?
    e) What will be the amount of remaining mortgage balance at the end of 50th month?
    f) What will be the amount of interest paid over the life of the mortgage?

19. Assume that the beginning of a day a mutual fund portfolio has a value of Rs. 1 million with no liabilities, and there are 10,000 shares outstanding.
    a. What is the NAV per shares at the beginning of the day?

b. Assume that during the day Rs. 5000 is deposited into the fund. Rs. 1000 is withdrawn and the prices of all the securities in the portfolio remain constant. What is the change in the number of shares at the end of the day?

c. What is total number of shares outstanding at the and of the day?

d. What is the total value of the portfolio of the company at the end of the day?

e. What is the new NAV per share at the end of the day?

f. Further suppose that during the day the value of the portfolio doubles to Rs. 2 million. How would your answer to part (a)?

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