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B.Com. (CBCS) DEGREE EXAMINATION,  
NOVEMBER 2024.

Third Semester

Banking and E-Commerce — Core

BANK MANAGEMENT

(For those who joined in July 2021 and 2022 only)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer.

1. Which was the first bank established in India?
  - (a) Bank of Hindustan
  - (b) State Bank of India
  - (c) Punjab National Bank
  - (d) Imperial Bank of India

2. Which of the following is the primary function of a commercial bank?
  - (a) Investment in stock markets
  - (b) Manufacturing of goods
  - (c) Accepting deposits and providing loans
  - (d) Regulating the monetary policy of a country
3. Which of the following assets is typically considered the most liquid for a bank?
  - (a) Long-term government bonds
  - (b) Real estate holdings
  - (c) Cash and cash equivalents
  - (d) Corporate bonds
4. What does the term 'liquidity' refer to in banking?
  - (a) The ability of a bank to generate profits
  - (b) The ability of a bank to meet its short-term obligations
  - (c) The value of a bank's assets
  - (d) The stability of a bank's capital base

5. The "leverage ratio" introduced under Basel III is designed to:
- (a) Measure the profitability of the bank
  - (b) Limit the amount of debt a bank can take on relative to its equity
  - (c) Assess the bank's operational efficiency
  - (d) Evaluate the bank's liquidity position
6. Which of the following is included in Tier 1 capital?
- (a) Subordinated debt
  - (b) Retained earnings
  - (c) Revaluation reserves
  - (d) General provisions
7. What is the purpose of credit scoring in the loan approval process?
- (a) To assess the profitability of the bank
  - (b) To monitor the bank's liquidity position
  - (c) To calculate the interest rate on a loan
  - (d) To determine the eligibility of a borrower based on their creditworthiness

8. Which of the following strategies can banks use to mitigate credit risk?
- (a) Concentrating loans in a single sector
  - (b) Reducing the interest rates on all loans
  - (c) Diversifying the loan portfolio across different sectors and regions
  - (d) Offering loans without collateral
9. Which of the following is a primary cause of NPAs in banks?
- (a) Rising interest rates
  - (b) Economic downturns
  - (c) Strong credit policies
  - (d) Increased customer deposits
10. Which of the following risks is NOT typically managed through ALM?
- (a) Interest rate risk
  - (b) Liquidity risk
  - (c) Operational risk
  - (d) Credit risk

PART B — (5 × 5 = 25 marks)

Answer ALL questions choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) Briefly examine the evolution of banking system in India.  
Or  
(b) Distinguish scheduled bank and non-scheduled bank.
12. (a) What are the consequences of a liquidity crisis for a bank?  
Or  
(b) What is the difference between liquidity and solvency in banking?
13. (a) What is the Capital Adequacy Ratio (CAR), and why is it important for banks?  
Or  
(b) How does the leverage ratio differ from the capital adequacy ratio?
14. (a) Describe the significance of collateral in reducing credit risk.  
Or  
(b) What role does the credit risk department play in a bank?

15. (a) Describe the impact of NPAs on a bank's capital adequacy.

Or

- (b) Explain the purpose of the gap analysis method in ALM.

PART C — (5 × 8 = 40 marks)

Answer ALL questions choosing either (a) or (b).

Each answer should not exceed 600 words.

16. (a) Briefly explain the banking sector reforms.  
Or  
(b) Describe the origin and development of banking in India.
17. (a) Discuss the sources of liquidity.  
Or  
(b) Explain the tools and techniques used by banks to manage liquidity risk, including the role of central banks.

18. (a) What are the challenges faced by banks in meeting Basel III capital adequacy requirements?

Or

- (b) How does the leverage ratio complement the capital adequacy ratio in ensuring the financial stability of banks?
19. (a) Analyze the strategies used by banks to manage and mitigate credit risk in their loan portfolios.

Or

- (b) Explain the contents of loan policy.
20. (a) Elucidate the role of the Asset-Liability Committee (ALCO) in the ALM process and its impact on a bank's risk management strategy.

Or

- (b) Analyze the causes of NPAs in the banking sector and suggest strategies to prevent and reduce their occurrence.