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**POST GRADUATE DIPLOMA IN MANAGEMENT (2020-22)
END TERM EXAMINATION (TERM -V)**

Subject Name: **Management of Banking & Financial Services**
Sub. Code- **PGF-03**

Time: **02.30 hrs**
Max Marks: **60**

Note:

All questions are compulsory. Section A carries 10 marks: 5 questions of 2 marks each, Section B carries 30 marks having 3 questions (with internal choice question in each) of 10 marks each and Section C carries 20 marks one Case Study having 2 questions of 10 marks each.

SECTION - A

Attempt all questions. All questions are compulsory.

2×5 = 10 Marks

- Q. 1: (A).** Why do banks invest in securities, even though loans typically generate a higher return?
- Q. 1: (B).** What is Net Interest Margin? Why it is closely monitored by bank?
How Closed Ended funds are different from Open Ended Mutual Funds?
- Q. 1: (C).** Mr. Ram's annual salary is Rs 15 lakh. His age is 35 years. Which type of fund would be suitable for him? Explain.
- Q. 1: (D).** What is the most common reason that bank issues bonds?
- Q. 1: (E).** Is unit-linked insurance plans (ULIPs) a better investment for investors than equity-linked Saving schemes (ELSS)? Discuss.

SECTION - B

All questions are compulsory (Each question has an internal choice. Attempt any one (either A or B) from the internal choice)

10 x 3 = 30 Marks

Q. 2: (A). Under an advance factoring arrangement ICICI Bank has agreed to advance a sum of Rs 18 lakh against the receivables purchased from ABC Ltd. The factoring agreement provides for an advance payment of 75% of the value of factored receivables and for guaranteed payment after three months from the date of purchasing the receivables. The Advance carries a rate of interest of 15% per annum compounded quarterly and the factoring commission is 2% of the value of the receivables. Both the interest and commission are collected upfront.

- Compute the amount actually made to ABC Ltd.
- Calculate the effective cost of funds made available to ABC Ltd.

Assume that the interest is collected in arrear and the commission is collected in advance. Calculate the effective cost of funds made available to ABC Ltd.

Or

Q. 2: (B). Differentiate between recourse and non-recourse factoring. What is the best way to finance receivables, and why?

Q. 3: (A). If a bank has more rate sensitive liabilities than rate sensitivity assets, what will happen to its net interest margin (NIM) during a period of rising interest rate? Also comment on NIM when the interest rates decline.

Or

Q. 3: (B). What is a bank's GAP, and what does it attempt to determine?

Q. 4: (A). Explain why mutual funds are attractive to small investors? How can mutual funds generate returns to their shareholders?

Or

Q. 4: (B). How does Bancassurance help banks and insurance companies?

SECTION - C

Read the case and answer the questions

10×02 = 20 Marks

Q. 5: Case Study:

Two Years ago, the government unveiled a mega plan to merge 10 public sector banks into four as part of plans to create fewer and stronger global-sized lenders as it looks to boost economic growth from a six-year low. Finance Minister Nirmala Sitharaman announced four new set of mergers -- Punjab National Bank, Oriental Bank of Commerce and United Bank of India will combine to form the nation's second-largest lender; Canara Bank and Syndicate Bank will merge; Union Bank of India will amalgamate with Andhra Bank and Corporation Bank; and Indian Bank will merge with Allahabad Bank. Post the mega merger, here are the six PSU banks that will remain independent: Indian Overseas Bank, Uco Bank, Bank of Maharashtra and Punjab and Sind Bank, which have strong regional focus, will continue as separate entities. Bank of India and Central Bank of India will also continue to operate separately as before. Oriental Bank of Commerce and United Bank merger will merge into Punjab National Bank to create a bank with ₹17.95 lakh crore business and 11,437 branches. The merger of Syndicate Bank with Canara Bank will create the fourth largest public sector bank with ₹15.20 lakh crore business and a branch network of 10,324. Andhra Bank and Corporation Bank's merger with Union Bank of India will create India's fifth largest public sector bank with ₹14.59 lakh crore business and 9,609 branches. The merger of Allahabad Bank with Indian Bank will create the seventh largest public sector bank with ₹8.08 lakh crore business with strong branch networks in the south, north and east of the country, Sitharaman said. Last year, the government had merged Dena Bank and Vijaya Bank with Bank of Baroda, creating the third-largest bank by loans in the country. After the mergers, the country will have 12 public sector banks, including State Bank of India and Bank of Baroda.

Questions

Q 5 (A): How this consolidation phase of PSU banks will help in strengthening the Banking sector in India?

Q5 (B): Design your plan for this mega merger and how your plan will be different from the Government plan?

Mapping of Questions with Course Learning Outcome

COs	Question Number	Marks Allocated
CO1	Q-1	10 marks
CO2	Q-2	10 marks
CO3	Q-3, Q-4	20 marks
CO4	Q-5	20 marks

Note: Font: Times New Roman, Font size: 12.

Discuss and comment on the recent corporate governance issues in YES Bank