SL NO of QP 9992
Unique Paper code: **2923070010**
Name of the paper: Management of Financial Institutions
Name of the course: BBA(FIA)
Semester: VII
Duration: 3 hours
Max Marks: 90
Instructions:
Answer any five questions. Each question carry equal marks i.e. 18 marks.
Explicitly mention your assumption taken to answer the question(s).
The use of a Non-Programmable Scientific Calculator is allowed.

Q1. A commercial bank has the following loan portfolio as on 31 March 2025 (₹ in crore):

Category of Advances	Outstanding Amount	Period Overdue
Term Loan – A	120	Not overdue
Term Loan – B	80	Overdue for 4 months
Term Loan – C	60	Overdue for 14 months
Term Loan – D	40	Overdue for 30 months
Agricultural Loan – E	50	Interest overdue for 2 crop seasons
Small Business Loan – F	30	Overdue for 20 months
Loss Assets identified by auditors	20	—

Additional Information:

1. Secured portion of Sub-standard and Doubtful assets is 60% of outstanding amount; the balance is unsecured.
2. Provisioning norms (as per RBI):

   Standard Assets: 0.40%

   Sub-standard Assets: 15%

   Doubtful Assets:

   - Secured portion:
     - Up to 1 year: 25%
     - 1–3 years: 40%
     - More than 3 years: 100%
   - Unsecured portion: 100%

   Loss Assets: 100%

The bank's Profit before Provisions and Tax (PBP&T) for the year is ₹180 crore. Ignore tax for the purpose of this question.

Required:

a) Classify the above advances into Standard, Sub-standard, Doubtful, and Loss assets.
b) Calculate the Gross NPA and Net NPA of the bank.

c) Compute the total provisioning required as per RBI norms.
d) Determine the Net Profit after provisions

Q2. A commercial bank operating in India has the following liabilities as on 31st March:

Demand Deposits: ₹4,800 crore

Time Deposits: ₹7,200 crore

Other Demand and Time Liabilities (ODTL): ₹1,000 crore

Borrowings from RBI: ₹600 crore

Inter-bank liabilities (net): ₹400 crore

As per RBI norms:

Cash Reserve Ratio (CRR) = 4.5%

Statutory Liquidity Ratio (SLR) = 18%

Additional information:

The bank currently holds:

Cash balance with RBI: ₹520 crore

Eligible SLR securities (G-secs, T-bills, SDLs): ₹2,700 crore

Based on the above information:

1. Calculate the Net Demand and Time Liabilities (NDTL).
2. Compute the minimum CRR requirement.
3. Compute the minimum SLR requirement.
4. Comment on whether the bank is meeting the CRR and SLR requirements.
5. If there is any shortfall or excess, quantify the same.

Q3. A scheduled commercial bank has the following rate-sensitive assets (RSA) and rate-sensitive liabilities (RSL) distributed across different maturity buckets (₹ crore):

Maturity Bucket	Rate-Sensitive Assets (RSA)	Rate-Sensitive Liabilities (RSL)
0–1 month	2,400	3,100
1–3 months	1,800	1,400
3–6 months	2,200	1,900
6–12 months	2,600	2,000

Additional information:

The bank expects a parallel upward shift in interest rates by 1% (100 basis points).

Assume that all assets and liabilities are repriced immediately at the end of their respective maturity buckets.

You are required to:

State Bank of India

Balance Sheet as at 31st March 2024

(000s omitted)

	Schedule No.	As at 31.03.2024 (Current Year) ₹	As at 31.03.2023 (Previous Year) ₹
CAPITAL AND LIABILITIES			
Capital	1	892,46,12	892,46,12
Reserves & Surplus	2	376354,07,25	326715,98,77
Deposits	3	4916076,76,93	4423777,77,63
Borrowings	4	597560,90,78	493135,15,62
Other Liabilities and Provisions	5	288809,73,42	272457,14,51
TOTAL		**6179693,94,50**	**5516978,52,65**
ASSETS			
Cash and Balances with Reserve Bank of India	6	225141,69,61	247087,57,52
Balances with Banks and money at call and short notice	7	85660,29,19	60812,04,28
Investments	8	1671339,65,61	1570366,22,57
Advances	9	3703970,85,40	3199269,29,68
Fixed Assets	10	42617,25,25	42381,80,31
Other Assets	11	450964,19,44	397061,58,29
TOTAL		**6179693,94,50**	**5516978,52,65**
Contingent Liabilities	12	2389320,82,36	1826574,12,43
Bills for Collection	-	67795,94,05	64531,07,67
Significant Accounting Policies	17		
Notes to Accounts	18		

(000s omitted)

		Schedule No.	Year ended 31.03.2024 (Current Year) ₹	Year ended 31.03.2023 (Previous Year) ₹
I.	**INCOME**			
	Interest earned	13	415130,65,55	332103,06,02
	Other Income	14	51682,16,37	36615,59,76
	TOTAL		**466812,81,92**	**368718,65,78**
II.	**EXPENDITURE**			
	Interest expended	15	255254,82,88	187262,55,56
	Operating expenses	16	124860,81,35	97743,13,61
	Provisions and contingencies		25620,55,67	33480,51,25
	TOTAL		**405736,19,90**	**318486,20,42**
III.	**PROFIT**			
	Net Profit for the year		61076,62,02	50232,45,36
	Add: Profit brought forward		24098,71,82	5881,40,49
	TOTAL		**85175,33,84**	**56113,85,85**
IV.	**APPROPRIATIONS**			
	Transfer to Statutory Reserve		18322,98,60	15069,73,61
	Transfer to Capital Reserve		326,21,04	232,80,84
	Transfer to/(from) Investment Fluctuation Reserve		(749,08,05)	4575,43,43
	Transfer to Revenue and other Reserves		4920,59,36	2052,35,00
	Dividend for the current year		12226,71,83	10084,81,15
	Balance carried over to Balance Sheet		50127,91,06	24098,71,82
	TOTAL		**85175,33,84**	**56113,85,85**
V.	**EARNINGS PER EQUITY SHARE (Face value ₹ 1 per share)**			
	Basic (in ₹)		68.44	56.29
	Diluted (in ₹)		68.44	56.29
	Significant Accounting Policies	17		
	Notes to Accounts	18		

1. Compute the GAP (RSA – RSL) for each maturity bucket.
2. Calculate the Cumulative GAP up to each bucket.
3. Estimate the impact of interest rate change on Net Interest Income (ΔNII) for each bucket.
4. Compute the total impact on NII over one year.
5. Interpret the results and comment on the bank's interest rate risk exposure.

Q4a. Assess whether the bank satisfies the Capital Adequacy requirement from the data given below taken from the balance sheet as on March 31.

Risk weighted Assets: Rs 2780cr; Present equity capital and reserves: Rs 139cr; Undisclosed reserves: Rs 45cr; General Provisions and loss reserves (GPLR): Rs 145 Cr; Subordinated debt - maturity within 1 year Rs10cr, maturity between 2 to 3 years Rs20cr, maturity between 4 to 5 years Rs 40cr;

Assume that undisclosed reserves represent accumulations of post -tax profits and are not encumbered by any known liability.

Q4b. Distinguish between Tier I and Tier II capital with example.

Q5a. "Innovations in financial sector and openness and improvements in governance structures can help India achieve the goal of $5 trillion economy target". In the light of the above statement enlist the major reforms and steps required for the Indian Financial Institutions to prepare for the $5 trillion economy target.

Q5b. Discuss the CAMELS rating in detail.

Q6. Refer to the excerpts of the balance Sheet and income statement of SBI attached below. Compare the financial performance of the bank for both the years using one KPI ratios each for liquidity, risk and profitability. Justify giving reasons which are the ratios of the bank likely to be affected by the RBI Policy decisions.

Q7. Write short notes on any Six of the followings:

a. Uberrimae fidei
b. Monetary Targeting
c. Volatile Fund
d. Duration Gap
e. NBFC
f. Small Finance Bank
g. Fintech
h. Shadow Banking