LENDING OPERATIONS AND RISK MANAGEMENT – STAGE-II

ISQ Examination (Summer-2010)

Q.1 Please write the alphabet of the selected choice in the answer column:

Q.2 State True or False in the answer column.

Q.3 Answer the following questions:

A) Can the bank issue open-ended guarantees ?

B) What is the "Rule in Clayton's Case"?

C) Can exporters in Pakistan borrow in foreign currency?

D) Can an Islamic banking branch of a commercial bank take independent exposure upto 35% of its equity, as is admissible in case of full-fledged Islamic bank?

E) Can a bank extend credit facilities against lien on COIs/deposits maintained with NBFIs?

Q.4 Suppose that a borrower needs Rs 80,000. A bank gives the borrower a choice of two pricing schemes. The first is a Rs 100,000 loan with 20 percent compensating balance requirements priced at 10 percent. The second is an Rs 80,000 loan with no balance requirements priced at 12.5 percent.

A) Calculate the effective cost to the borrower of each alternative.
B) Assume that the bank must hold 12 percent required reserves against customer deposits, calculate the effective return to the bank of each alternative.
C) Which pricing scheme is preferred for the bank?

Q.5 What are the warning signals of problem loans that can be picked up from careful and consistent reading of a borrower's financial statements?

Q.6 Explain what precautions a prudent banker would take in the opening and operation of account of a Public Limited Company.

Q.7 Bright Textiles Ltd have been sanctioned a limit of Rs 500,000 at your branch against hypothecation of liquid assets including (i) stocks, (ii) stock-in-process and (iii) book debts. State with reasons how drawings should be regulated and controlled.

Q.8 "Banks must operate under a sound credit granting process." Explain what factors should be considered in developing such a system.

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