THE INSTITUTE OF BANKERS PAKISTAN
ISQ Examination (Winter-2010)
LENDING OPERATIONS AND RISK MANAGEMENT

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 **Fill in the blanks:**

Q.4 **A)** **Why does the State Bank of Pakistan require the banks to classify their loans?**

B) **What are the different categories of classification?**

C) **Differentiate between time-based and subjective classifications. Which one would you prefer for your bank?**

Q.5 **A)** **What are the characteristics of consumer loans?**

B) **Explain how you would evaluate consumer loan applications.**

Q.6 **A)** **What is meant by pledge of goods?**

B) **Explain how you would safeguard interest of the bank when extending loan facilities against pledge of goods.**

Q.7 Diamond Industries Limited has approached your bank for a working ca loan, and has submitted the following financial data:

ASSETS	
Cash	Rs 50,000
Accounts Receivable	Rs 375,000
Inventory	Rs 510,000
Fixed Assets	Rs 925,000

Total Assets	Rs 1,860,000

LIABILITIES & EQUITY	
Accounts Payable	Rs 166,000
Accrued Expenses	Rs 37,000
Notes Payable	Rs 75,000
Current Maturity of Long Term Debt	Rs 25,000
Long Term Debt	Rs 475,000
Equity	Rs 1,082,000

Total Equity & Liabilities	Rs 1,860,000

Sales	Rs 4,622,800
Cost of Goods Sold	Rs 3,504,100
Operating Expenses	Rs 893,000
Purchases	Rs 3,116,000

Required:

A) What fraction of the firm's assets is being funded with long-term debt or equity?

B) Assuming a 365-day year, calculate the firm's asset cash-to-cash cycle, liability cash-to-cash cycle, and days deficiency.

C) Estimate the firm's working capital needs.

Show your working on the Answer Sheet.

Q.8 Discount rate is determined from time to time by State Bank of Pakistan. How does it affect pricing of assets and liabilities of banks.

Q.9 What are the merits and demerits of the following high and low ratios:

A) Current Ratio

B) Quick Ratio

C) Inventory Turnover

D) Debit Equity Ratio

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