

THE INSTITUTE OF BANKERS PAKISTAN
ISQ Examination (Summer-2011)
LENDING OPERATIONS AND RISK MANAGEMENT

- Q.1** Please write the alphabet of the selected choice in the answer column:
- Q.2** A) State True or False in the answer column.
B) Fill in the blanks:
- Q.3** A) What do you understand by Loan Review function in a bank?
B) Explain the scope and functions of Loan Review.
- Q.4** A) What do you understand by classification of a loan?
B) What are the different categories of loan classification?
- Q.5** A) What is the difference between time-based and subjective loan classification?
B) Which one would you prefer?
- Q.6** A) Discuss why a prudent banker would prefer cash flow-based lending over collateral-backed lending.
B) Prepare a credit risk management module for implementation in a recently incorporated commercial bank.

Q.7 Rembo Corporation has applied for a loan from your bank and has submitted the following information for the year ended December, 2010:

Accounts receivable, January 1	Rs 100,000
Accounts receivable, December 31	Rs 150,000
Inventory, January 1	Rs 40,000
Inventory, December 31	Rs 55,000
Net credit sales	Rs 800,000
Cost of goods sold	Rs 450,000

Compute:

- A) Accounts receivable turnover
B) Collection period
C) Inventory turnover
D) Age of inventory
E) Operating cycle
- Q.8** According to SBP's GUIDELINES ON RISK MANAGEMENT, "Risk Management is a discipline at the core of every financial institution and encompasses all the activities that affect its risk profile." Discuss and explain.
