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**PRESIDENCY UNIVERSITY**

**Bengaluru**

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| **End - Term Examinations –JANUARY 2025** |
| **Date:** 09 – 01-2025 **Time:** 09:30 am – 12:30 pm |

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| **School:** SOM-PG | **Program:** MBA | |
| **Course Code :** MBA3071 | **Course Name :** Treasury Operations and Management | |
| **Semester**: III | **Max Marks**: 100 | **Weightage**: 50% |

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| **CO - Levels** | **CO1** | **CO2** | **CO3** | **CO4** | **CO5** |
| **Marks** | **6** | **16** | **37** | **41** |  |

**Instructions:**

1. *Read all questions carefully and answer accordingly.*
2. *Do not write anything on the question paper other than roll number.*

**Part A**

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| **Answer ALL the Questions. Each question carries 3marks. 3Mx10Q=30M** | | | | |
| **1** | Differentiate between repricing risk and yield curve risk, with examples. | **3 Marks** | **Apply** | **CO3** |
| **2** | Compare between net interest income (NII) and net interest margin (NIM), with example. | **3 Marks** | **Apply** | **CO4** |
| **3** | Summarize why London leads in forex trading? | **3 Marks** | **Analyze** | **CO3** |
| **4** | Show the differences between day trading and position trading. | **3 Marks** | **Understand** | **CO3** |
| **5** | Discuss the importance of capital adequacy requirements in mitigating financial risk. | **3 Marks** | **Understand** | **CO4** |
| **6** | Identify and explain the different types of interest rate risk exposures, with examples. | **3 Marks** | **Apply** | **CO3** |
| **7** | Compare the differences between cash management and treasury management with examples. | **3 Marks** | **Apply** | **CO1** |
| **8** | Identify and explain the purpose of asset liability management in a bank. | **3 Marks** | **Understand** | **CO2** |
| **9** | Compare between cashflow forecasting and risk forecasting. | **3 Marks** | **Understand** | **CO1** |
| **10** | Summarize the responsibilities of ALCOs in a Bank’s liquidity management. | **3 Marks** | **Understand** | **CO2** |

**Part B**

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| **Answer ALL the Questions. Each question carries 10 marks. 10Mx4Q=40M** | | | | |
| **11** | A customer uses debit card at a local ATM. The ATM has been tampered with by scammers, who installed a skimming device and a hidden camera to capture card details and PINs. The scammers use the stolen information to clone the customer’s card and withdraw money from their account.  Explain the vulnerabilities in this case, and discuss the preventive measures for the bank to avoid these card skimming scams? | **10 Marks** | **Apply** | **CO4** |
| **or** | | | | |
| **12** | Illustrate and explain the organizational structure of a commercial bank treasury department. | **10 Marks** | **Understand** | **CO4** |

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| **13** | Identify and explain the different types of screens and their uses in real time situations in a bank’s dealing room, with examples. | **10 Marks** | **Apply** | **CO3** |
| **or** | | | | |
| **14** | One of the key profitability metrics for a bank is the net interest margin (NIM). How does a bank make use of NIM? Explain the concept with a suitable example. | **10 Marks** | **Analyze** | **CO3** |

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| **15** | Illustrate the payment clearing process by giving examples of the participants in the process. | **10 Marks** | **Apply** | **CO4** |
| **or** | | | | |
| **16** | Identify the different factors the Treasurer should consider when choosing between debt and equity for financing. Substantiate your answer with examples. | **10 Marks** | **Apply** | **CO4** |

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| **17** | Select and explain any four fundamental principles for the management and supervision of liquidity risk management in banks, with examples. | **10 Marks** | **Understand** | **CO2** |
| **or** | | | | |
| **18** | Borrow funds from the call money market or redeem a portion of its short-term investments in government securities? Choose and substantiate the better option when short term liquidity mismatch is noticed in a bank. | **10 Marks** | **Apply** | **CO2** |

**Part C**

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| **Answer all the Questions. Each Question carries 15 marks. 15Mx2Q=30M** | | | | |
| **19** | A large public sector bank holds government securities (G-Secs) to fulfil its SLR requirement, which is currently set at 18% of NDTL. Recently, the yields on G-Secs have dropped, reducing the returns on the bank’s SLR investments. This may occur due to several reasons like when the Reserve Bank of India (RBI) reduces policy rates like the repo rate to stimulate the economy, the yield on fixed-income instruments, including G-Secs, tends to fall. Otherwise, If overall market interest rates drop, new G-Secs are issued at lower coupon rates, reducing yields on existing bonds. The treasury department is tasked with optimizing the investment portfolio while adhering to SLR norms.  What strategies should the treasury department adopt to manage the SLR portfolio effectively? | **15 Marks** | **Apply** | **CO3** |
| **20** | A company exporting goods to the U.S. expects to receive $10 million in three months. Concerned about potential depreciation of the USD against the INR, the company approaches a bank's forex desk for a solution. The forex desk offers two options:  Scenario 1 **-** The company enters a forward contract with the bank to sell USD at a locked-in exchange rate of **₹83/USD** after three months.  Scenario 2 - Hold the funds in an **FCNR (USD)** account if the company expects the USD will increase value later.  If you oversee the forex desk, analyze the advantages and disadvantages of both scenarios and recommend the company with an appropriate solution. | **15 Marks** | **Apply** | **CO4** |