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Total No. of Pages : 02

Total No. of Questions : 15

**MBA (2014 to 2017) (Sem.-3)**  
**TREASURY & CREDIT RISK MANAGEMENT**

Subject Code : MBA-925

Paper ID : [C1188]

Time : 3 Hrs.

Max. Marks : 60

**INSTRUCTION TO CANDIDATES :**

1. **SECTION-A** contains **SIX** questions carrying **FIVE** marks each and students has to attempt any **FOUR** questions.
2. **SECTION-B** consists of **FOUR** Subsections : Units-I, II, III & IV. Each Subsection contains **TWO** questions each carrying **EIGHT** marks and student has to attempt any **ONE** question from each Subsection.
3. **SECTION-C** is **COMPULSORY** and consist of **ONE** Case Study carrying **EIGHT** marks.

**SECTION-A**

1. What is Securitisation?
2. What is an option?
3. Explain the concept of Hedging.
4. What is Exposure Analysis?
5. What is open position?
6. Explain operational risk.

**SECTION-B****UNIT-I**

7. What are the objectives of Treasury management? Explain.
8. What is cash flow budgeting and forecasting? Discuss.

**UNIT-II**

9. Write detailed note on treasury products.
10. Discuss the changing role of Treasury in International Banking.

**UNIT-III**

11. What are the various risks management policies? Explain risk management analysis.
12. What is risk management? Distinguish between financial and non-financial risks.

**UNIT-IV**

13. What are the various functions of ALCO management? Explain GAP analysis.
14. What is Asset Liability management? Discuss its components.

**SECTION-C**

15. **Read the following case study and answer the questions mentioned at the end :**

In establishing the mission statement, the credit policy manual will set out the goals of the credit management process. This can be done by either listing specific goals or by making the goals more general in nature. These goals will be based upon many factors, including the company's credit philosophy (that is, its attitude to assuming credit risk by offering credit sales to customers). It will also be a factor in relation to sales targets and financial performance. Other factors, over which the firm may not have control, include competition in its markets and business conditions. As part of the goals, there may be specific, observable objectives, such as setting a maximum number of days outstanding for credit items, collection systems, and the frequency of bad and doubtful debts. Note that such objectives will dictate the type and extent of credit risk being taken by the firm. For instance, if the company is seeking a low level of bad debts, it will most likely have to confine its credit to high-quality firms with low-default probability. This will impact on its ability to offer credit and hence grow sales with lesser creditworthy customers. Attitudes to credit risk will also dictate the frequency and scope of credit reviews of existing and prospective customers. As part of developing a sound process of credit granting, the various responsibilities and limitations on discretion of staff involved in credit risk management and credit granting have to be clearly laid out. As with many other types of operation, there is a potential conflict of interest between those individuals who are rewarded by creating new business and those who act to control risks. Hence proper lines of responsibility and awareness of these issues should lead to the separation of the credit evaluation and credit-granting functions. Also, who finally signs off on a credit decision and who has the authority to override the normal criteria for acceptance and rejection needs to be thought through. Since refusing a credit application has important repercussions on customers and staff alike, it is important that all parties within the firm understand clearly who has responsibility and power to authorise. This is even more important in the case where an existing customer has to have their credit line withdrawn.

***Questions:***

- a. Discuss the goals of Credit Management.
- b. Discuss various responsibilities of the staff involved in credit risk management.
- c. What is the potential conflict of interest as described in the case?