



UNIVERSITY OF THE PUNJAB

B.S. 4 Years Program / Eighth Semester – 2020

Paper: Financial Institutions & Services

Course Code: BBA-412 Part – I (Compulsory)

Time: 15 Min. Marks: 10

Roll No. in Fig.

Roll No. in Words.

Signature of Supdt.:

ATTEMPT THIS PAPER ON THIS QUESTION SHEET ONLY.

Division of marks is given in front of each question.

This Paper will be collected back after expiry of time limit mentioned above.

Q.1. Encircle the correct option.

(10x1=10)

1. The Basel I committee for the first time allowed the financial institution to use
 - a) Monte Carlo model
 - b) Credit spread simulation
 - c) Value at risk (VAR) model
 - d) Credit rollback arrangement.

2. In accordance with the state bank regulation of Pakistan , the banks shall establish and maintain a Fund to be called the house Credit Fund , with a initial amount of
 - a) 2 crore
 - b) 6 crore
 - c) 5 crore

3. In the short term rating of PACRA standard rating scales, A3 denotes
 - a) Obligations for which the capacity for timely repayment is susceptible
 - b) Obligations which have a high risk of default
 - c) Obligations supported by the highest capacity for timely repayment.
 - d) Obligations supported by an adequate capacity for timely repayment.

4. _____ is an alternative form of cover that a Muslim can avail himself against the risk of loss due to misfortunes.
 - a) Wakalah
 - b) Ijarah
 - c) Takaful
 - d) wadiah

5. The Non-performing loan performance to its provision is calculated as :
 - a) Non-performing loan divided by non-performing loan provision
 - b) The provision created divided by yearly default
 - c) Yearly default divided by non-performing loan
 - d) Non performing defaults divided by provision write off

6. Long tail loss in term of insurance are :
- a) The loss of non-payment of policy maker insurance
 - b) The loss of the rate fluctuation of policy
 - c) A loss for which claim is made sometime after write off
 - d) The loss which occur at the assessment between risk recovered and risk spread
7. Loaded fund in mutual funds are:
- a) Where the participation is close ended till mid maturity
 - b) The yield is spread over the vested period of investment.
 - c) The reinvestment occurs with a premium added to implicit cost.
 - d) Where upfront charges are deducted on investment
8. Agency functions of the banks does NOT include:
- a) payment of taxes
 - b) Transfer of funds
 - c) Advancement of loan
 - d) Payment of insurance premium\
9. Price Risk refer to
- a) The price will have a spike effect during operating cycle
 - b) The price will bend down causing the cost to rise
 - c) The price will remain indifferent to the market demand
 - d) Price of security will change when interest rate change
10. The function of buying a floor option is
- a) If the interest rate fall, the seller compensate by premium
 - b) If the interest rate rises the seller deduct the premium
 - c) If the interest rate falls , the seller will buy back the option
 - d) If the interest rate rises, the seller will terminate the option



ATTEMPT THIS (SUBJECTIVE) ON THE SEPARATE ANSWER SHEET PROVIDED

Q.2. Answer the following questions in brief.

(10x2=20)

1. What is the Capital adequacy ratio set out by state bank of Pakistan?
2. How do you calculate Net interest margin ratio for a banking company?
3. What is an underwriter spread?
4. Define problem loans?
5. Define the term Disintermediation in relation to banking companies?
6. What are hybrid funds?
7. Explain the term compensating balances with respect to lending institutions?
8. Differentiate between Mudarabah Al Muqayyadah and Mudarabah Al Mutlaqah?
9. Explain the terms **In the money** and **out of money** in context of options?
10. Explain the term *Al-Mustansi* in context of *Istisna* mode of Islamic financing?

Q.3. Answer the following questions in detail.

(3x10=30)

- i. What is venture capital? Explain the stages of venture capital. Also explain the process of venture financing.
- ii. How does future market seek to protect themselves and their client against default risk.
- iii. Write a brief note on *Diminishing Musharika* as a mode of Islamic Financing?