



UNIVERSITY OF THE PUNJAB

Fifth Semester – 2019

Examination: B.S. 4 Years Program

Roll No. in Fig. :.....

Roll No. in Words.

PAPER: Credit Management
Course Code: BBA-301 Part-I (Compulsory)

MAX. TIME: 15 Min.

MAX. MARKS: 10

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Signature of Supdt.:

Attempt this Paper on this Question Sheet only.

Please encircle the correct option. 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 right answer, cutting and overwriting is not allowed. (1x10=10)

- 1) Bailment of goods as security for payment of debt is called.
 - A) Mortgage
 - B) Pledge
 - C) Hypothecation
 - D) Both A and B

- 2) Credit risk management an important issue in
 - A) Partnership
 - B) Sole proprietorship
 - C) Banking
 - D) None of the above

- 3) The net present value of a capital budgeting project is
 - A) The present value of the expected future cash flows divided by the initial cash outflow
 - B) The difference between the present value of the expected future cash flows and the initial cash outflow
 - C) The initial cash outflow divided by the average of expected future cash inflows
 - D) The initial cash outflow divided by the present value of the expected future cash flows

- 4) When working capital management is discussed, _____ and _____ tend to be thought of as forms of spontaneous financing.
 - A) Short-term debt, cash
 - B) Accounts payable, short-term debt
 - C) Accruals, cash
 - D) Accounts accruals

- 5) For a given maturity, which of the following securities has the lowest return
 - A) Commercial paper
 - B) Negotiable certificates of deposit
 - C) Treasury bills
 - D) Eurodollar deposits

P.T.O.

- 6) **The basic rationale for extending credit is to**
- A) Reduce bad-debt losses
 - B) Increase sales
 - C) Increase the firm's investments in receivables
 - D) Reduce collection costs
- 7) **In capital budgeting, the hurdle rate is**
- A) The minimum rate of return acceptable to the firm
 - B) Essentially the same as the prime rate
 - C) The cost of equity, since it is higher than the cost of debt
 - D) The internal rate of return on a project
- 8) **Credit information Bureau is established in**
- A) 1990
 - B) 1991
 - C) 1993
 - D) 1994
- 9) **A credit analyst have to consider the drives of the firms economic future**
- A) Future earnings and cash flows
 - B) Capital Structure
 - C) Liquidity of assets
 - D) None of the above
- 10) **Capital adequacy ratio is also known as**
- E) Capital to risk asset ratio
 - F) Capital risk premium
 - G) Capital Budgeting
 - H) CAMEL



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Fifth Semester – 2019

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Roll No.

PAPER: Credit Management
Course Code: BBA-301 Part – II

MAX. TIME: 2 Hrs. 45 Min.
MAX. MARKS: 50

ATTEMPT THIS (SUBJECTIVE) ON THE SEPARATE ANSWER SHEET PROVIDED

Q.2. Give short answers to the following questions.

(10x2=20)

1. What is credit Policy?
2. What is appraisal of credit proposal?
3. What are collateral securities?
4. What is collection policy appraisal?
5. What are the margin requirements?
6. What is collection policy?
7. What is commercial credit?
8. What is defining default premium?
9. What is credit management?
10. What is function of credit department?

Q.3. Answers all the following questions briefly.

(3x10=30)

- Explain the model of creating changes of securities? Commercial VS Bank credit?
- Explain the analysis of credit information and its financial and non financial factors?
- Briefly explain the role of the working capital management in light of credit management?