

201: Investment Management

Part :II Full Marks: 100

Time: 3 Hours Pass Marks: 45

(N.B.: Answer **any 5 (five)** of the following questions. The figures in the right margin indicate full marks.)

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|---|---|----|
| 1 | a. Briefly discuss the Islamic Financial Modes & Islamic Financial Instruments. | 07 |
| | b. What are the reasons for the low practice of sharing modes in Islamic Banks? | 06 |
| | c. What do you understand by Risk Management & how can risk be measured? | 07 |
| 2 | a. Discuss the phases of Capital Budgeting. | 06 |
| | b. Discuss the fundamental principles of capital budgeting. | 06 |
| | c. Compare the NPV & IRR methods while evaluating independent & mutually exclusive projects. | 08 |
| 3 | a. What is Write-off? What are the preconditions for writing off non performing investments? | 05 |
| | b. Discuss the main features of the latest BRPD circulars issued by Bangladesh Bank for rescheduling of classified investments. | 10 |
| | c. Your branch has an investment of Tk.20,00,000/- classified as DF with an eligible security of Tk.5,00,000/- and Tk.1,00,000/- in profit suspense account. Calculate the required provision for the investment. | 05 |
| 4 | a. What do you mean by Project Finance? | 03 |
| | b. What is Project Appraisal and why it is required? | 04 |
| | c. Discuss the different aspects of project appraisal. | 08 |
| | d. What is Syndicate Finance? Discuss its importance in mitigating risk. | 05 |
| 5 | a. What is investment pricing? | 03 |
| | b. What are the quantitative and qualitative components of ICRRS? How ICRRS contributes in selecting a good investment client? | 09 |
| | c. What are the importances of valuation of mortgaged property? Discuss the process of valuation as per BB Guidelines. | 08 |
| 6 | a. Discuss the importance of Client Rating. How does it impact on the capital adequacy? | 05 |
| | b. A to Z Corporation is considering investment in a project that cost Tk.5,00,000/- The estimated salvage value is Tk.50,000/-, Tax rate 35%. The company uses straight line depreciation method & the proposed project has Cash Flows Before Tax (CFBT) as follows: | |

Year	CBFT
1	Tk.100,000/-
2	Tk.150,000/-
3	Tk.200,000/-
4	Tk.225,000/-
5	Tk.300,000/-

Determine the following:

- | | |
|---------------------------------------|-----------------------------------|
| a. Pay Back Period | b. Net Present Value (NPV) at 15% |
| c. Profitability Index | d. Average Rate of Return |
| e. Comment on the basis of the result | |

3x5=15

Year	01	02	03	04	05
PVF at 15%	0.870	0.756	0.658	0.572	0.497

- 7 a. AB Toys Ltd applied to your Bank for a working capital limit. As the Financial Manager you are required to calculate the working capital requirement of the company considering estimated production of 1,20,000 units in a year. Related cost and other information are as follow: 15

Element of Cost	Amount Per Unit (Tk.)
Raw Materials	100
Direct Labor	30
Overhead Cost	70
Total Cost	200
Profit	50
Selling Price	250

Other Information:

- i) Raw materials are held at stock on an average for 01 (one) month.
 - ii) Work in process on an average for ½ (half) a month's production.
 - iii) Finished goods are in stock on an average for 2 (two) months.
 - iv) Credit allowed by creditors is 2 (two) months and debtors are provided 01(one) month's credit.
 - v) There is a time lag in payment of wages for 01 (one) month and 01 (one) month in case of overheads.
 - vi) Cash in hand and bank is expected to be Tk.5,00,000/-
- Form the above information, prepare a statement showing working capital requirement for the company
- b. "Before taking decision of investment, a working capital requirement assessment is 05 essential"-Discuss.
- 8 Write short notes on any 05 (five) of the following: 5×4 = 20
- a. Venture Capital Finance
 - b. Gestation & Moratorium Period
 - c. Residual Risk
 - d. BEP & ERR
 - e. Risk Weighted Assets
 - f. Bank Guarantee & Indemnity
 - g. Components of NPI
 - h. CRAR

The End