

Course No: MAN4323
Course Title: Banking Operation and Management
Date: 21/01/2015
No. of Questions: 6
Time: 2 hours
Using Calculator (No)

University of Palestine



Final Exam
1st semester 2014/2015
Total Grade: 60%

Instructor Name: Abedelaziz J. Safi
Student No.: _____
Student Name: _____
College Name: Faculty of Financial Management and Business
Dep. / Specialist: _____
Using Dictionary (No)

First Question:

Write (R) in front of the Right answer & (W) in front of the Wrong answer (20 points)

1. () Effective interest rate is called APR, *annual percentage rate*, when identifying the rate of interest on a Investment.
2. () A treasury stock or reacquired stock is stock which is bought back by the issuing company, Increasing the amount of outstanding stock on the open market.
3. () The number of shares of treasury stock (or treasury shares) is the difference between the number of shares *issued* and the number of shares *outstanding*.
4. () The shares of treasury stock will not receive dividends, but will have voting rights.
5. () In banking, the Provision for Loan Losses , formerly known as the reserve for bad debts.
6. () Treasury stock is a “*contra-equity*” *account* of the balance sheet.
7. () The premium bonds the bond that sells for Less than the face value.
8. () Municipal bonds are issued by the state and locally government and have no default risk.
9. () Ordinary annuity payments are made at the beginning of each period.
10. () Undivided profit consider as retained earnings.
11. () Balance sheet consider as report of conditions.
12. () Net loans equal to gross loans minus Provision of loans losses.
13. () Since the NIM is being squeezed, so banks must concentrate more on interest income to grow profits.
14. () Loan yields have Increased on a relative basis due to credit scoring and increased competition among lenders.
15. () Banks must grow their non-interest income relative to non-interest expense if they want to see net income grow.

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16. () ATM deposit services Fees “On others” is Withdrawal Fees levied on bank’s own customers for withdrawals from the bank’s own ATMs.
17. () Low efficiency ratios do not always lead to higher ROEs.
18. () The Lower operating risk ratio is better because proportionally more income comes from fees.
19. () profitable customers tend to “shop” for the lowest price and do not use multiple products.
20. () Productivity Ratios of Assets Per Employee equal to personal expense divided on Number of Full minus Time Employee .

Second Question: Defined the Following Concepts (5 Points)

1. Price Elasticity:
2. Non-interest Income
3. Non-deposit borrowings:
4. Future Value:
5. Money Market Yield:

Third Question: Answer the following Abbreviations (2 Points)

1. AU
2. OBS
3. MA
4. NPM

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Fourth Question: Mention and Explain the Following Question clearly (11 points)

1. What are the Sources of Non-Interest Income?
2. Mention and explain the Cost Management Strategies to Manage Non-Interest Expense?
3. “Traditional fixed-income valuation methods are too simplistic for three reasons”, what are those reasons?
4. Mention the Recent Expansion of the OBS Items in Banking?

Fifth Question: Provide The Right Answer For Following Question Clearly (16 points)

1. What is the effective annual rate (EAR or EFF%)? What is the EFF% for a nominal rate of 16%, compounded semiannually? Compounded quarterly? Compounded monthly? (3 points)
2. Suppose a bank has an allowance for loan losses of \$1.25 million at the beginning of the year, charges current income for a \$250,000 provision for loan losses, charges off worthless loans of \$150,000, and recovers \$50,000 on loans previously charged off. What will be the balance in the allowance for loan losses at year-end? (3 points)
3. You were informed that a bank's latest income and expense statement contained the following figures (in \$ millions):

Net Interest Income	\$700
Net Noninterest Income	(\$300)
Pretax net operating income	\$372
Security gains	\$10
Increases in bank's	
Undivided Profit	\$200

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Suppose you also were told that the bank's total interest income is twice as large as its total interest expense and its noninterest income is three-fourths of its noninterest expense. Imagine that its provision for loan losses equals 2 percent of its total interest income, while its taxes generally amount to 30 percent of its net income before income taxes. Calculate the following items for this bank's income and expense statement: (6 points)

4. A bank estimates that its total revenues will amount to \$255 million and its total expenses (including taxes) will equal \$170 million this year. Its liabilities total \$4,960 million while its equity capital amounts to \$50 million. What is the bank's return on assets? Is this ROA high or low? How could you find out? (4 points)

Sixth Question: Draw and Explain the Following Question (6 Points)

1. Mention the Name of your Case Study? And the type of Banking Operating System that are used?
2. Draw the figure of Elements that Determine the Rate of Return Earned on the Stockholders' Investment (ROE) in a Financial Firm?

END of QUESTIONS

"With BEST WISHES"