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| **SESSION** | **July 2023** |
| **PROGRAM** | **MASTER OF BUSINESS ADMINISTRATION (MBA)** |
| **SEMESTER** | **IV** |
| **course CODE & NAME** | **DBFI401 – ALM AND TREASURY MANAGEMENT** |
| **CREDITS** | **04** |
| **nUMBER OF ASSIGNMENTS & Marks** | **02**  **30 MARKS EACH** |

**Assignment Set – 1**

**1a. Explain major perspectives of Interest Rate Risk management under ALM?**

**1b. ABC bank invested a 6 months deposit for Rs.1 crore at 3% (Floating Rate) in a 12-month bond @ 5.5% (Fixed rate Coupon payment every six months) for the similar amount. After six months, the deposit was renewed @ 3.5%.**

**i)Calculate NII for each six months period.**

**ii)How interest rate risk could have been avoided by the Bank in the given scenario?**

**Ans 1a.**

**Major Perspectives of Interest Rate Risk Management under ALM:**

Interest rate risk management in Asset Liability Management (ALM) involves strategies and techniques used by financial institutions to mitigate the impact of interest rate fluctuations on their financial position. There are several major perspectives and approaches to managing interest rate Its Half solved only

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**Ans 1b.**

Calculation of Net Interest Income (NII) and Avoiding Interest Rate Risk:

**Part (i) To calculate NII for each six-month period:**

**Initial Investment**:

* 6-month deposit at 3% = Rs. 1 crore \* 3% = Rs. 3,00,000

**First Six Months**:

* Interest from the

**2. Write a detailed note on Divisions of Treasury Department (Any Four important Divisions).**

**Ans 2.**

The Treasury Department of a government plays a crucial role in managing the country's finances, revenue collection, fiscal policy, and economic stability. It typically consists of several divisions or departments, each responsible for specific functions. Below, I will outline four important divisions

**3. What are the different classifications of assets in Banks? 10**

**Ans 3.**

Banks typically classify their assets into various categories based on their liquidity, risk profile, and purpose. These classifications help banks manage their portfolios effectively and adhere to regulatory requirements. Here are some common classifications of assets in banks:

**Cash and Cash Equivalents**: This category includes physical cash on hand and highly liquid assets like Treasury bills and short-term government securities. These assets are easily convertible into cash

**Assignment Set – 2**

**4. Discuss Internal Control Framework of Treasury.**

**Ans 4.**

Internal control frameworks are essential for organizations to ensure the effective and efficient management of their financial operations. The Treasury function within an organization plays a crucial role in managing cash, liquidity, and financial assets. Implementing a robust internal control framework for Treasury is essential to mitigate risks, ensure compliance with regulations, and safeguard financial resources. Here is a discussion of the internal

**5. Explain any four major money market instruments available in Indian Market.**

**Ans 5.**

In the Indian money market, various financial instruments are traded to meet short-term financing needs and manage liquidity. Here are four major money market instruments available in the Indian market:

1. **Treasury Bills (T-Bills):**
   * Treasury Bills

**6. What do you understand by foreign exchange risk? Explain different categories of foreign exchange risk.**

**Ans 6.**

Foreign exchange risk, often referred to as forex risk or currency risk, is the potential financial loss or gain that can result from fluctuations in exchange rates between different currencies. When individuals, businesses, or investors engage in international transactions involving foreign currencies, they are exposed to foreign exchange risk because the value of one currency relative to another can change over time. This risk can impact the cost of goods, services, investments