

**ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD  
(Department of Business Administration)**

**CREDIT MANAGEMENT (8544)**

**SEMESTER: SPRING, 2014**

**CHECK LIST**

This packet comprises following material:

1. Text Book (One)
2. Course Outline
3. Assignment No. 1, 2
4. Assignment Forms (2 sets)

In this packet, if you find anything missing out of the above-mentioned material, please contact at the address given below:

Mailing Officer  
Services Block No. 28  
Allama Iqbal Open University  
Sector H-8, Islamabad.  
Phone: 051-9057611-12

**(Sadar Ayub)**  
Course Coordinator

**ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD**  
**(Department of Business Administration)**

**WARNING**

- 1. PLAGIARISM OR HIRING OF GHOST WRITER(S) FOR SOLVING THE ASSIGNMENT(S) WILL DEBAR THE STUDENT FROM AWARD OF DEGREE/CERTIFICATE, IF FOUND AT ANY STAGE.**
- 2. SUBMITTING ASSIGNMENTS BORROWED OR STOLEN FROM OTHER(S) AS ONE'S OWN WILL BE PENALIZED AS DEFINED IN "AIOU PLAGIARISM POLICY".**

**Course: Credit Management (8544)**

**Semester: Spring, 2014**

**Level: MBA (3 ½) Years and MBA (2 ½) Years**

**Total Marks: 100**

**Pass Marks: 50**

**ASSIGNMENT No. 1**

**(Units: 1–4)**

*Note: Attempt all the questions.*

- Q. 1 Critically discuss the impact of government policies and regulations on banking system in Pakistan. **(20)**
- Q. 2 (a) Compare different types of deposits offered by a bank. **(10)**  
(b) Critically discuss the liability management system of a commercial bank. **(10)**
- Q. 3 (a) Evaluate different types of loan made by a bank in detail. **(10)**  
(b) Discuss the parts of typical loan policy. **(10)**
- Q. 4 (a) Discuss the different sources of information regarding loan customer in detail. **(10)**  
(b) Which types of sources are better in your view? Discuss with examples. **(10)**
- Q. 5 Critically discuss the different measures and evaluation techniques used for bank performance in detail. **(20)**

**GUIDELINES FOR ASSIGNMENT No. 1**

You should look upon the assignments as a test of knowledge, management skills, and communication skills. When you write an assignment answer, you are indicating your knowledge to the teacher:

- Your level of understanding of the subject;
- How clearly you think;

- How well you can reflect on your knowledge & experience;
- How well you can use your knowledge in solving problems, explaining situations, and describing organizations and management;
- How professional you are, and how much care and attention you give to what you do.

To answer a question effectively, address the question directly, bring important related issues into the discussion, refer to sources, and indicate how principles from the course materials apply. The student must also be able to identify important problems and implications arising from the answer.

For citing references, writing bibliographies, and formatting the assignment, APA format should be followed.

## **ASSIGNMENT No. 2**

**(Units: 1–9)**

**Total Marks: 100**

This assignment is a research-oriented activity. You are required to obtain information from a business/commercial organization and prepare a report of about 1000 words on the issue allotted to you to be submitted to your teacher for evaluation.

You are required to select one of the following issues according to the last digit of your roll number. For example, if your roll number is P-3427182 then you will select issue # 2 (the last digit):-

### **List of Issues/Topics**

0. The income statement of a bank in one of the financial statements. Students are required to analyze income statement of a commercial bank and explain its components.
1. Lending process is one of the primary services of a bank. Students are required to analyze the lending policy and critically discuss its different steps.
2. Analyzing business customer is one of the important responsibilities of a bank. Students are required to critically explain the different techniques of analyzing business customer by a bank.
3. The price leadership modal is one of the important concepts used in a bank. Students are required to analyze this method of pricing business loan in detail.
4. Consumer loan is one of the key services offered by a bank. Students are required to analyze the different characteristics of consumer loan system of a commercial bank.

5. Capital market instruments are core investment instruments for a bank. Students are required to analyze the capital market instruments available for a bank and critically discuss its role.
6. Interest rate is determined by different forces. Students are required to study a bank and analyze such forces determining interest rate.
7. Securitization affects the management of lending institutions. Students are required to analyze the impact of securitization upon the lending institutions.
8. Standby credit letters reduces risk of nonperformance. Students are required to study this concept.
9. Agriculture finance is one the impartment part of credit management. Students are required to study and critically analyze agriculture finance.

**The report should follow the following format:**

1. Title page
2. Acknowledgements
3. An abstract (one page summary of the paper)
4. Table of contents
5. Introduction to the issue (brief history & significance of issue assigned)
6. Practical study of the organization (with respect to the issue)
7. Data collection methods
8. SWOT analysis (strengths, weaknesses, opportunities & threats) relevant to the issue assigned
9. Conclusion (one page brief covering important aspects of your report)
10. Recommendations (specific recommendations relevant to issue assigned)
11. References (as per APA format)
12. Annexes (if any)

**GUIDELINES FOR ASSIGNMENT No. 2:**

- 1.5 line spacing
- Use headers and subheads throughout all sections
- Organization of ideas
- Writing skills (spelling, grammar, punctuation)
- Professionalism (readability and general appearance)
- Do more than repeat the text
- Express a point of view and defend it.

**WORKSHOPS:**

The workshop presentations provide you opportunity to express your communication skills, knowledge & understanding of concepts learned during practical study assigned in assignment No. 2.

You should use transparencies and any other material for effective presentation. The transparencies are not the presentation, but only a tool; the presentation is the combination of the transparencies and your speech. Workshop presentation transparencies should only be in typed format.

**The transparencies should follow the following format:**

- 1) Title page
- 2) An abstract (one page summary of the paper)
- 3) Introduction to the issue (brief history & significance of issue assigned)
- 4) Practical study of the organization (with respect to the issue)
- 5) Data collection methods
- 6) SWOT analysis (strengths, weaknesses, opportunities & threats) relevant to the issue assigned
- 7) Conclusion (one page brief covering important aspects of your report)
- 8) Recommendations (specific recommendations relevant to issue assigned)

**GUIDELINES FOR WORKSHOP PRESENTATION:**

- Make eye contact and react to the audience. Don't read from the transparencies or from report, and don't look too much at the transparencies (occasional glances are acceptable to help in recalling the topic to cover).
- A 15-minute presentation can be practiced several times in advance, so do that until you are confident enough. Some people also use a mirror when rehearsing as a substitute for an audience.

**WEIGHTAGE OF THEORY & PRACTICAL ASPECTS IN ASSIGNMENT No. 2 AND WORKSHOP PRESENTATIONS:**

Assignment No. 2 & workshop presentations are evaluated on the basis of theory & its applicability. The weightage of each aspect would be:

Theory:	60%
Applicability (practical study of the organization):	40%

**ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD**  
(Department of Business Administration)

Course: **Credit Management**

Course Code: **8544**

Level: **MBA (3 ½) Years and MBA (2 ½) Years**

Credit hours: **03**

**Unit–1 Introduction to the Business of Banking**

- 1.1 Services Banks Offer to the Public
- 1.2 Impacts of Government Policy and Regulation on Banking
- 1.3 An Overview of Bank Balance Sheet and Income Statement
- 1.4 Expansion of off-Balance-Sheet items in Banking
- 1.5 Other Useful Bank Financial Statements
- 1.6 Measuring and Evaluating Bank Performance

**Unit–2 Managing Bank Sources of Funds**

- 2.1 Types of Deposits and Pricing Deposit-Related Services
- 2.2 Pricing Deposits at Cost Plus Profit Margin
- 2.3 Using Marginal Cost to Set Interest Rates on Deposits
- 2.4 Market-Penetration Deposit Pricing and Upscale Target Pricing
- 2.5 Establishing Price Schedules to Segment Deposit Customers
- 2.6 Pricing Deposits Based on the Total Customer Relationship
- 2.7 Basic (Lifeline) Banking and Liability Management
- 2.8 Alternative Non-Deposit Sources of Bank Funds

**Unit–3 Providing Loans to Business and Consumers**

- 3.1 Types of Loans Made by Banks
- 3.2 Factors Determining the Growth and Mix of Bank Loans
- 3.3 Regulation of Lending (Relevant Prudential Regulations(PR) by SBP)
- 3.4 Establishing a Written Loan Policy and Steps in the Lending process
- 3.5 Credit Analysis and Sources of Information about Loan Customers
- 3.6 Parts of a Typical Loan Agreement and Loan Review
- 3.7 Handling Problem Loan Situations

**Unit–4 Lending to Business Firms**

- 4.1 Short-Term and Long term Loans to Business Firms
- 4.2 Analyzing Business Loan Applications
- 4.3 Financial Ratio Analysis of a Customer's Financial Statements

- 4.4 Preparing Sources and Uses of Funds Statements from Business Financial Statements
- 4.5 Pricing Business Loans
- 4.6 Cost-Plus Loan Pricing Method and Price Leadership Model

**Unit-5 Consumer and Real Estate Lending**

- 5.1 Types of Loans Granted to Individuals and Families
- 5.2 Characteristics of Consumer Loans
- 5.3 Evaluating a Consumer Loan Application and Credit Scoring
- 5.4 Relevant Prudential Regulations of SBP For Consumer Loans
- 5.5 Real Estate Loans
- 5.6 Interest Rate on Nonresidential Consumer Loans and Home Mortgage Loans

**Unit-6 Managing the Bank's Investments Portfolio and Liquidity Position**

- 6.1 Investment Instruments Available to Banks
- 6.2 Investment Securities Actually Held by Banks
- 6.3 Factors Affecting the Banker's Choice Among Investment Securities
- 6.4 Investment Maturity Strategies and Maturity Management Tools
- 6.5 Demand and Supply of Bank Liquidity
- 6.6 Significant Liquidity Problems and Strategies for Liquidity Managers
- 6.7 Factors in Choosing Among the Different Sources of Reserves

**Unit-7 ALM, Hedging against Interest Rate and Credit Risk-I**

- 7.1 Asset-Liability Management (ALM) Strategies
- 7.2 Interest Rate Risk: One of the Banker's Greatest ALM Challenges
- 7.3 One of the Goals of Interest Rate Hedging
- 7.4 Concept of Duration
- 7.5 Using Duration to Hedge against Interest Rate Risk
- 7.6 Limitations of Duration Gap Management

**Unit-8 ALM, Hedging against Interest Rate and Credit Risk-II**

- 8.1 Securitizing Bank Loans and Other Assets
- 8.2 Beginnings of Securitization—Home Mortgage Market
- 8.3 Sales of Loans to Raise Funds
- 8.4 Concept of Factoring
- 8.5 Standby Credit Letters
- 8.6 Credit Derivatives

**Unit9 Special Categories of Lending and Other Topics in Credit Management**

- 9.1 Priority Sector Lending
- 9.2 Advances to Small and Medium Enterprises
- 9.3 Relevant Prudential Regulations by SBP for Small and Medium Enterprises
- 9.4 Agriculture Finance
- 9.5 Different Types of Documentation in Credit Management
- 9.6 Supervision, Control of Advances and Recovery of Advances
- 9.7 International Banking and Future of Banking and Financial Services.

**Recommended Book**

*Peter, R., S. and Sylvia, H., C. (2010). Bank Management & Financial Services. The McGraw-Hill Companies.*

*Timothy, K., W. and Scott, M., S. (2009). Bank Management .Thomson South-Western*

*Suresh, P. (2011). Management of Banking and Financial Services. India. Pearson Education.*

=====