**Treasury Management in Banks**

# June 2022 Examination

**Q1. Calculate the duration Gap of the following excerpts from the balance sheet of a bank. Also calculate the impact on the equity of the bank in the different interest rates scenarios.**

**KINDLY CHECK BELOW**

|  |  |  |
| --- | --- | --- |
| **Balance Sheet for Hypothetical**  **Bank** |  |  |
|  |  | **Macaulay Macaulay** |
| **Particulars** | **Assets** | **Duration Liabilities Duration** |
|  |  | Current |
| Current Assets | 1500 | 7 years Liabilities 1400 5 Years |
| Fixed Assets | 1400 |  |
|  |  | Other Liab. 1300 |
|  | 2900 | Equity 200 |
|  |  | 2900 |

**Scenarios for Impact analysis:**

**1. Interest rates increased by 1%**

**2. Interest rates decreased by 1%**

**(10 Marks)**

# Answer 1.

## Introduction

It's far a manner of resolving disputes among the property and liabilities of a company. It is a degree of the sensitivity of the cost stability to exchange inside the interest rate price inside the market. Further, it is determined as the difference between the predicted length of the asset and the manufactured from the constrained liability period and the connection between the total liability and the entire Its Half solved only

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**Q2. Visit www.world governmentbonds.com. and analyze the yield curves shapes of US, UK, Germany and Indian GOI bond yield curve. Explain your analysis in terms of shape and expectation about state of these economies. (10 Marks)**

**Answer 2.**

**Introduction**

In finance, a yield curve is a graph that units out the bond benefits of a specific provider on an instant axis (Y-axis) in opposition to multiple tenders and adulthood on a horizontal axis (X-axis). Future interest charge fluctuations are predicted with the aid of the decline in yield, giving rise to the value of the future economic activity. Often, while you pay attention to 'market' experts speaking about a yield curve; they are regarding the yield curve of presidency bonds, now not corporate bonds. In particular, company bond yield curves are mentioned in this

**Q3. Case study**

**Vistara Ltd. has imported spare parts worth 1 million USD and the invoice is payable in**

**180 days. Current Spot rate in the market is USD/INR 75.**

**You are required to calculate impact on transaction exposure under following scenarios:**

**a. Company decides to use Forward Market for hedging and wants you determine the 180 days forward rate (based in IRP) given interest rates in India as 6% per annum and Interest rates in US as 1% per annum and suggest the relevant position it should take in this forward. (5 Marks)**

**Answer 3 (A).**

## Introduction

In cases wherein companies pay or receive cash transactions in foreign currencies with variable exchange fees, they must manage the danger of transactions. If a company expects to get hold of coins bills in variable foreign money, it can create an extended hazard of the transaction. It is

**Qb. Is it always necessary that the forex exposure should be hedged? What will you suggest to Vistara if USDINR is expected to be around 76 after 180 days. (5 Marks)**

**Answer 3 (B).**

**Introduction**

A previous marketplace (additionally known as currency ahead) hedge is one of the most extensively used strategies for controlling or defensive the transaction dangers utilized by businesses today. Generally, pre-marketplace safety is the procedure by which an organization