

BOWEN UNIVERSITY, IWO
FACULTY OF SOCIAL AND MANAGEMENT SCIENCES
DEPARTMENT OF BANKING AND FINANCE
B.Sc. DEGREE PROGRAM
FIRST SEMESTER EXAMINATION, 2013/2014

COURSE TITLE: ASSET AND LIABILITY MANAGEMENT

COURSE CODE : BFN 419

TIME ALLOWED: 3HRS

INSTRUCTION: ANSWER ANY FOUR QUESTIONS

DRAFT BALANCE SHEET OF X BANK PLC AS AT THIS MORNING

| Assets | (N'Million) |
|---|--------------------|
| Cash and balances with Central Bank | 124,826 |
| Treasury Bills | 98,289 |
| Due from other banks | 227,582 |
| Loans and advances to customers | 596,457 |
| Investment securities | 446,408 |
| Investment in subsidiaries | 56,695 |
| Investment in associates | 9,943 |
| Investment in joint venture | 900 |
| Intangible Assets | 5,855 |
| Deferred Tax assets | 24,585 |
| Other assets | 19,700 |
| Property and equipment | 44,225 |
| | 1,655,465 |
| Liabilities | |
| Customers' deposits | 1,216,464 |
| Due to other banks | 21,763 |
| Other borrowings | 193,878 |
| Current income tax | 784 |
| Other liabilities | 51,853 |
| Deferred Income Tax Liabilities | - |
| Retirement benefit obligations | 665 |
| | 1,485,407 |
| Equity | |
| Ordinary share capital | 16,168 |
| Share premium account | 108,255 |
| Revaluation reserve | 11,231 |
| Retained earnings | 8,289 |
| Other reserves | 26,115 |
| Shareholders' funds | 170,058 |
| Total equity and liabilities control | 1,655,465 |
| Off balance Sheet engagements and contingencies | 905,227 |

1. The above is the draft Balance Sheet of X Bank PLC distributed earlier today to all members of Asset and Liability Committee of X Bank PLC who would meet later to consider a 50million naira loan request by a valued customer of one of the branches of X Bank PLC. You are member of the committee (ALCO)

Required:

Review the draft Balance Sheet to enable you to make a positive contribution at the meeting fixed for later today. Enumerate and explain the important points that you intend to base your contributions upon. 17.5marks

2. Name 5 [five] objectives of Asset and Liability managements? 17.5 marks
3. Explain five **causes** of Asset & Liability mismatch 17.5 marks
4. Write short notes on :
 - i. GAP Model 5marks
 - ii. Duration model 7marks
 - iii. Pools of Funds approach 5.5marks
5. What are the components of an ALM system? 17.5marks
6. Discuss the membership and responsibilities of Asset & Liability management committee. 17.5marks