

The CLO Review Material



FN313

Financial Management

SECTION 1: THE BASIC UNDERSTANDING

Key Terms

 **Your Task:** Please explain the following key terms.

Nº	Key Terms	Nº	Key Terms
1	Investment	16	Adjusted payback
2	Relevant cash flows	17	Discounted payback period
3	Payback period	18	Asset replacement
4	Return on capital employed	19	Operating leases
5	Capital expenditure	20	Finance leases
6	Revenue expenditure	21	Sale and leaseback
7	Investment in non-current	22	Preference shares
8	Discounted cash flow	23	Lessor
9	Net present value method	24	Lessee
10	Internal rate of return	25	Overdrafts
11	Discount factor	26	Probability Analysis
12	Inflation	27	Ordinary shares
13	Real cash flows	28	Buffer inventory
14	Nominal cash flows	29	Lead-time
15	Uncertainty	30	Inventory management

SECTION 2: THE COURSE LEARNING OUTCOMES

Comprehensive Questions

☞ Your Task: Answer all the following question completely.

1. What are the nature and purpose of financial management?
2. Describe the corporate objectives and corporate strategy.
3. How many types of cash flow?
4. What are the advantages of net present value (NPV)?
5. What are the advantages of Internal rate of return (IRR)?
6. What is the distinguish between risk and uncertainty in investment appraisal?
7. Explain the objective of working capital management in term of liquidity and profitability?
8. Please explain the main reason why business hold cash?
9. What is the relationship between risk and return?
10. Explain the major difference between Islamic finance and other forms of business finance?

SECTION 3: PROBLEMS

1. Star Company is evaluating the project A, which require initial investment of \$50,000. The expected net cash flows are \$200,000 per year for four years at the today price. However, these are expected to rise by 5.5% per year because of inflation. The firm money cost of capital is 15%. Find the NPV by discount money cash flow.
2. The company has provided the following information:

Account receivable collection period	56 days
Raw material inventory holding period	21 days
Production period (WIP)	14 days
Supply payment period	42 days

Finish goods holding period

28 days

Calculate the length of the operating cycle

3. A company is considering investing in a project with the following cash flows.

Time	Actual cash flows (\$)
0	(20,000)
1	10,000
2	9,000
3	8,000

The company requires a minimum return of 20% under the present and anticipated conditions. Inflation is currently running at 10% a year, and this rate of inflation is expected to continue indefinitely. Should the company go ahead with the project?

4. Monthly demand for a product is 10,000 units. The purchase price is \$10/unit and the company's cost of finance is 15% per year. The storage costs per unit per year are \$2/units. The supplier charges \$200 per order for delivery. Calculate the EOQ.
5. Paisley Co has sale of \$20 million for the previous year, receivables at the year-end wear \$4 million, and the cost of financing receivable is cover by an overdraft at the interest rate of 12% per year. Required:
- Calculate the account receivable collection period for Paisley
 - Calculate the annual cost of financing receivable.
6. A company face a constant demand for cash totaling \$200,000 per year. It replenishes its current account (which pay no interest) by selling constant amounts of treasury bills, which are held as an investment earning 6% per year. The cost per sale of treasury bills is fixed \$15 per sale.
- What is the optimum amount of cash to be invested in each transaction?

- b. How many transactions will arise each year?
 - c. What is the cost of making that transaction per year?
7. The minimum cash balance of \$20,000 is required at Miller-Orr Co, and transferring money to or from the bank cost \$50 per transaction. Inspection of daily cash flow over the past year suggests that the standard deviation is \$3,000 per day, and hence the variance (standard deviation squared) is \$9 million. The interest rate is 0.03% per day.
- a. Calculate the speed between the upper and lower limits.
 - b. Calculate the upper limit.
 - c. Calculate the return point.

End of Paper



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FN333

Banking Service and Operation

SECTION 1: THE BASIC UNDERSTANDING

Key Terms

 **Your Task:** *Please explain the following key terms.*

N°	Key Terms	N°	Key Terms
1	Bank	11	Issuing bank
2	Financial System	12	Confirming bank
3	Financial institution	13	Collateral
4	Financial service	14	Borrower
5	Traveler check	15	Agricultural loans
6	Saving deposit	16	Letter of credits
7	Fixed deposit	17	Internet banking
8	Demand deposit	18	Agricultural loans
9	Commercial loan	19	Real estate loans
10	Bank guarantee	20	Mortgage Bank

SECTION 2: THE COURSE LEARNING OUTCOMES

Comprehensive Questions

 **Your Task:** Answer all the following question completely.

1. What is a commercial bank? What are the main functions performed by commercial banks?
2. Explain the different types of accounts which a person can open with a bank?

3. What are the disadvantages of importer?
4. State the circumstances under which a banker can close the account of a customer.
5. What are the advantages of e-banking?
6. What is a cheque? What is the essential of a cheque?
7. What is a promissory note? Describe the characteristic of promissory note?
8. What are the different between bill of exchange and cheque?
9. What is letter of credit?
10. How many types of letters of credit? Explain each type?
11. What is the difference between Current, Savings and Fixed Deposit accounts? Explain.
12. Explain briefly the following types of loans extended by banks to customers.
 - Loan to Professional
 - Consumer durable loans
13. What is a cheque? What is the essential of a cheque?

SECTION 3: PROBLEMS

1. On January 1, 2023, Burke Corporation signed a 5-year noncancelable lease for a machine. The machine has an estimated useful life of 6 years and the present value of the lease payments is \$36,144, which is equal to the fair market value of the equipment. There is no transfer of ownership during the lease term, nor is there any bargain purchase option. What type of lease is this? Explain.
2. ABC Trading, a company based in the USA, wants to purchase electronic components from XYZ Electronics, a supplier in China. Since the companies have never done business together before, XYZ Electronics requests a Letter of Credit (LC) to ensure payment security.
ABC Trading approaches its bank, Global Bank, to issue an LC in favor of XYZ Electronics, guaranteeing payment once the supplier

fulfills all shipping and documentation requirements. The LC specifies that XYZ Electronics must ship the goods within 30 days and provide a bill of lading, commercial invoice, and certificate of origin to receive payment.

Question:

- A. What is the purpose of the Letter of Credit?
 - B. Who are the key parties involved in the LC process?
 - C. What documents must XYZ Electronics provide to receive payment?
 - D. How does the Letter of Credit reduce risk for both the buyer and seller?
3. John owns a small logistics company and needs a new delivery van for his business. Instead of purchasing the van outright, he decides to lease one from Speedy Auto Leasing. The lease agreement states that John will pay \$500 per month for 36 months, and at the end of the lease term, he can choose to purchase the van at a residual value of \$10,000 or return it to the leasing company.
- The lease also specifies a maximum mileage limit of 12,000 miles per year, and any excess mileage will be charged at \$0.20 per mile. Additionally, John is responsible for regular maintenance and insurance during the lease period.

Question:

- A. What kind of lease?
- B. Who are the key parties involved in this leasing agreement?
- C. What options does John have at the end of the lease term?
- D. What happens if John exceeds the mileage limit?

End of Paper



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FN341

Bank Management

SECTION 1: THE BASIC UNDERSTANDING

Key Terms

 **Your Task:** *Please explain the following key terms.*

N°	Key Terms	N°	Key Terms
1	Commercial bank	16	Automated teller machine
2	Sources of funds	17	Bank holding companies
3	Certificates of deposit (CDs)	18	Branch banks
4	Overdraft	19	Asset Management
5	Doubtful Loans	20	Liability Management
6	Credit review	21	Liquidity Management
7	Capital adequacy	22	Credit Union
8	Asset-sensitive gap	23	Liquidity deficit
9	Liability-sensitive gap	24	Demand deposits
10	Investment Securities	25	Interest sensitive assets
11	The allowance for loan losses	26	Interest sensitive liabilities
12	Duration gap	27	Interest expense
13	Commercial loans	28	None interest expense
14	Interest bearing	29	Risk exposure
15	Credit risk	30	Loan loss provision

SECTION 2: THE COURSE LEARNING OUTCOMES

Comprehensive Questions

☛ Your Task: Answer all the following question completely.

1. How does a bank differ from most other financial-service providers?
2. What difference kinds of services do banks offer the public today?
What services do their closest competitors offer?
3. What accounts are most important on the liability side of a bank's balance sheet? Explain.
4. What are the essential differences among demand deposits, saving deposits, and time deposits?
5. What difference kinds of services do banks offer the public today?
What services do their closest competitors offer?
6. Why do banks and other financial intermediaries exist in modern society, according to the theory of finance?
7. What crucial roles does capital play in the management and viability of financial firm?
8. Why do banks and other institutions choose to devote a significant portion of their assets to investment securities?
9. What crucial roles does capital play in the management and viability of financial firm?
10. What are the essential differences among demand deposits, saving deposits, and time deposits?

SECTION 3: PROBLEMS

1. CMU Bank has an average asset duration of 3.25 years and an average liability duration of 1.75 years. Its liabilities amount to \$485 million, while its assets total \$512 million. Suppose that interest rates were 7 percent and then rise to 8 percent. What is the leverage-adjusted duration gap? What will happen to the value of the CMU bank's net worth as a result of an increase in interest rates?

2. Suppose Cambodia Mekong Bank reports interest-sensitive assets of \$570 million and interest-sensitive liabilities of \$685 million. What is the bank's dollar interest-sensitive gap? Its relative interest-sensitive gap and interest-sensitivity ratio?

3. CMU Bank has forecast its checkable deposits, time and savings deposits, and commercial and household loans over the next eight months. The resulting estimates (in millions) are shown in below. Use the sources and uses of funds approach to indicate which months are likely to result in liquidity deficits and which in liquidity surpluses if these forecasts turn out to be true. Explain carefully what you would do to deal with each month's projected liquidity position.

Month	Checkable Deposits	Time and Savings Deposits	Commercial Loans	Consumer Loans
	\$	\$	\$	\$
January	120	550	650	140
February	115	500	650	200
March	100	500	700	200
April	90	485	700	150
May	105	465	710	150
June	80	490	700	175
July	90	525	700	175
August	100	515	675	175

4. The Third National Bank of Edmond reports a net interest margin of 7.13%. It has total interest revenues of \$475 million and total interest expenses of \$215 million. This bank has earnings assets of \$1,500.

Suppose this bank's interest revenues rise by 8 percent and its interest expenses and earnings assets rise by 10 percent next year. What is this bank's new net interest margin?

5. A bank that has total interest income of \$67 million and total noninterest income of \$17 million. This bank has total interest expenses of \$35 million and total noninterest expenses (excluding PLL) of \$28 million. Its provision for loan losses is \$7 million and its taxes are \$6. What is this bank's net noninterest income?
6. Develop a bank's income statement based on the following data and determine the Bayon bank's net income:

Salaries and benefits expense	\$2,340,683
Interest from business loans	5,448,274
Trust department income	660,339
Interest on savings and time deposits	3,679,880
Occupancy expense	776,425
Service charge income	221,568
Interest on consumer loan	4,056,296
Interest on long-term CDs	504,390
Provision for loan losses	790,392
Miscellaneous expense	923,786
Interest on borrowed funds	1,332,585
Interest from taxable securities	1,940,395
The bank pays a 34% tax rate.	

7. The following information is available for Angkor Bank as of December 31, 2025. On the basis of this information, prepare a balance sheet.

Balances with other banks	86,513,457	Cash on hand	25,506,409
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Common Stock	38,500,000	Accrued Interest Payable	1,716,608
Intangible assets	779,200	Accrued Interest Receivable	1,739,976
Contingency Reserves	33,008,096	Net Loan	471,900,779
Foreclosed properties	15,213,426	Gross Loans	481,196,918
Retained earnings	22,251,745	Allowance for loan loss	9,296,139
Deposits from banks	46,022,049	Borrowings	10,000,000
Balances with the Central Bank	246,323,141	Property and equipment	6,413,401
Repurchase Agreement	2,890,499	Other liabilities	9,475,328
Other assets	7,422,715	Deposits from customers	697,948,179

End of Paper



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MN499

Credit and Lending Process Management

SECTION 1: THE BASIC UNDERSTANDING

Key Terms

 **Your Task:** *Please explain the following key terms.*

N°	Key Terms	N°	Key Terms
1	Credit	16	Loan agreement
2	Loan portfolio	17	Miscellaneous loan
3	Installment loans	18	Working-capital loan
4	Retail credit	19	Revolving line of credit
5	Consumer loans	20	Coverage
6	Credit cards	21	Self-liquidating
7	Collateral	22	Credit scoring models
8	Credit history	23	Lending
9	Credit analysis	24	Character
10	Lender	25	Capacity
11	Loan applicants	26	Collateral
12	6 C's of lending	27	Conditions
13	Loans outstanding	28	Real estate loans
14	Safety of loan	29	Revolving line of credit
15	Loan review	30	Loan workout

SECTION 2: THE COURSE LEARNING OUTCOMES

Comprehensive Questions

☛ Your Task: Answer all the following question completely.

1. What are the different between qualitative credit analysis and quantitative credit analysis? Explain?
2. What is the various step involved in credit process? Explain briefly of each step.
3. What is the principal of good lending?
4. What are the 6's Cs of lending? Explain.
5. What is the various step involved in credit process? Explain briefly of each step.
6. What are the different between qualitative credit analysis and quantitative credit analysis? Explain
7. What should a good written loan policy contain?
8. Explain how economic transactions between household savers of funds and corporate users of funds would occur in a world without financial intermediaries (FIs).
9. Explain the purpose/benefits in adding a credit scoring model to evaluate a loan application.
10. For most business loans growing earnings are not a sufficient reason to grant a loan. Why?

SECTION 3: PROBLEMS

1. Read each of the following scenarios and determine the largest amount of debt each person can safely carry. Marsha and Michael have a combined monthly net income of \$3,500. Their fixed monthly expenses consist of \$675 for rent. They also have an outstanding student loan balance of \$6,000 and a balance of \$1,000 for the stereo they bought last month. How much more debt can they safely carry?

2. An FI has \$5 million in cash reserves with the Fed in excess of its reserve requirements, \$5 million in T-Bills, and a credit line of \$10 million to borrow in the repo market. It currently has lent \$2 million in the Fed Funds market and borrowed \$1 million from the Federal discount window to meet its seasonal needs.
 - a. What are the bank's total available sources of liquidity?
 - b. What is the bank's current total uses of liquidity?
 - c. What is the net liquidity of the bank?
3. A corporate customer obtains a \$1.5 million loan from a bank. The customer agrees to pay a 6.25% interest bearing transactions deposits at the bank for one year. The bank charges a 1% loan origination fee on the amount borrowed. Reserve requirements are 10%. What is the expected rate of return to the bank (k)?
4. River Co. operates a chain of small electronics retail stores. The company has expanded rapidly during the past three years and now plans to open five new retail outlets in different cities.

To finance this expansion, the company has applied for a \$600,000 bank loan with a repayment period of five years. The loan will be used to renovate store locations and purchase additional inventory. The bank plans to charge an interest rate of 9% per year. The company expects to repay the loan using its operating cash flow. River Co. offers inventory and store equipment valued at \$450,000 as collateral, which is less than the requested loan amount.

The bank's loan officer reviews the company's financial statements and obtains the following information. The loan officer calculated the following ratios: Debt to Equity Ratio = 3.33, Current Ratio = 0.91, Cash Flow to Long-Term Debt Ratio = 0.11, Net Interest Earned (Interest Coverage Ratio) = 2.09 times, Financial Leverage Ratio = 4.33, Inventory Turnover in Days $\approx$ 105 days, Accounts Receivable Turnover in Days $\approx$ 77 days.

Assume you are the loan officer responsible for approving or rejecting this loan application.

- A. Should the bank approve or reject the \$600,000 loan request?
 - B. Provide at least three reasons to justify your decision based on the financial analysis above.
 - C. Identify one major risk the bank would face if the loan were approved.
5. Explain the difference between qualitative loan analysis and quantitative loan analysis. Provide examples of factors considered in each type of analysis.
6. A bank is reviewing two borrowers to evaluate their financial condition.

Mekong Co., Ltd

- Sales decreased by 15% in the last year.
- The company still generates positive cash flow.
- It delayed one loan payment but paid it later.
- The company still has stable customers and continues operations.

Basac Co., Ltd

- Sales decreased by 45% in the last year.
- The company has had negative cash flow for two years.
- It has missed several loan payments.
- The company is losing customers and may stop operating soon.

Questions

- a. Which company is experiencing mild financial distress, and which company is experiencing severe financial distress?
- b. Identify two indicators from the scenario that support your answer.



- c. As a credit officer, suggest one possible action the bank could take for each company.

End of Paper



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