

සියලු ම හිමිකම් ඇවිරිණි]
முழுப் பதிப்புரிமையுடையது]
All Rights Reserved]

ශ්‍රී ලංකා විභාග දෙපාර්තමේන්තුව / இலங்கைப் பரீட்சைத் திணைக்களம் / Department of Examinations, Sri Lanka

Written Examination for Promotion to the Grade of Assistant Manager (3-III)
of the Peoples Bank – 2019

(02) Second Question Paper

Three hours

Instructions to Candidates :

- This paper consists of 07 parts and 23 questions.
- Part I and II of the paper are compulsory.
- Answer four questions from part I and II selecting two questions from each part I and II and four questions from parts III to VIII, selecting not more than two questions from any part.
- Candidates are required to answer eight questions in all.
- Non programmable calculators are allowed.

Part I
Law and Practice of Banking

1. "The Cheque Imaging and Truncation (CIT) system was introduced by Central Bank of Sri Lanka (CBSL) in 2006 with the objective of increasing efficiency of the cheque clearing process by elimination the movement of physical cheque in the entire clearing cycle".
 - (i) State the (statutory provisions) applicable to this clearing process. (04 marks)
 - (ii) According to the relevant section of the law, several key components should be included into an image of a cheque. Briefly explain these components. (06 marks)
 - (iii) As per above statute "a banker may instead of presenting the cheque itself for payment, present a cheque by electronic means for payment to the banker on whom it is drawn by transmitting an image thereof along with the electronic payment information of the cheque and the sub section of (4) of section 52 of Bills of Exchange Ordinance No. 25 of 1927 shall not apply."
Briefly state the provisions of this sub section of Bills of Exchange Ordinance. (05 marks)
2. (i) "Banks can enjoy several rights and privileges under the common law of the country. These privileges have been judicially accepted".
Briefly explain three common law privileges available for the Bankers of Sri Lanka. (06 marks)
 - (ii) What is the position of People's Bank under the Right to Information Act No. 12 of 2016 in relation to the disclosure of customer information? (05 marks)
 - (iii) State what is meant by "Undue Influence". (04 marks)
3. "Central bank of Sri Lanka (CBSL) issued detailed directions on identifying, Reporting, Transferring and maintaining abandoned property of Licensed Bankers(LBs), under the section 72 and 73(1) of Banking Act No. 30 of 1988. As per above directions all LBs should submit a report to the Monetary Board of CBSL on an annual basis".
 - (i) What are the operational activities related to the abandoned property? (06 marks)
 - (ii) Briefly explain how banks open safe deposit boxes under the above directions. (05 marks)
 - (iii) What actions would you propose to reduce abandoned property of your bank? (04 marks)

4. A new Legislative and Policy Framework for Foreign exchange transaction was introduced on 20th November 2017 with the enactment of the Foreign Exchange Act (FEA).
- (i) Explain the objectives of this legal provisions. (03 mark)
 - (ii) "Although policies are formulated and legislation is in place, effective implementation is necessary to attain the desired outcome of the FEA" Discuss how your bank can contribute to achieve these objectives. (05 marks)
 - (iii) Describe the operational mechanism of Capital Transaction Rupee Account (CTRA). (07 marks)

Part II

Accounts of different types Customers and other Banking services

5. (i) Once a month, Mrs. Blosssem receives a pay order for her Fixed deposit interest from a bank. As such she used to come to your branch to deposit and withdraw money for her living expenses. Since the staff members at the cash counters (tellers) are not known to her she has to wait for about 15 to 30 minutes at the counters. Advice Mrs. Blosssem. (04 marks)
- (ii) A powerful trade union of the bank announced a 'work-to-rule' union action to win their few demands. Being a branch Manager in a rural area how would you manage this situation without interrupting the customer services of the branch while maintaining cordial relationship with trade union leaders of the branch. (05 marks)
- (iii) "As the officer in charge of the cash holding in you branch you are responsible to manage and control the cash holding of the branch in efficient and effective manner" List out you duties and responsibilities to achieve this objective. (06 marks)
6. (i) You are functioning as an Assistant Manager of a town branch and you have been directed by the branch manger to deliver a one hour lecture on "Inculcating savings and thrift habits among pupils and available savings products from the People's Bank" for students of a leading national school.
Prepare a presentation to cover the lecture in MS PowerPoint Form. (10 marks)
- (ii) State the required presentation and communication skills and different methodologies that can be used for the effectiveness of this lecture. (05 marks)
7. (i) "In the current service-competitive environment in the banking sector, it is very important for all employees to work as a team irrespective of their grades and positions"
Briefly explain the important and essential attributes of an effective team of a branch or a Department of the People's Bank. (10 marks)
- (ii) What are the suitable criteria to measure the effectiveness of a team? (05 marks)
8. (i) "Central Bank of Sri Lanka (CBSL) issued directions on 'Customer Charter' to Licensed Banks(LBs) aiming and safeguarding the interest of the customers, building up a healthy relationship between customers and Banks and improving the customer confidence in the banking sector".
Discuss the importance of 'Customer Charter' for People's Bank and its customers explaining the various duties and responsibilities of the bank as well as customers. (10 marks)
- (ii) People's Bank has introduced the code of conduct for the employees. "It is important that its staff should follow the code of conduct to enhance the image of the bank."
Discuss. (05 marks)

Part III
Bank Financial Facilities

9. (i) The Fixed cost of a manufacturing company is Rs. 50,000/- and sales units of Break-even point is 1000 units. If the variable cost per unit is Rs. 10/- what is the selling price? (02 marks)
- (ii) If the company plans to reach Rs. 50,000/- profit, what will be the volume of sales. (03 marks)
- (iii) State the limiting factors of Break-even point analysis. (05 marks)

10. "The rural indebtedness that prevailed in the country during 1950-1970 had got transformed to urban indebtedness at present.

Micro, Small and Medium Enterprises (MSMEs), traders, entities and many other persons in the cities had defaulted their institutional and banking sector borrowings and most of them had got into the clutches of usurious money lenders in towns. Their mortgaged assets to money lenders were not redeemed and they have been caught into the 'interest trap'. It is timely important to provide appropriate solutions to overcome this national issue.

- (i) As a State owned national bank your bank has a primary responsibility to solve this issue. Do you agree? Give your comments. (05 marks)
- (ii) As a remedial action for this issue, identify and briefly explain suitable and innovative two credit products with affordable interest rates, relaxed collaterals and fair terms and conditions. (05 marks)

11. Mrs. Ayodya, a young entrepreneur and a customer of your bank, who is running a retail shop near to your branch and having satisfactory business relationship for period of 3 years is seeking a short term loan of Rs. 500 000/- as working Capital of her business.

Ayodya has not maintained her books and accounts properly and had not prepared the financial statements and prepared only an income statement to be attached with the tax forms.

You have realised that she is an efficient and hard working woman with business intelligence and one who is actively engaged personally in the day to day activities of the business.

- (i) To take a credit decision on this loan proposal, prepare a list of data and information, you should gather and pay attention to, from the branch's information systems, from her business and from the general business environment. (05 marks)
- (ii) For the purpose of minimizing the risk of the bank and stability of her business, what are the securities and conditions you propose to Ayodya? (05 marks)

Part IV
Credit Administration and Recoveries

12. (i) What is the role of Mediation Board in recovering a defaulted credit facility? (03 marks)
- (ii) What are the available remedies to your bank if settlement could not be reached at mediation Board level? (03 marks)
- (iii) What are the available opportunities and benefits for lending bankers under the Secured Transactions Act No. 49 of 2009? (04 marks)

13. A lending banker should take appropriate corrective measures on time by drawing attention to the 'early warning signals' that could be observed from the banking operations and from the business entity as well as from the deficiencies of the borrower's personal behavioural patterns.
- (i) Prepare a list of these early warning signals. (05 marks)
 - (ii) As a lending banker what methodologies you would adopt to prevent these dangers and bring up the borrower to a sound and safer position? (05 marks)
14. (i) Describe briefly the procedure you would follow in the following instances as the pawing officer of the branch.
- (a) A husband seeks to redeem the gold articles pawned by his deceased wife. (02 marks)
 - (b) before a few seconds for the auction, a pawner seeks to redeem her pawned articles on the auction time where his articles are also scheduled in the auction. (02 marks)
- (ii) "Lending against Pledge of Gold jewellery is an asset product of minimum risk and high profitability". Discuss. (06 marks)

Part V
International Banking

15. (i) A Sri Lankan Fruits importing company is planning to import pears and strawberry from Tasmania, in March 2020.
Explain the differences in the obligations placed on the exporter (supplier) when terms used is FOB Horbart incoterms 2020, instead of CIF Colombo incoterms 2020. (04 marks)
- (ii) One Australian Dollar (AUD) = USD 0.68
One Great Britain Pound (GBP) = USD 1.29
Using the above two currency rates, calculate the Cross Currency Rate of GBP:AUD. (02 marks)
- (iii) State **four** functions of SLECIC. (04 marks)
16. (i) State **two** incoterms that are applied for any mode of transport and **two** incoterms that are used only in sea and inland waterways. (04 marks)
- (ii) Write short notes on the following.
- (i) Shipping Guarantee
 - (ii) Back to Back Documentary Credit
 - (iii) Bill of lading
- (06 marks)
17. (i) Define 'Balance of Payment' and briefly explain its components. (02 marks)
- (ii) Briefly explain 'value chain finance'. (03 marks)
- (iii) Describe how your bank can provide financial support for exporters increase their foreign exchange earnings through 'value chain finance' credit facilities. (05 marks)

Part VI
Branch Operational Activities

18. "As technology entwined into customer needs, it opened opportunities that never existed in conventional banking, leading to People's Bank transforming to the digitalized era. With continued improvement in technology and the consumers increasing reliance on it, changes to delivery of People's Bank's products are likely to happen more efficiently and cost effectively....." "In spite of rapid technological advancement in the sphere of banking, people get distant from the bank due to lack of human touch and cordial relations which were evidenced among staff some times ago."

(i) Critically evaluate this statement. (05 marks)

(ii) Explain in brief your suggestions to improve customer relations among staff of the People's Bank. (05 marks)

19. Some details of the published financial information of your bank for the first half year ending 30 June 2019 and 2018 are given below.

	from 2019.01.01 to 2019.06.30	from 2018.01.01. to 2018.06.30
Net profit after tax (Rs. Billion)	5.57	7.79
Staff Expenses (Rs. Billion)	10.37	8.9
Return on Assets%	1.03	1.52
Return on Equity %	11.80	20.27
Gross NPL %	3.14	2.49
Net NPL %	1.79	1.39

Considering the above data and information give your comments on the following.

(i) profitability of the bank (02 marks)

(ii) quality of the loans and advances of the bank (02 marks)

(iii) Comments on the reasons for above (i) and (ii). (06 marks)

20. People's Bank uses internal control methodologies to manage the operational risk.

(i) State **three** operational risk areas in banking. (03 marks)

(ii) What are the internal control methodologies implemented by the bank to manage operational risk? (03 marks)

(iii) What is the objective of 'Whistle Blowing' Policy of the People's Bank? (02 marks)

(iv) Briefly explain the role, rights and responsibilities of the 'Whistle Blower' of the bank. (02 marks)

Part VII
Marketing, Management and Modern Trends in Banking

21. You are the recently appointed branch manager of a semi-urban area. The branch was suffering Rs. 10.5 million loss in previous year due to the heavy NPL and operational expenses. The head office has given Rs. 5.0 million projected target for this year and required you to submit an action plan with your strategies to achieve such target.

(i) What are the main business function/lines you should emphasize to prepare your plan? (04 marks)

(ii) Briefly explain at least **two** strategies for each business functional area. (06 marks)

22. Briefly explain the following terms.

- (i) open banking
- (ii) cloud computing
- (iii) E-onboarding and authentication
- (iv) Artificial Intelligence and big data analysis
- (v) Blockchain and Distributed Ledger Technology (DTL)

(02×5=10 marks)

23. Given below is a comment appeared on the "People's wave" section of the People's Bank website.

"Don't use this worst app. Save your money. I tried to pay a bill without knowing that option is not available in the app. Transaction was successfully done and amount also deducted from my account. When I was trying to contact someone from People's Bank, Head office I got more than two hours to contact. They were transferring my call here and there. Finally I got a chance to contract a male person. That person was saying that it's a normal thing. Money will be deducted. You have to write a letter and wait more than one week for money. How can they do this Government services are worst. This app proved it." 25-10-2019.

Another comment on

"This app I found it like very weak" 22/10/2019

Another comment on

"What kind of crazy app is this" 2/11/2019.

- (i) Briefly explain the main weaknesses of the customer service and products of you bank according to the above customer responses. (04 marks)
- (ii) What are the contributing factors of them? (02 marks)
- (iii) Suggest effective solutions for the factors in above (ii) that result in the dissatisfaction of customers. (04 marks)

* * *

Department of Examinations Sri Lanka

Department of Examinations Sri Lanka

Department of Examinations Sri Lanka

Department of Examinations Sri Lanka