

ELEMENTS OF FINANCE I

Syllabus

Full Marks: 100

Teaching Hrs: 150

I. INTRODUCTION

Finance is an emerging discipline. Traditionally finance was concerned with financial instruments and institutions only. But, the scope of finance has now been expanded to encompass areas like mathematics, statistics, working capital management, financial analysis, risk, insurance, and multinational finance. The role of finance in company's success has become paramount as all business decisions and activities of a business have financial implications. As such Finance as a subject has found a prominent place as one of the functional areas of commerce education at the higher secondary level.

II. GENERAL OBJECTIVES

General objectives of this course are to enable the students to understand concepts and principle of elementary finance as foundation for higher level education and to impart skills required for understanding financial market and institutions, corporate finance and insurance.

III. SPECIFIC OBJECTIVES

On completion of this course, the student shall be able to:

- describe the meaning and scope of business finance;
- explain the functions, types, role and importance of financial institutions and financial markets;
- discuss and determine the various types of financial assets;
- learn the basic concept of interest and discounting factors. Involved in finance;
- explain the concept and types of risk of insurance;

IV. CONTENTS AND UNIT-WISE TEACHING HOURS

Units	Chapters	Teaching Hours
1	Overview of Finance	10
2	Financial Markets	10
3	Financial Institutions	20
4	Financial Assets	15
5	Interest	15
6	Present Value and Discounting Technique I	15
7	Present Value and Discounting Technique II	15
8	Risk and Insurance	20
9	Life Insurance	15
10	Non-life Insurance	15
	Total	150

V. COURSE CONTENT

UNIT 1 : OVERVIEW OF FINANCE

Concept and importance of finance; Relationship of finance with economics and accountancy; Scope of finance: investments, corporate finance, financial institutions and markets.

UNIT 2 : FINANCIAL MARKETS

Concept; Types of financial markets: money and capital, primary and secondary markets; Financial intermediaries: deposit institutions, insurance companies other financial institutions; investment bankers, mortgage bankers; the secondary market: organized exchanges and over-the-counter market.

UNIT 3 : FINANCIAL INSTITUTIONS

Introduction and types of financial institutions, role of financial institution in financial markets; Introduction, functions and role of central bank; Commercial bank; Development bank and other financial institutions: finance companies, finance cooperatives, mutual funds, pension and provident fund.

UNIT 4 : FINANCIAL ASSETS

Real vs. financial assets; Meaning and characteristics of financial assets; Instruments of financial assets: long-term vs. short-term, ownership vs. creditorship and fixed vs. variable instruments; Types of long-term instruments: common stock, preferred stock and bonds; Concept of par value, book value and market value of long term instruments and computation of book value of common stock; Types and uses of short term instruments: treasury bill, bankers acceptance, commercial paper, promissory notes, bill of exchange, letter of credit, mutual funds, Tele-banking Instruments. ATM, Debit Card, Credit Card and electronic transfer

UNIT 5 : INTEREST

Concept of interest; Nominal and real rate of interest, periodic and effective rate of interest, riskfree rate of interest; Determinants of interest rate: inflation premium, default premium, maturity premium, liquidity premium; Computation of interest rates.

UNIT 6 : PRESENT VALUE AND DISCOUNTING TECHNIQUE I

Future value and compounding: investing for a single period, investing for more than one period. Present value and discounting: the single-period case, the multi-periods case, Loan amortization.

UNIT 7 : PRESENT VALUE AND DISCOUNTING TECHNIQUE II

Concept of cash flows : Even and uneven, timing of cash flows. Future and present values of multiple cash flows: future value with multiple cash flows present value with multiple cash flows. Annuities and perpetuities: present values for annuity cash flows, future values for annuities, annuities due, perpetuities.

UNIT 8 : RISK AND INSURANCE

Risk: concept, nature, cost & management. Concept and evolution of insurance; Functions of insurance; Benefits of insurance; Nature of insurable risks; Principle of insurance; Features of insurance contract; Meaning, objectives and methods of reinsurance.

UNIT 9 : LIFE INSURANCE

Concept and importance of life insurance; Elements of life insurance contract; Procedures of affecting life insurance policy; Role of agents; Computation of life insurance premium; Types of life insurance;

UNIT 10 : NON-LIFE INSURANCE

Concept of non life insurance; Concept and importance, types of policy and procedures;

VI. INSTRUCTIONAL PROCEDURES

- Lecture and discussion
- Case observation
- Field Visit
- Library Assignment
- Project Work
- Group and Individual Work
- Presentation

VII. ASSESSMENT TECHNIQUES

Written Examination 100 (100%)

Evaluation Scheme

Units	Title	Number of Question			Marks allocated		
		Th.	Pr.	Tot	Th.	Pr.	Tot
1	Overview of Finance	1	—	1	5	—	5
2	Financial Markets	1	—	1	5	—	5
3	Financial Institutions	2	—	2	15	—	15
4	Financial Assets	1	1	2	5	5	10
5	Interest	—	1	1	—	10	10
6	Present Value and Discounting Technique I	—	1	1	—	10	10
7	Present Value and Discounting Technique II	—	1	1	—	10	10
8	Risk and Insurance	2	—	2	15	—	15
9	Life Insurance	1	1	2	5	5	10
10	Non-life Insurance	1	—	1	10	—	10
Total		9	5	14	60	40	100

Note: Some question may combine theory and computational problems.

Prescribed reference books

1. Brigham, Eugene F. *Fundamental of Financial Management*. Chicago: The Dryden Press
2. Dahal, Bhuwan and Sarita Dahal. *A Handbook of Banking*. Kathmandu: Asmita Books Publishers and Distributors
3. Joshi, Padam Raj. *Adharbhat Bittiya Byawasthapan*. Kathmandu. Asmita Books Publishers and Distributors
4. Joshi, Shyam and Adhikari, Shivahari. *Byabasthapan Ka Lagi Bitta Sastra*. Kathmandu Taleju Prakashan..
5. Manandhar, Kamal Dass et.al. *Fundamental of Financial Management*. Kathmandu: Khanal Books and Stationery.
6. Panda G.S., *Principle and Practice of Insurance*. Ludhiana: Kalyani Publishers.
7. Paudel, Rajan B., Keshar J. Baral, Rishi R. Gautam, Gyan B. Dahal and Surya B. Rana. (2005). *Fundamentals of Financial Management*. Kathmandu: Asmita Books Publishers & Distributors.
8. Rejda, George E. *Principles of Risk Management & Insurance*. Pearson, Delhi.
9. Shrestha, M.K., et.al. *Fundamental Principles of Financial Management*. Taleju Prakashan. Kathmandu.
10. Shrestha, Madhusudan. *Fundamental of Banking*. Buddha Academic & Publishers. Kathmandu.
11. Pradhan, Radheshyam & Kathiwada RudraMani. *Bitta Byabasthapan*. Kathmandu: Buddha Academic Enterprises Pvt. Ltd. Educational Publishers & Distributors.

Model Questions

Time: 3hrs

Full Marks: 100

Candidates are required to give their answers in their own words as far as practicable The figures in the margin indicate full marks.

All questions are compulsory.

1. Define finance. State its relationship with Economics. [2+3]
2. Write the meaning of financial intermediary. Briefly write the types of financial intermediaries present in Nepal. [2+3]

3. Write about the role of financial institution in Financial Market. [5]
 4. What is a Commercial Bank? What are its major functions? [4+6]
 5. Write short notes on: [2.5+2.5 = 5]
 (a) Treasury bills (b) Bills of exchange

6. The balance sheet of a company as on 31st December, 2008 is given below.

Liabilities & Capital	Rs.	Assets	Rs.
Current Liabilities	10,00,000	Current Assets	35,00,000
Long Term Bank Loan	40,00,000	Fixed Assets	65,00,000
20,000 Common Shares	20,00,000		
Retained Earnings	30,00,000		
Total	1,00,00,000	Total	1,00,00,000

Find out: (a) The book value of company (b) The book value per share [3+2]

Ans: (a) Rs. 100,00,000 (b) Rs. 250

7. (a) A Treasury bond that matures in 10 years has a yield of 6 percent. A 10 year corporate bond has a yield of 8 percent. Assume that the liquidity premium on the corporate bond is 0.5 percent. What is the default risk premium on the corporate bond?
 (b) The real risk-free rate is 3 percent and inflation is expected to be 3 percent for the next 2 years. A 2-year treasury security yields 6.2 percent. What is the maturity risk premium for the 2-year security? [5+5=10]
Ans: (a) 1.5% (b) 0.2%
8. (a) Find out the present value of Rs. 5,550 due in 3 years at a discount rate of 6 percent.
 (b) Find out the future value of an initial Rs. 10,000 compounded for 2 years at 8 percent.
 (c) You approach Nepal Bank Limited for a term loan of Rs. 500,000. The bank agrees to give the loan to be fully amortized in a period of 5 years at 10 percent, annual payment. Calculate the size of each installment. [2.5+2.5+5=10]
Ans: (a) Rs. 4,618 (b) Rs. 11,664 (c) Rs. 1,31,898.20

9. Following are the cash flow streams of investment proposals X and Y

Cash Flow Streams		
Year	X	Y
1	Rs. 10,000	Rs. 20,000
2	Rs. 10,000	Rs. 15,000
3	Rs. 10,000	Rs. 10,000
4	Rs. 10,000	Rs. 5,000

- (a) What is the present value of cash flow stream from proposal X if the discount rate is 8 percent?
 (b) What is the future value of cash flow stream from proposal Y if appropriate compound rate is 9 percent? [5+5]
Ans: (a) Rs. 33,121 (b) Rs. 59,621.50
10. What is meant by Risk? Write about the important types of Pure Risk [3+4]
 11. Write the meaning of insurance. What are its principles? [3+5]
 12. What are the essential elements of Life Insurance Contract? [5]
 13. Ms. Sangeeta is willing to pay one year life policy of Rs. 3,00,000 from Rastriya Beema Sansthan. She is now 30 years old. Assume the probability that a person's age 30 years will die during the year is 0.6 percent and the cost of money is 8%. What is the fair amount of premium Ms. Sangeeta must pay for this policy? [5]
Ans: Rs. 1,666.67
14. Discuss the important types of Non-life insurance and state their contribution in business. [10]

1. Overview of Finance

1. 2072 Q.No. 1 [5]
Write in brief the importance of finance.
वित्तशास्त्रको महत्व छोटकरीमा लेख्नुहोस् ।
2. 2072 Set E Q.No. 1 [5]
Define finance. Write in brief the scope of finance.
वित्तशास्त्रको परिभाषा दिनुहोस् । वित्तशास्त्रको क्षेत्रलाई छोटकरीमा लेख्नुहोस् ।
3. 2071 Q.No. 1 [2.5+2.5]
What do you mean by finance? How is finance related with economics?
वित्त भन्नाले के बुझ्नु हुन्छ ? अर्थशास्त्रसँग वित्त कति सम्बन्धित छ ?
4. 2070 Supp Q.No. 1 [5]
Write in brief about the scope of finance.
वित्तशास्त्रको क्षेत्रबारेमा छोटकरीमा लेख्नुहोस् ।
5. 2070 Q.No. 1 [5]
Write in brief about the importance of finance.
वित्तशास्त्रको महत्वबारे छोटकरीमा लेख्नुहोस् ।
6. 2069 Supp Q.No. 1 [3+2=5]
Write the meaning of finance? How finance is related to accountancy?
वित्तको अर्थ लेख्नुहोस् । वित्त कसरी लेखाशास्त्रसँग सम्बन्धित छ ? लेख्नुहोस् ।
7. 2069 Q.No. 1 [5]
Define finance. Describe in brief the scope of finance.
वित्तशास्त्रलाई परिभाषित गर्नुहोस् । वित्तशास्त्रको क्षेत्रलाई छोटकरीमा वर्णन गर्नुहोस् ।
8. 2068 Q.No. 1 [5]
Write in brief about the importance of Finance.
वित्तको महत्वबारे छोटकरीमा लेख्नुहोस् ।
9. 2067 Sup. Q.No. 1 [5]
State the relationship of finance with Accounting and Economics.
वित्तको लेखाविधि र अर्थशास्त्रसँगको सम्बन्धबारे वर्णन गर्नुहोस् ।
10. 2067 Q.No. 1 [5]
What is finance? Write its relationship with accountancy.
वित्त के हो ? लेखाशास्त्रसँग यसको सम्बन्ध लेख्नुहोस् ।
11. 2066 Q.No. 1 [5]
Why is finance important for successful operation of a business? Explain in brief.
व्यवसायको सफल संचालनका लागि वित्त किन महत्वपूर्ण छ ? छोटकरीमा वर्णन गर्नुहोस् ।

2. Financial Markets

1. 2072 Q.No. 2 [5]
Differentiate between money market and capital market.
मुद्रा बजार र पूँजी बजारको बीचमा भिन्नता दर्शाउनुहोस् ।
2. 2072 Set E Q.No. 2 [5]
Differentiate between primary market and secondary market.
प्राथमिक बजार र दोस्रो बजारको बीचमा भिन्नता दर्शाउनुहोस् ।
3. 2071 Q.No. 2 [2+3]
Write in brief the meaning of capital market? Write its any three differences with the money market.
पूँजी बजारको अर्थ छोटकरीमा लेख्नुहोस् । मुद्रा बजारसँग यसको कुनै तीन भिन्नताहरू लेख्नुहोस् ।
4. 2070 Supp Q.No. 2 [5]
Differentiate between 'Money Market' and 'Capital Market'.
'मुद्रा बजार' र 'पूँजी बजार'मा भिन्नता छुट्याउनुहोस् ।

5. 2070 Q.No. 2

What do you understand by financial intermediary? Differentiate between Deposit and Non-depository institution. [2.5+2.5]

वित्तीय मध्यस्थकर्ता भन्नाले के बुझ्नुहुन्छ ? निक्षेप र गैर-निक्षेप संस्थाका बीचमा भिन्नता छुट्याउनुहोस् ।

6. 2069 Supp Q.No. 2

What is financial market? Differentiate between primary and secondary market. [5]

वित्तीय बजार भन्नाले के बुझ्नु हुन्छ ? प्राथमिक र दोश्रो बजारका भिन्नता छुट्याउनुहोस् ।

7. 2069 Q.No. 2

What do you understand by Primary Market? Explain any four points that differentiate it with secondary market. [5]

प्राथमिक बजार भन्नाले के बुझ्नुहुन्छ ? यसलाई सहायक बजारसँग फरक देखाउने कुनै चार बुँदाहरू उल्लेख गर्नुहोस् ।

8. 2068 Q.No. 2

What do you understand by money market? Write its any two differences with the capital market. [3+2]

मुद्रा बजार भन्नाले के बुझ्नुहुन्छ ? पूँजी बजारसँग यसको कुनै दुई भिन्नतावारे लेख्नुहोस् ।

9. 2067 Supp. Q.No. 2

Write the meaning of financial intermediaries and mention the name of financial intermediaries. [2+3]

वित्तीय मध्यस्थकर्ताको अर्थ लेख्नुहोस् साथै प्रमुख वित्तीय मध्यस्थकर्ताको नाम उल्लेख गर्नुहोस् ।

10. 2067 Q.No. 2

Explain about various types of financial markets. [2+3]

विभिन्न प्रकारका वित्तीय बजारको बारेमा बयान गर्नुहोस् ।

11. 2066 Q.No. 2

What is financial market? Explain how financial market helps transferring funds from savers to business firms. [2+3]

वित्तीय बजार भनेको के हो ? वित्तीय बजारले बचतकर्ताबाट व्यावसायिक फर्ममा पूँजी हस्तान्तरण गर्ने तरिकाहरूको वर्णन गर्नुहोस् ।

3. Financial Institutions

1. 2072 Q.No. 3

What do you mean by financial institutions? Write in brief the methods of funds transfer from savers to users. [7]

वित्तीय संस्थाहरू भन्नाले के बुझ्नुहुन्छ ? बचतकर्ताबाट प्रयोगकर्तामा कोषको हस्तान्तरण हुने तरिकाहरू छोटकरीमा लेख्नुहोस् ।

2. 2072 Q.No. 4

Explain the functions of central bank. [8]

केन्द्रीय बैंकका कार्यहरू वर्णन गर्नुहोस् ।

3. 2072 Set E Q.No. 3

Write in brief about the role of financial institutions in financial market. [7]

वित्त बजारमा वित्तीय संस्थाहरूको भूमिकावारे छोटकरीमा लेख्नुहोस् ।

4. 2072 Set E Q.No. 4

What do you understand by mutual fund? State the functions of mutual funds. [8]

पारस्परिक कोष भन्नाले के बुझ्नुहुन्छ ? पारस्परिक कोषका कार्यहरू उल्लेख गर्नुहोस् ।

5. 2071 Q.No. 3

How are financial Institutions different from other non-financial institutions? How financial institutions help in transferring funds from savers to the business firm? Describe. [3+4]

वित्तीय संस्थाहरू अन्य गैर वित्तीय संस्थाहरूसँग कति फरक छन् ? वित्तीय संस्थाहरूले बचतकर्ताहरूबाट व्यावसायिक फर्ममा कोष हस्तान्तरणमा कसरी सहयोग गर्दछन् ? लेख्नुहोस् ।

6. 2071 Q.No. 4

Write the meaning of finance co-operatives? Write any four functions of finance co-operatives. [3+5]

वित्त सहकारीको अर्थ लेख्नुहोस् । वित्त सहकारीका कुनै चार कार्यहरू लेख्नुहोस् ।

7. 2070 Supp Q.No. 3
What do you understand by finance company and finance co-operative? Write in brief. [6]
वित्त कम्पनी र वित्त सहकारी संस्था भन्नाले के बुझ्नुहुन्छ? लेख्नुहोस् ।
8. 2070 Supp Q.No. 4
What do you mean by Development Bank? Briefly write its various functions. [3+6=9]
विकास बैंक भन्नाले के बुझ्नुहुन्छ? यसका विभिन्न कार्यहरू छोटकरीमा लेख्नुहोस् ।
9. 2070 Q.No. 3
Write the meaning of Mutual Fund and Provident Fund. [6]
पारस्परिक कोष र संचय कोषको अर्थ लेख्नुहोस् ।
10. 2070 Q.No. 4
State the meaning of Commercial Bank. Describe its main functions. [3+6]
वाणिज्य बैंकको अर्थ लेख्नुहोस् । यसका मुख्य कार्यहरू वर्णन गर्नुहोस् ।
11. 2069 Supp Q.No. 3
Briefly write the functions of modern Commercial bank. [8]
आधुनिक वाणिज्य बैंकका कार्यहरू छोटकरीमा लेख्नुहोस् ।
12. 2069 Supp Q.No. 4
Write the role of financial institution in the growth of financial market in Nepal. [7]
नेपालमा वित्तीय बजारको विकासमा वित्तीय संस्थाहरूले गरेको योगदानबारे लेख्नुहोस् ।
13. 2069 Q.No. 3
State the meaning of Finance Institution. Explain the role of financial institutions in financial market. [7]
वित्तीय संस्थाको अर्थ उल्लेख गर्नुहोस् । वित्त बजारमा वित्तीय संस्थाको भूमिका वर्णन गर्नुहोस् ।
14. 2069 Q.No. 4
What do you understand by 'Central Bank'? Write its functions in brief. [8]
केन्द्रीय बैंक भन्नाले के बुझ्नुहुन्छ? यसका कार्यहरू छोटकरीमा लेख्नुहोस् ।
15. 2068 Q.No. 3
Write the meaning of Financial Institution. Also enumerate the different types of Financial Institution. [7]
वित्तीय संस्थाका विभिन्न प्रकारहरू उल्लेखगरी वित्तीय संस्थाको अर्थ लेख्नुहोस् ।
16. 2068 Q.No. 4
Define Development Bank. What are its main functions? [3+5]
विकास बैंकलाई परिभाषित गर्नुहोस् । यसका मुख्य कार्यहरू के-के हुन्?
17. 2067 Sup. Q.No. 3
What do you understand by commercial bank? Mention any three main functions of commercial bank. [2+3]
वाणिज्य बैंक भन्नाले के बुझ्नुहुन्छ? यसका कुनै तीन प्रमुख कार्यहरू उल्लेख गर्नुहोस् ।
18. 2067 Sup. Q.No. 4
Write the meaning of financial institutions. State its main functions. [3+7]
वित्त कम्पनीको अर्थ लेख्नुहोस् । यसको मुख्य कार्यहरू वर्णन गर्नुहोस् ।
19. 2067 Q.No. 3
Show the role of financial institutions in financial market. [5]
वित्तीय बजारमा वित्तीय संस्थाहरूको भूमिकाको बारेमा लेख्नुहोस् ।
20. 2067 Q.No. 5
What is a development bank? Write briefly about its major functions. [10]
विकास बैंक के हो? विकास बैंकका मुख्य कार्यहरूको छोटकरीमा लेख्नुहोस् ।
21. 2066 Q.No. 3
Explain the main functions of Nepal Rastra Bank. [8]
नेपाल राष्ट्र बैंकको मुख्य-मुख्य कार्यहरूको वर्णन गर्नुहोस् ।
22. 2066 Q.No. 4
Write different types of financial institutions operating in Nepal. [7]
नेपालमा संचालन भएका विभिन्न प्रकारका वित्तीय संस्थाहरूको बारेमा लेख्नुहोस् ।

4. Financial Assets

Theoretical Questions

1. 2072 Q.No. 5

Write in brief the characteristics of financial assets.

वित्तीय सम्पत्तिहरूका विशेषताहरू छोटकरीमा लेख्नुहोस् ।

[5]

2. 2072 Set E Q.No. 5

Write about different types of Bonds.

ऋणपत्रका विभिन्न प्रकारको बारेमा लेख्नुहोस् ।

[5]

3. 2071 Q.No. 5

What do you understand by financial assets? Enumerate the different types of government securities.

[2+3]

वित्तीय सम्पत्तिहरू भन्नाले के बुझ्नुहुन्छ ? विभिन्न प्रकारका सरकारी प्रतिभूतिहरू उल्लेख गर्नुहोस् ।

4. 2070 Supp Q.No. 5

On the basis of Issuer, describe various types of instruments of financial assets.

[5]

निष्कासनकर्ताको आधारमा विभिन्न वित्तीय सम्पत्तिका उपकरणहरूको वर्णन गर्नुहोस् ।

5. 2070 Q.No. 5

Write the meaning of real and financial assets. Mention any two differences between real and financial assets.

[3+2]

वास्तविक र वित्तीय सम्पत्तिको अर्थ लेख्नुहोस् । वास्तविक र वित्तीय सम्पत्तिको कुनै दुई भिन्नताहरू उल्लेख गर्नुहोस् ।

6. 2069 Supp Q.No. 5

What do you mean by Tele-banking instruments? State its any three features.

[2+3=5]

टेलि बैंकिङ साधन भन्नाले के बुझ्नु हुन्छ ? यसका कुनै तीन विशेषताहरू उल्लेख गर्नुहोस् ।

7. 2069 Q.No. 5

Write in brief about the features of financial assets.

[8]

वित्तीय सम्पत्तिका विशेषताहरू छोटकरीमा लेख्नुहोस् ।

8. 2068 Q.No. 5

Differentiate between long term and short term securities with their meaning.

[5]

अर्थसहित दीर्घकालीन प्रतिभूति र अल्पकालीन प्रतिभूतिका बीचमा भिन्नता छुट्याउनुहोस् ।

9. 2067 Sup. Q.No. 5

Differentiate between real assets and financial assets.

[5]

वास्तविक सम्पत्ति र वित्तीय सम्पत्तिको बीचमा भिन्नता छुट्याउनुहोस् ।

10. 2067 Q.No. 4

Differentiate between common stock and bond.

[5]

साधारण अंशपत्र (Common stock) र ऋण पत्र (Bond) को भिन्नता उल्लेख गर्नुहोस् ।

11. 2066 Q.No. 5

What do you understand by financial assets? Enumerate its characteristics.

[5]

वित्तीय सम्पत्ति भन्नाले के बुझ्नुहुन्छ ? यसका विशेषताहरू उल्लेख गर्नुहोस् ।

Numerical Problems

12. 2072 Q.No. 7

The balance sheet of a company at the end of Chaitra 2070 is given below:

	Rs.		Rs.
Current assets	Rs.8,00,000	Account payable	Rs.2,50,000
Fixed assets	24,00,000	Notes payable	1,50,000
		Long term debt	5,00,000
		Common shares	20,00,000
		(Authorised-30,000 shares, Issued-20,000 shares)	
		Share premium	2,00,000
		Retained earnings	1,00,000
Total assets	Rs.32,00,000	Total Liabilities & Equity	Rs.32,00,000

Required:

- Book value per share
- If remaining authorised shares were sold at Rs.125 per share, calculate the book value per share.

[5]

Ans: (a) Rs. 115 (b) Rs. 118.33**13. 2072 Set E Q.No. 7**

The liabilities side of balance sheet of a company at the end of Chaitra 2070 is given below.

Accounts payable	Rs. 1,50,000
Notes payable	Rs. 1,00,000
Long-term loans	Rs. 4,00,000
Common shares	
Authorised: 50,000 and Issued: 30,000)	Rs. 30,00,000
Share premium	Rs. 6,00,000
Retained earnings	Rs. 2,50,000
Total liabilities & Equity	Rs. 45,00,000

Required:

- Book value per share
- If remaining authorised shares were sold at Rs. 140 per share, calculate book value per share.

[5]

Ans: (i) Rs. 128.33 (ii) Rs. 133**14. 2071 Q.No. 6**

Following information are provided:

Common Stock, Rs. 100 par value	Rs. 6,00,000
Share premium	Rs. 2,00,000
Retained earnings	Rs. 4,00,000
Common equity	Rs. 12,00,000
Less treasury stock, 1,500 Shares	Rs. 1,50,000
Net common equity	Rs. 10,50,000

Required:

- Number of shares outstanding
- Book value per share

[2+3]

Ans: (i) 4,500 shares (ii) Rs. 233.33**15. 2070 Supp Q.No. 6**

Following information are given:

Particulars	Debit (Rs.)	Credit (Rs.)
Accounts Payable		2,00,000
Long term debt		3,00,000
Common share, Rs. 100 per share		3,00,000
Profit and loss a/c	30,000	
Fixed assets	5,00,000	
Accounts receivable	2,70,000	

Required:

- Number of outstanding shares
- Book value per share
- New book value per share if 1,000 newly common shares are issued.

[1+2+2=5]

Ans: (i) 3,000 Shares (ii) Rs. 90 (iii) Rs. 92.50**16. 2070 Q.No. 6**

The capital and liabilities of a company are as under.

Creditors	Rs. 1,50,000
Bills payable	Rs. 1,00,000
10% debentures	Rs. 2,00,000
Common Shares of Rs. 100 each: Authorized capital 5,000 shares, issued capital 3,000 shares	
Retained Earning Rs. 60,000	

Required:

[3+2]

- Book value per share
- Book value per share if the remaining shares are issued

Ans: (i) Rs. 120 (ii) Rs. 112**17. 2069 Supp Q.No. 6**

The liabilities side of Koshi Metal Craft Pvt. Ltd. Consists of the following:

[5]

Accounts payable	Rs. 200,000
Notes payable	Rs. 400,000
Long term debt	Rs. 600,000
Common stock (50,000 authorized shares 25,000 shares outstanding)	Rs 800,000
Retained earnings	<u>Rs. 10,00,000</u>
Total Liabilities and Equities	Rs. 30,00,000

Required:

- Book value per share of common stock.
- Book value per share if the firm sold 50% of oremaining authorized shared and netted Rs. 40 per share.

Ans: (i) Rs. 72 (ii) Rs. 61.33**18. 2069 Q.No. 6**

Following information are provided:

Authorized shares	10,000 shares
Issued common shares	[5],000 shares
Par value	Rs. 100 per shares
Share premium	Rs. 3,00,000
Retained earnings	Rs. 2,00,000
Treasury stock 1,000 shares, Rs. 100 each	

Required: (a) Number of outstanding shares (b) Book value per share

[5]

Ans: (a) 4,000 shares (b) Rs 225**19. 2068 Q.No. 6**

Following information are provided:

Issued capital	10,000 common stock
Issued price	Rs. 100
Par value	Rs. 50
Treasury stock	2,000 shares @ Rs. 50 each
Retained earning	Rs. 1,00,000

Required: Book value per share.

[5]

Ans: Rs 125**20. 2067 Sup. Q.No. 6**

Following information are provided:

Issued capital	[5],000 shares of Rs. 100 per share
Retained earning	Rs. 200,000
Treasury stock	Rs. 100,000
Share premium	Rs. 200,000

Required: (a) Equity shareholder's fund (b) Book value per share

[5]

Ans: (a) Rs 800,000 (b) Rs 200**21. 2067 Q.No. 6**

The following balance sheet of ABC Co. as on 31st December 2007 is given below:

Liabilities	Rs.	Assets	Rs.
Current liabilities	2,00,000	Current assets	8,00,000
Long-term debt	8,00,000	Fixed assets	12,00,000
Common stock (20,000 shares)	3,00,000		
Retained earnings	7,00,000		
	20,00,000		20,00,000

Required: Calculate (i) Book value of ABC Company (ii) Book value per share [3+2]

Ans: (i) Rs. 20,00,000 (ii) Rs. 50

22. 2066 Q.No. 6

The liabilities side of balance sheet of Koshi Metal Company consists of the following:

Accounts payable	Rs. 1,00,000
Notes payable	Rs. 2,00,000
Long-term debt	Rs. 3,00,000
Common stock (50,000 shares authorised, 25,000 shares outstanding)	Rs. 4,00,000
Retained earnings	Rs. 5,00,000
Total liabilities and equity	Rs. 15,00,000

Required: Calculate:

- The book value per share of Co.'s common stock?
- Suppose the Co. show the remaining authorized shares and netted Rs. 30 per share from the sale. What would be the new book value per shares? [5]

Ans: (a) Rs. 36 (b) Rs. 33

5. Interest

1. 2072 Q.No. 6

The yield on 4-year Treasury Securities are currently 10% and that on 6-year Treasury securities are 14%. If expectation theory holds true, what does the market believe that 2-year securities will be yielding 4 years from now? [10]

Ans: 22%

2. 2072 Set E Q.No. 6

The real risk free rate is 2%. The expected rate of inflation is year 1 in 4% and that in year 2 is 5% and thereafter 7%. If the yield on 4 year Treasury Securities is 9.5%, what is the maturity risk premium for 4 year Treasury Securities? [10]

Ans: MRP₄ = 1.75%

3. 2072 Set E Q.No. 8

The rate of inflation for different years are as under:

Year	1	2	3	4
Rate percent	4%	6%	8%	10%

The real risk free rate is 3%. Assume that no maturity risk premiums are required on bonds with 5 years or less to maturity. The current interest rate on 5 year treasury bond is 12%.

Required:

[4+3+3]

- Average expected inflation premium over the next 4 years.
- Prevailing interest rate on 4 year Treasury bond
- Expected inflation rate of bonds in 5th year.

Ans: IP₄ = 7%, K₄ = 10%, I₅ = 17%

4. 2071 Q.No. 7

Following information is provided:

The real risk free rate is 3%. The rates of expected inflation each year from 1 through 6 are:

Year	1	2	3	4	5	6
Rate of inflation	5%	6%	7%	8%	10%	12%

The maturity risk premium on bonds with 5 years or less to maturity is nil. The current interest rate on 6 years treasury bond is 12%.

Required:

- Average expected inflation premium over next 5 years.
- Interest rate on 5 years treasury bonds.
- Maturity risk premium on 6 years treasury bonds

[3+3+4=10]

Ans: (i) 7.2% (ii) 10.2% (iii) 1%

5. 2070 Supp Q.No. 7

The inflation rate for four different years are as under:

Years	1	2	3	4
Inflation rate	5%	7%	9%	11%

The real risk free rate is 7%. Assume that no risk premiums are required on bonds having 5 years or less to maturity.

Required:

- Average expected inflation premium rate for each year.
- Interest rate on four year treasury bond.
- Inflation rate in year 5, if interest rate is 15%.

[2+3+5=10]

Ans: (i) 5%, 6%, 7%, 8% (ii) 15% (iii) 8%

6. 2070 Q.No. 7

A firm borrowed Rs. 50,000 from a finance company for a period of two years. The annual interest rate is 16%.

Required: Period Interest Rate and effective interest rate, if interests are paid.

- Half yearly
- Quarterly

[2.5 × 4 = 10]

Ans: (i) 8% and 16.64% (ii) 4% and 16.99%

7. 2069 Supp Q.No. 7

The following data are provided for a given bond.

[10]

Real risk free rate (k^*)	= 3%	Inflation premium	= 8%
Default Risk Premium	= 2%	Liquidity Risk Premium	= 2%
Maturity Risk Premium	= 1%		

- What is the nominal risk free rate K_{rf} ?
- What is the interest rate on longterm t-bond of the relevant maturity?
- What is the interest rate on corporate bond of the relevant maturity?

Ans: (a) 11% (b) 14% (c) 16%

8. 2069 Q.No. 7

The real risk-free rate is 3%. Inflation is expected to be 5% in first year, 6% in the second year, and 8% in the third year. Assume that the maturity risk premium is zero.

Required:

- Interest rate on 2-year Treasury Securities
- Interest rate on 3-year Treasury Securities
- Inflation rate expected in year 4 if average interest rate on 4-year Treasury Securities is 10%.

[3+3+4]

Ans: (a) 8.5% (b) 9.33% (c) 9%

9. 2068 Q.No. 7

The real risk free rate is 4%. The maturity risk premium rate on bonds with 5 years or less to maturity is nil. The current interest rate on 5 years treasury bill is 14%. The rates of inflation each year from year 1 to 4 are:

Years	1	2	3	4
Rate of inflation	6%	8%	10%	12%

Required:

- Average expected inflation premium over the next 4 years.
- Interest rate on 4 year treasury bonds.
- Expected inflation rate in year 5 if the bonds mature in year 5, yield 14%.

[3+3+4]

Ans: (a) 9% (b) 13% (c) 14%

10. 2067 Supp. Q.No. 7

The following information are given:

Real risk free rate: 3%

Expected inflection:

Year 1 : 7%; Year 2 : 6% Year 3 : 5% Year 4 : 4%

All treasury bonds are free of default risk. If both 2 years and 4 years treasury bond yield 10%, calculate:

- (a) Maturity premium on 2 years bond.
(b) Maturity premium on 4 years bond.

[4+6]

Ans: (a) 0.5% (b) 1.5%

11. 2067 Q.No. 7

The real risk free rate of interest is 5 percent. Inflation is expected to be 3 percent during this year and 5 percent in the next 2 years. The maturity risk premium rate is zero.

Required: Calculate:

[5+5]

- (i) The yield on 2 year Treasury securities
(ii) The yield on 3 year Treasury securities

Ans: (i) 9% (ii) 9.33%

12. 2066 Q.No. 7

The Real risk free rate of interest is 2%. Inflation is expected to be 3% the next two year and 5% during the next three years after that. Assume the maturity risk premium is zero.

Required: Calculate:

- (i) Yield on 3-year Treasury Security?
(ii) Yield on 5-year Treasury Security?

[10]

Ans: (a) 5.67% (b) 6.2%

6. Present Value and Discounting Technique I

1. 2072 Q.No. 8

You are considering to borrow Rs.10,00,000 from bank to purchase a car. As per the loan agreement, you have to pay back the loan in five equal installments annually with 12% interest per annum.

Required:

[10]

- a) Annual amount of installments
b) Portion of principal payment and interest payment at the end of fourth year.

Ans: (a) Rs. 277,407.91- PMT (b) Principle 80% and Interest 20%

2. 2071 Q.No. 8

- i. Assume that you deposited Rs. 1,00,000 today in a bank account that pays 8 percent interest annually. How much money will you have in 6 years in your bank account? [5]
ii. Which amount is worth more: Rs. 2,000 in hand today or Rs. 4,000 due in 3 years at 14 percent discount rate? [5]

Ans: (i) FV = Rs. 158,687.43 (ii) PV of Rs. 2,000 is Rs. 1,822.35 (i.e. Rs. 2,000 in hand today is worth more because PV of Rs. 2,000 is greater than PV of Rs. 4,000 due in 6 years.)

3. 2070 Supp Q.No. 8

A person borrowed Rs 3,00,000 for the purchase of a machine. The loan has to repay in three equal installments at the end of each year. The bank charges 15% interest on the balance outstanding at the beginning of each year.

Required:

- i. Annual amount of installment
ii. Loan amortization schedule

[5+5=10]

Ans: (i) Rs. 131,394.53 (ii) Repayment of principal Rs. 86,394.53, Rs. 99,353.71, Rs. 114,256.77

4. 2070 Q.No. 8

- a. For receiving Rs. 2,00,000 in 2 years, at a 10% discount, how much amount should be deposited today? [3]
b. How long time will it take to double Rs. 1,00,000 if it is deposited at 10% discount rate? [3]
c. If today Rs. 2,00,000 is deposited at 10% interest per annum, how much it will be in 5 years. [4]

Ans: (a) Rs. 165,289 (b) 7.27 years (c) Rs 322,102

5. 2069 Supp Q.No. 8

- a. A person deposited Rs. 50,00 today in bank account. The bank pays 12% interest annually. If it remaining undrawn for next 7 years, how much money will be in his account at the end of 7th year? [5]
- b. You need Rs. 75,264 two years from now to Join University. If a fixed deposit offers 12% annual interest, how much you have to deposit today in the account to get Rs. 75,264 two years from now? [5]

Ans: (a) Rs. 110,534 (b) Rs. 60,000**6. 2069 Q.No. 8**

Rs. 5,00,000 is required for the purchase of a car for five years. The loan bears an annual interest of 12% and calls for a five equal annual installment payment at the end of each year.

Required:

- a. Annual amount of installment
- b. Portion of payment made at the end of fourth year showing interest and principal. [10]

Ans: (a) Rs 138,703.95 (b) 20.28% and 79.72%**7. 2068 Q.No. 8**

(a) Today a person deposited Rs. 1,00,000 in the bank. The bank pays 10% interest. If deposit remains undrawn for next 5 years, how much will he have at the end of 5 years?

(b) You have been given the following two choices:

(i) Rs. 1,00,000 giving at present.

(ii) Rs. 1,20,000 giving after 2 years.

If discount rate is (i) 10% and (ii) 0% which alternative would you select and why? [5+5]

Ans: (a) Rs 161,050 (b) PV = Rs 99,173.55 and Rs 120,000**8. 2067 Supp. Q.No. 8**

A person is receiving Rs. 100,000 after 5 years. The nominal interest rate is 10%. Find out the present value of Rs. 100,000 in following cases.

(i) Half-yearly compounding

(ii) Quarterly compounding

[10]

Ans: (a) Rs 61,391.12 (b) Rs 61,027.71**9. 2067 Q.No. 8**

Find the present and future values of the following:

i. The present value of Rs. 1,000 due in 1 year at a discount rate of 5 percent.

ii. The present value of Rs. 2,000 due in 2 year at a discount rate of 10 percent.

iii. The future value of an initial Rs. 500 compounded for 1 year at 6 percent.

iv. The future value of an initial Rs. 500 compounded for 2 year at 7 percent. [2.5×4=10]

Ans: (i) Rs. 952.38 (ii) Rs. 1,652.89 (iii) Rs. 530 (iv) Rs. 572.45**10. 2066 Q.No. 8**

You are planning to borrow Rs. 10,00,000 on 5-year, 10% annual payment, fully amortized term loan. Prepare amortization schedule. [10]

Ans: PMT = Rs. 2,63,796.56**7. Present Value and Discounting Technique II****1. 2072 Q.No. 9**

Following information are given:

Year	1	2	3	4	5
Project 'A' NCF Rs.	3000	3000	3000	3000	3000
Project 'B' NCF Rs.	4000	3000	3000	2000	2000

Required rate of return is 10%.

Required:

[10]

a) Present Value of Project 'A' cashflows.

b) Future value of Project 'B' cashflows.

Ans: (a) PV = Rs. 11,372.40 (b) FV = Rs. 17,679.40**2. 2072 Set E Q.No. 9**

Following information are given:

Year	1	2	3	4	5
Project 'A' NCF Rs.	5,000	4,000	3,000	2,000	1,000
Project 'B' NCF Rs.	3,000	3,000	3,000	3,000	3,000

Required rate of return is 10%.

Required:

[10]

(i) Present values of Project 'A' cash flow. (ii) Future values of Project 'B' cash flow.

Ans: (i) PV = Rs. 12,091.9 (ii) FV = Rs. 18,315.30

3. 2071 Q.No. 9

The cash flows of two different projects are as under.

Year	First Project	Second Project
1	Rs. 200	Rs. 500
2	Rs. 300	0
3	Rs. 300	Rs. 700
4	Rs. 400	Rs. 300
5	Rs. 500	Rs. 200

Required:

[5+5]

Future value of each project at 12 percent compound rate

Ans: Rs. 786.75, 0, Rs. 878.08, Rs. 336, Rs. 200

4. 2070 Supp Q.No. 9

Cash flows of a project are as under:

Years	1	2	3	4	5
Cash Flow	Rs. 8,000	Rs. 7,000	Rs. 6,000	Rs. 8,000	Rs. 5,000

The required rate of return is 10%.

[5+5 = 10]

Required:

(i) Present value of cash flows (ii) Future value of cash flows

Ans: (i) Rs. 26,133.9 (ii) Rs. 42,089.8

5. 2070 Q.No. 9

The cash flow of two different projects are given below:

Year	1	2	3	4	5
Project 1	5000	5000	5000	5000	5000
Project 2	8000	7000	6000	2000	3000

Required: Future value of both projects of the required rate of return is 10%

[5+5]

Ans: Project 1: Rs 30,525.50; Project 2: Rs 33,489.80

6. 2069 Supp Q.No. 9

Following cash flows are given:

End of year	Plan I (Rs.)	Plan II (Rs.)
1	6,000	5,000
2	0	5,000
3	4,000	5,000
4	10,000	5,000

Required:

a. Present value of cash flows of Plan I at 8 percent discount rate.

b. Future value of cash flows of Plan II at 12 percent compound rate.

Ans: (a) Rs. 160,806.60 (b) Rs. 23,896

7. 2069 Q.No. 9

Find the sum of the present values and future values of following net cash flows. Assumed required rate of return is 8%.

Year	1	2	3	4	5
NCF Rs.	500	400	400	400	100

Ans: Rs 1,485.45 and Rs 2,182.69

8. 2068 Q.No. 9

The following cash flows are given:

End of year	Plan 1 (Rs.)	Plan 2 (Rs.)
1	2000	3000
2	4000	2000
3	0	1000
4	5000	6000
5	3000	5000

Calculate the future value of plan 1 and present value of plan 2 at the discount rate of 10%. [5+5]

Ans: Rs 16,752.20 and Rs 12,333.90

9. 2067 Sup. Q.No. 9

From an investment Rs. 1,000 at the end of 1 year, Rs. 2,000 at the end of 2 year, Rs. 3,000 at the end of 3 year, Rs. 4,000 at the end of 4 year and Rs. 5,000 at the end of 5 year are receiving. The nominal rate of interest is 10%.

Required: Calculate present value and future value.

[10]

Ans: Rs 10,652.30 and Rs 17,156.10

10. 2067 Q.No. 9

Find the present and future value of the following annuities:

- The present value of Rs. 500 per year, received at the end of each year, for 5 years at 10 percent.
- The present value of Rs. 500 per year, received at the beginning of each year, for 5 years at 10 percent.
- The future value of an ordinary annuity of Rs. 500 per year, for 5 years at 10 percent.
- The future value of annuity due of Rs. 500 per year, for 5 years at 10 percent.

[2.5×4]

Ans: (i) Rs. 1,895.39 (ii) Rs. 2,084.93 (iii) Rs. 3,052.55 (iv) Rs. 3,357.80

11. 2066 Q.No. 9

Find the sum of present values and future values for the following cash flows of A and B. Assume discounting rate is 10 percent: [10]

Years	1	2	3	4	5
Cashflows A.	Rs. 100	200	300	400	500
Cashflows B	Rs. 300	300	300	300	300

Ans: A = Rs. 1,065.23; B = Rs. 1,137.24

3. Risk and Insurance

1. 2072 Q.No. 10

What is risk? Write about nature of risk.

[8]

जोखिम भनेको के हो ? जोखिम को प्रकृतिबारे लेख्नुहोस् ।

2. 2072 Set E Q.No. 10

Explain main types of risk.

[8]

जोखिमका प्रमुख प्रकारहरू उल्लेख गर्नुहोस् ।

3. 2072 Set E Q.No. 11

What is insurance? Write the basic characteristics of insurance in brief.

[7]

बीमा भनेको के हो ? बीमाका आधारभूत विशेषताहरू छोटकरीमा लेख्नुहोस् ।

4. 2071 Q.No. 10

Write in brief about objective risk and subjective risk with suitable examples. Also write the objectives of risk management. [5+3]

वस्तुगत जोखिम र विषयगत जोखिमबारे सुहाउँदो उदाहरणहरूसहित छोटकरीमा लेख्नुहोस् । जोखिम व्यवस्थापनका उद्देश्यहरू पनि लेख्नुहोस् ।

5. 2071 Q.No. 11

Write the basic characteristics of insurance. Also explain in brief the nature of insurable risk. [4+3]

बीमाका आधारभूत विशेषताहरू लेख्नुहोस् । साथै बीमायोग्य जोखिमको स्वभावबारे छोटकरीमा लेख्नुहोस् ।

6. 2070 Supp Q.No. 10

Define risk. Write in brief about the nature of risk.

[3+4=7]

जोखिमको परिभाषा दिनुहोस् । जोखिमको प्रकृतिबारे छोटकरीमा लेख्नुहोस् ।

7. 2070 Supp Q.No. 11

What do you understand by 'Reinsurance'? Write about its objectives.

[3+5=8]

पुनर्बीमा भन्नाले के बुझ्नुहुन्छ ? पुनर्बीमाको उद्देश्यहरूका बारेमा लेख्नुहोस् ।

8. 2070 Q.No. 10

Write in brief about cost and management of Risk

[3.5+3.5]

जोखिमको लागत र व्यवस्थापनबारेमा छोटकरीमा लेख्नुहोस् ।

9. 2070 Q.No. 11

What is Insurance contract? Write the essential features of Insurance contract? [3+5]

बीमा करार भनेको के हो ? बीमा करारका आवश्यक तत्वहरू लेख्नुहोस् ।

10. 2069 Supp Q.No. 10

Describe the essential elements of risk. Also enumerate the different classes of risk. [3+5=8]

जोखिमका आवश्यक तत्वहरू वर्णन गर्नुहोस् । साथै जोखिमका विभिन्न वर्गहरू उल्लेख गर्नुहोस् ।

11. 2069 Supp Q.No. 11

Describe basic characteristics of Insurance. Also, write the objectives of re-insurance. [4+3=7]

विमाका आधारभूत विशेषताहरू वर्णन गर्नुहोस् । साथै पुनर्विमाका उद्देश्यहरू लेख्नुहोस् ।

12. 2069 Q.No. 10

What is insurance? Mention the features of insurance contract. [5+3]

बीमा भनेको के हो ? बीमा सम्झौताका विशेषताहरू उल्लेख गर्नुहोस् ।

13. 2069 Q.No. 11

Write the different functions of insurance. [7]

बीमाका विभिन्न कार्यहरू लेख्नुहोस् ।

14. 2068 Q.No. 10

Write the meaning of 'Management of Risk'. Briefly write about the process of Risk Management. [3+5]

जोखिम व्यवस्थापनको अर्थ लेख्नुहोस् । छोटकरीमा जोखिम व्यवस्थापनको प्रक्रियाबारेमा लेख्नुहोस् ।

15. 2068 Q.No. 11

Write about any three principles of insurance. [7]

कुनै तीन बीमा सिद्धान्तबारेमा लेख्नुहोस् ।

16. 2067 Sup. Q.No. 10

What do you mean by risk? How the risk can be managed? [3+4]

जोखिम भन्नाले के बुझ्नुहुन्छ ? यसलाई कसरी व्यवस्थापन गर्न सकिन्छ ?

17. 2067 Sup. Q.No. 11

Briefly write the benefits of insurance. [8]

बीमाका फाइदाहरू छोटकरीमा लेख्नुहोस् ।

18. 2067 Q.No. 10

Define risk. Differentiate between subjective and objective risk. [4+4]

जोखिमलाई परिभाषित गर्नुहोस् । वस्तुपरक र विषयपरक जोखिममा भिन्नता देखाउनुहोस् ।

19. 2067 Q.No. 11

Clarify the meaning of insurance. Enumerate any three benefits of it. [4+3]

बीमाको अर्थ प्रस्ट्याउनुहोस् । यसले समाजलाई पुर्याउने कुनै तीन फाइदा उल्लेख गर्नुहोस् ।

20. 2066 Q.No. 11

What are the principles of insurance? Explain. [8]

बीमाका सिद्धान्तहरू कुन-कुन हुन् ? वर्णन गर्नुहोस् ।

21. 2066 Q.No. 10

What is insurance? Write any four basic characteristics of insurance. [3+4]

बीमा भनेको के हो ? यसका कुनै चार आधारभूत विशेषताहरू उल्लेख गर्नुहोस् ।

9. Life Insurance

Theoretical Questions

1. 2072 Q.No. 11

What do you mean by insurance? Write in brief the benefits from insurance to an individual and the society. [7]

बीमा भन्नाले के बुझ्नुहुन्छ ? एउटा व्यक्ति र समाजमा बीमाबाट हुने फाइदाहरू छोटकरीमा लेख्नुहोस् ।

2. 2072 Set E Q.No. 12

Write about the types of endowment life policy. [5]

इन्डोमेन्ट जीवन बीमा पोलिसीका प्रकारहरू बारे लेख्नुहोस् ।

3. 2071 Q.No. 12

Write the meaning of Life Insurance. Also mention the different Life Insurance Policies. [2+3]

जीवन बीमाको अर्थ लेख्नुहोस् । साथै विभिन्न जीवन बीमा प्रलेखहरू उल्लेख गर्नुहोस् ।

4. 2070 Supp Q.No. 12

Describe the importance of life insurance.

[5]

जीवन बीमाको महत्व वर्णन गर्नुहोस्।

5. 2070 Q.No. 12

What is term life insurance? Briefly write two types of term life insurance.

[2+3]

बन्दोवस्ती जीवन बीमा भनेको के हो? छोटकरीमा दुई प्रकारको बन्दोवस्ती जीवन बीमाका बारेमा लेख्नुहोस्।

6. 2069 Supp Q.No. 12

Explain the procedures of affecting life insurance policy.

[5]

आजीवन बीमा प्रलेखमा प्रभाव पार्ने प्रक्रियाहरू उल्लेख गर्नुहोस्।

7. 2069 Q.No. 12

State the different types of life insurance.

[5]

जीवन बीमाका विभिन्न प्रकारहरू लेख्नुहोस्।

8. 2068 Q.No. 12

What do you understand by whole life policy? Distinguish between ordinary whole life policy and limited payment whole life policy.

[3+2]

आजीवन बीमा प्रलेख भन्नाले के बुझ्नुहुन्छ? साधारण आजीवन बीमा प्रलेख र सीमित भुक्तानी आजीवन बीमा प्रलेखमा फरक छुट्याउनुहोस्।

9. 2067 Sup. Q.No. 12

Write short notes on term life policy and whole life policy.

[5]

म्यादी बीमा प्रलेख र आजीवन बीमा प्रलेखबारेमा छोटकरीमा लेख्नुहोस्।

10. 2067 Q.No. 12

Explain the procedures of effecting life insurance policy.

[5]

जीवन बीमा प्रलेख क्रियाशील गराउने तरिका वर्णन गर्नुहोस्।

11. 2066 Q.No. 12

What is life insurance? State the elements of life insurance.

[5]

जीवन बीमा भनेको के हो? जीवन बीमाका तत्वहरू उल्लेख गर्नुहोस्।

Numerical Problems**12. 2072 Q.No. 13**

A man is now 38 years old. He is considering to purchase a whole life policy of Rs.5,00,000. Assume that the cost of money is 10% and the annual mortality rate is constant at 2.50%. What is the present value of benefits that the insurance company is expected to pay over the next 32 years?

Ans: $PV_{\text{benefits}} = \text{Rs. } 119,080$ **13. 2072 Set E Q.No. 13**

A man who is 30 years old now. He is considering to purchase a one year term life policy of Rs. 6,00,000. Annual mortality rate is 1% and the cost of money is 10%. What is the fair amount of net single premium that he should pay for this policy?

Ans: $\text{Rs. } 5,454.55$ **14. 2071 Q.No. 13**

A life insurance company has 5,000 policyholders. Each policyholder with the age of 40 has Rs. 2,00,000 for life insurance. The expected death rate for age 40 is 5 per 1,000. The cost of money for the insurance company is 8 percent.

Required:

[1+2+2]

- Expected death rate
- How much insurance company pay for the claims for the expected death this year?
- How much the company charge from the policyholders at the beginning of policy period?

Ans: (i) 0.5% (ii) Rs. 5,000,000 (iii) Rs. 925.93

15. 2070 Supp Q.No. 13

A forty years old person is willing to purchase one year term life insurance policy for Rs. 4,00,000. The annual mortality rate is 5%. The cost of money is 10%.

Required:

[3+2=5]

- Amount of premium that has to be paid.
- Amount of premium if the mortality rate is 4%.

Ans: (i) Rs. 18,181.82 (ii) Rs. 14,545.45

16. 2070 Q.No. 13

The following information are provided:

Amount of Annuity Payment	: Rs. 50,000
Number of Annuity Payment	: 10 years
Starting year	: 20 years
Number of payments	: 8
Cost of money	: 10%

Required: Annual Premium

[5]

Ans: Rs 8,560.19

17. 2069 Supp Q.No. 13

A person is currently 35 years old. He expects to purchase a term life policy of Rs. 5,00,000. Annual mortality rate is assumed to be 1.5 percent. The cost of money is 11 percent. What is the fair amount of premium that a person must pay for this policy?

[5]

Ans: Rs. 6,696.43

18. 2069 Q.No. 13

Calculate the insurance premium for a 3 year term insurance policy in the amount of Rs. 500,000 issued to a person aged 46. Assume interest rate is 5% and consider standard mortality table as follows:

Age at beginning	Beginning of designated year	No. dying during designated year
46	90,75,554	52,090
47	90,06,705	58,032
48	89,20,611	60,116

Ans: Rs 8,565.75

19. 2068 Q.No. 13

A person, 40 years old, is considering to purchase a 5 year term life policy of Rs. 2,00,000, 6% interest rate table and mortality table for 5 years period are given below:

Age at beginning of year	Number of living at beginning of year	Number of death during the year	6% Interest rate
40	60,00,000	30,000	0.9434
41	59,70,000	35,000	0.8900
42	59,35,000	38,000	0.8396
43	58,97,000	40,000	0.7921
44	58,57,000	45,000	0.7473

Required: Net single premium

[5]

Ans: Rs 5,284.99

20. 2067 Sup. Q.No. 13

A life insurance company offered a fixed period life policy which pays annuity payment of Rs. 100,000 annually starting ten years from now. The other features are as under:

Number of annuity payment period	10
Number of annual premium that starts from today	8
Cost of funds	10%

Required: Annual premium amount for fixed period life policy.

[5]

Ans: Rs 44,405.74

21. 2067 Q.No. 13

Mr. Sharma is now 45 years old. He is willing to purchase one year term life policy of Rs. 5,00,000. Assume that there is probability of 1% that a person dies at the age 45 and the cost of money 10%. What is the fair amount of premium that Mr. Sharma must pay for his policy?

[5]

Ans: Rs. 4,545.45

22. 2066 Q.No. 13

Assume that a Rs. 10,00,000 yearly renewable term insurance policy is issued to a male person aged 45. Based on mortality table, out of 1,00,00,000 males alive at the age zero, 9,210,289 are alive at the beginning of age 45, of them 41,907 persons will be expected to die during the year.

- Calculate the single premium considering the present value of Rs. 1 for 1-year at 5% interest.
- What is the percentage increase in premium when insurer aged 46. Assume insurer alive at aged 46 is 9,168,382 and expected to die 45,108 during the year. [5]

Ans: (a) Rs. 4,333.33 (b) 8.13%

10. Non-Life Insurance

1. 2072 Q.No. 12

Write about the types of Term Life Insurance Policy. [5]

म्यादी जीवन बीमा प्रलेखका प्रकारहरूबारे लेख्नुहोस्।

2. 2072 Q.No. 14

Write the types of marine insurance policies in brief. [10]

सामुद्रिक बीमा प्रलेखका प्रकारहरू छोटकरीमा लेख्नुहोस्।

3. 2072 Set E Q.No. 14

Write the procedures of affecting fire insurance contract in brief. [10]

अग्नी बीमा सम्झौताको कार्यान्वयनका प्रक्रियाहरू छोटकरीमा लेख्नुहोस्।

4. 2071 Q.No. 14

What do you understand by Non-life Insurance? Also mention different types of fire insurance policies. [3+7]

निर्जीवन बीमाबारे तपाईं के बुझ्नु हुन्छ ? साथै विभिन्न प्रकारका अग्नि बीमा प्रलेखहरू उल्लेख गर्नुहोस्।

5. 2070 Supp Q.No. 14

What is Marine Insurance? Describe the risks covered under Marine Insurance Policy. [3+7=10]

सामुद्रिक बीमा भनेको के हो ? सामुद्रिक बीमा प्रलेखमा समावेश हुने जोखिमहरूका बारेमा लेख्नुहोस्।

6. 2070 Q.No. 14

What is fire insurance? Describe in brief the procedure of effecting fire insurance. [3+7]

अग्नि बीमा भनेको के हो ? अग्नि बीमा गराउने विधि छोटकरीमा लेख्नुहोस्।

7. 2069 Supp Q.No. 14

What do you understand by marine insurance? Write the various types of marine insurance policies. [10]

सामुद्रिक विमा भन्नाले के बुझ्नु हुन्छ ? विभिन्न प्रकारका सामुद्रिक विमा प्रलेखहरू लेख्नुहोस्।

8. 2069 Q.No. 14

What is meant by fire insurance? Explain the procedure of affecting fire insurance policy. [10]

अग्नि बीमा भन्नाले के बुझ्नुहुन्छ ? अग्नि बीमा नीति लिनका लागि चाहिने विधिहरू लेख्नुहोस्।

9. 2068 Q.No. 14

Define Non-life insurance. Write short notes on marine insurance and fire insurance. [10]

निर्जीवन बीमा परिभाषित गर्नुहोस्। सामुद्रिक बीमा र अग्नी विमा बारेमा छोटो टिप्पणी लेख्नुहोस्।

10. 2067 Sup. Q.No. 14

Write the meaning of non-life insurance. Why is non-life insurance important for business? [4+6]

निर्जीवन जीवन बीमाको अर्थ लेख्नुहोस्। व्यवसायका लागि निर्जीवन बीमा किन महत्वपूर्ण हुन्छ ?

11. 2067 Q.No. 14

Discuss the importance of non-life insurance with reference to Marine insurance. [10]

सामुद्रिक बीमाको सन्दर्भमा निर्जीवन बीमाको महत्वको बारेमा चर्चा गर्नुहोस्।

12. 2066 Q.No. 14

What is meant by fire insurance? State the procedures affecting its? [3+7]

अग्नि बीमा भन्नाले के बुझ्नुहुन्छ ? अग्नि बीमा गर्ने प्रक्रियाहरू के के हुन् ?