

University of Colombo- Sri Lanka

Faculty of Arts

Fourth Year Examination in Arts (Economics)-2018

(Second Semester Final)

ECN 4281- Practice of Banking and Financial Regulations

Time Allowed: Two (02) hours only

Answer only three questions. All questions carry equal marks.

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1. Critically evaluate basic banking and bank management principles, using your own examples. (20 Marks)
2. Critically examine how banks reduce the cost and risk associated with transactions. (20 Marks)
3. (a) Critically examine the advantageous and disadvantageous of off balance sheet activities by commercial banks. (10 Marks)  
(b) Commercial banks undertake various kinds of financial risks. Critically examine the methods used by banks to manage risks. (10 Marks)
4. Credit is the key assets of commercial banks. Explain the salient features of credit policy of commercial banks and issues pertaining to credit. Critically evaluate the five Cs of Credit. (20 Marks)
5. Explain the fundamentals of bank management emphasising more on bank assets and liabilities. Do you see any important changes in bank assets and liabilities in Sri Lanka in the recent past? (20 Marks)
6. Banks operate in a highly regulated environment. Do you think banking regulation in general help promote efficient and safe banking system? Explain your answer. (20 Marks)

7. (i) What are the salient factors that gave birth to the first BASEL accord?

(10 Marks)

(ii) What are the two tiers of capital introduced under BASEL 1? briefly explain.

(10 Marks)

8. (i) how would you identify the changes made to 'Total Risk' under BASEL II, in contrast to the previous BASEL Accord, BASEL 1? (10 Marks)

(ii) Briefly explain how asset-securitization was used for 'regulatory arbitrage' to by-pass capital requirements imposed by BASEL accords. (10 Marks)

-----End of Examination-----