

National Testing Agency

Question Paper Name :	Banking and Financial Markets A Risk Management Perspective 29th Sep 2020 Shift 2
Subject Name :	Banking and Financial Markets A Risk Management Perspective
Creation Date :	2020-09-29 18:34:31
Duration :	180
Number of Questions :	42
Total Marks :	100
Display Marks:	Yes

Banking and Financial Markets A Risk Management Perspective

Group Number :	1
Group Id :	899514159
Group Maximum Duration :	0
Group Minimum Duration :	120
Show Attended Group? :	No
Edit Attended Group? :	No
Break time :	0
Group Marks :	100
Is this Group for Examiner? :	No

Banking and Financial Markets A Risk Management Perspective-A

Section Id :	899514222
Section Number :	1
Section type :	Online
Mandatory or Optional :	Mandatory
Number of Questions :	20
Number of Questions to be attempted :	20
Section Marks :	20

Mark As Answered Required? : Yes
Sub-Section Number : 1
Sub-Section Id : 899514266
Question Shuffling Allowed : Yes

Question Number : 1 Question Id : 89951413362 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No
Correct Marks : 1 Wrong Marks : 0

_____ in the statutory liquidity ratio would result in money moving from the commercial banks to the Central Bank of that country (due to purchase of additional government securities).

1. A decrease
2. An increase
3. A stability
4. A freeze

Options :

89951452011. 1
89951452012. 2
89951452013. 3
89951452014. 4

Question Number : 2 Question Id : 89951413363 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No
Correct Marks : 1 Wrong Marks : 0

Issuers of bonds that are _____ yield are _____ likely to default on their repayment obligations.

1. low.....more
2. high.....more
3. high.....less
4. high....not

Options :

89951452015. 1
89951452016. 2
89951452017. 3
89951452018. 4

Question Number : 3 Question Id : 89951413364 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No
Correct Marks : 1 Wrong Marks : 0

'Credit risk' reflects the _____ in the quality of assets of a financial institution and consequent potential _____ to the financial institution.

1. deterioration.....gain
2. improvement.....loss
3. deterioration.....loss
4. gain.....consolidation

Options :

89951452019. 1
89951452020. 2
89951452021. 3
89951452022. 4

Question Number : 4 Question Id : 89951413365 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 1 Wrong Marks : 0

As per KMV model, _____ the 'statistical distance', _____ is the probability of default.

1. smaller.....greater
2. larger.....lower
3. smaller.....lower
4. similar.....greater

Options :

89951452023. 1
89951452024. 2
89951452025. 3
89951452026. 4

Question Number : 5 Question Id : 89951413366 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 1 Wrong Marks : 0

Based on 'Pure Expectation Theory', when the overall expectation is that interest rates will fall going forward, the yield curve will _____.

1. slope upwards
2. remain flat
3. slope downwards
4. not change

Options :

89951452027. 1

89951452028. 2

89951452029. 3

89951452030. 4

Question Number : 6 Question Id : 89951413367 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 1 Wrong Marks : 0

If the domestic currency of a country appreciates, the firms in that country that source their components domestically will _____.

1. be indifferent
2. lose
3. benefit
4. freeze

Options :

89951452031. 1

89951452032. 2

89951452033. 3

89951452034. 4

Question Number : 7 Question Id : 89951413368 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 1 Wrong Marks : 0

If on any date, if the spot exchange rate is equal to the strike price, then the option is _____.

1. In the money
2. Out of the money
3. At the money
4. Money

Options :

89951452035. 1

89951452036. 2

89951452037. 3

89951452038. 4

Question Number : 8 Question Id : 89951413369 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 1 Wrong Marks : 0

When a Bank sells a call option to an option buyer, the _____ of the option contract is shown as an _____ item in the books of the bank.

1. Value.....on-balance-sheet
2. Value.....off-balance-sheet
3. Premium.....off-balance-sheet
4. Premium.....on-balance-sheet

Options :

89951452039. 1

89951452040. 2

89951452041. 3

89951452042. 4

Question Number : 9 Question Id : 89951413370 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 1 Wrong Marks : 0

Change in the risk profile of the counterparties during the life of the Interest Rate Swap could _____ the fixed rate - floating rate advantage and hence put the Interest Swap Structure in _____.

1. facilitate.....order
2. facilitate.....disarray
3. alter.....disarray
4. alter.....order

Options :

89951452043. 1

89951452044. 2

89951452045. 3

89951452046. 4

Question Number : 10 Question Id : 89951413371 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 1 Wrong Marks : 0

If USD 1.00 costs INR 50.00, then in the Indian foreign exchange market the 'indirect quote' will be:

1. INR/USD 50.00
2. INR/USD 0.02
3. USD/INR 50.00
4. USD/INR 0.02

Options :

89951452047. 1

89951452048. 2

89951452049. 3

89951452050. 4

Question Number : 11 Question Id : 89951413372 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 1 Wrong Marks : 0

In a European put option strike price is USD/CCU 72.00 at a premium of CCU 0.38 per USD, what is the spot price at which the holder is indifferent to whether exercise the options or not.

1. 71.62
2. 72.00
3. 72.38
4. 72.83

Options :

89951452051. 1

89951452052. 2

89951452053. 3

89951452054. 4

Question Number : 12 Question Id : 89951413373 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 1 Wrong Marks : 0

Which of the following is/are true in the context of Translation Exposure:

1. The financial statements of the foreign subsidiary expressed in a foreign currency are to be stated in the foreign currency only
2. The financial statements of the parent company to be restated in the foreign currency of the country where the foreign subsidiary is domiciled
3. The financial statements of the foreign subsidiary expressed in a foreign currency are to be restated in the parent company's reporting currency
4. In the process of translating all the line items in the balance sheet of the foreign subsidiaries, there would always be an imbalance

Options :

89951452055. 1

89951452056. 2

89951452057. 3

89951452058. 4

Question Number : 13 Question Id : 89951413374 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 1 Wrong Marks : 0

Securitization enables financial institutions to _____ their long term loans and the associated risks to entities whose _____ are long term in nature.

1. transfer.....assets
2. transfer.....liabilities
3. sell.....assets
4. sell.....liabilities

Options :

89951452059. 1
89951452060. 2
89951452061. 3
89951452062. 4

Question Number : 14 Question Id : 89951413375 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 1 Wrong Marks : 0

Advanced Measurement Approach to operational risk requires the Bank to define _____ loss events in every _____ of the bank.

1. potential.....transaction
2. definite.....business
3. potential.....business
4. definite.....transaction

Options :

89951452063. 1
89951452064. 2
89951452065. 3
89951452066. 4

Question Number : 15 Question Id : 89951413376 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 1 Wrong Marks : 0

The results of a stress test showed that almost 50% of the large banks were declared to have inadequate _____ to cope with a crisis, although all of those banks met the mandated _____ requirements.

1. liquidity.....statutory liquidity
2. capital.....statutory liquidity
3. capital.....capital adequacy
4. liquidity.....capital adequacy

Options :

- 89951452067. 1
- 89951452068. 2
- 89951452069. 3
- 89951452070. 4

Question Number : 16 Question Id : 89951413377 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 1 Wrong Marks : 0

An independent Central Bank is insulated from _____ pressures hence more likely to work on _____ objectives such as price stability, stable exchange rate, etc.

- 1. economic.....long-term
- 2. economic.....short-term
- 3. political.....long-term
- 4. political.....short-term

Options :

- 89951452071. 1
- 89951452072. 2
- 89951452073. 3
- 89951452074. 4

Question Number : 17 Question Id : 89951413378 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 1 Wrong Marks : 0

Solvency risk relates to the risk of a financial institution not having adequate _____ to cope with sudden _____ in the value of its assets.

- 1. cash flows.....decline
- 2. capital.....increase
- 3. cash flow.....increase
- 4. capital.....decline

Options :

- 89951452075. 1
- 89951452076. 2
- 89951452077. 3
- 89951452078. 4

Question Number : 18 Question Id : 89951413379 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 1 Wrong Marks : 0

Credit Default Swaps are _____ bilateral contracts to transfer the _____ of an asset from one counterparty to another.

1. Exchange-traded.....credit risk
2. Over-the-counter.....credit risk
3. Over-the-counter.....interest rate risk
4. Exchange-traded.....interest rate risk

Options :

89951452079. 1
89951452080. 2
89951452081. 3
89951452082. 4

Question Number : 19 Question Id : 89951413380 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 1 Wrong Marks : 0

A contract being executed by a construction company for the government is governed by a performance bond (guarantee). If the contract is executed successfully, the performance bond will be _____ and the associated _____ balance sheet risk will fall away.

1. invoked.....off-
2. revoked.....off-
3. invoked.....on-
4. revoked.....on-

Options :

89951452083. 1
89951452084. 2
89951452085. 3
89951452086. 4

Question Number : 20 Question Id : 89951413381 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 1 Wrong Marks : 0

The exponential increase in off-balance-sheet risk in recent times is a result of rapid proliferation of a plethora of _____ instruments as well as several _____ instruments.

1. fixed-income.....risk free
2. fixed-income.....risk transfer
3. derivative.....risk transfer
4. derivative.....risk free

Options :

89951452087. 1

89951452088. 2
89951452089. 3
89951452090. 4

Banking and Financial Markets A Risk Management Perspective-B

Section Id :	899514223
Section Number :	2
Section type :	Online
Mandatory or Optional :	Mandatory
Number of Questions :	15
Number of Questions to be attempted :	15
Section Marks :	45
Mark As Answered Required? :	Yes
Sub-Section Number :	1
Sub-Section Id :	899514267
Question Shuffling Allowed :	Yes

Question Number : 21 Question Id : 89951413382 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No
Correct Marks : 3 Wrong Marks : 0

From a liquidity perspective, time deposits are less risky for the following reasons:

- i. Time deposits have a specific maturity date
- ii. Closure prior to the maturity date is permitted for time deposits
- iii. In most cases, penalty will be imposed for premature closure of time deposits
- iv. Penalty waived on premature closure of time deposits

Select all that apply.

1. Only iv
2. Only iii
3. Both i and iv
4. Both ii and iii

Options :

89951452091. 1
89951452092. 2
89951452093. 3
89951452094. 4

Question Number : 22 Question Id : 89951413383 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 3 Wrong Marks : 0

_____ variability in the exchange rate between two currencies implies _____ foreign exchange risk.

- i. high.....low
- ii. high.....high
- iii. low.....high
- iv. low.....low

Select all that apply.

- 1. Only i
- 2. Only ii
- 3. Both ii and iv
- 4. Both i and iii

Options :

89951452095. 1

89951452096. 2

89951452097. 3

89951452098. 4

Question Number : 23 Question Id : 89951413384 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 3 Wrong Marks : 0

Early warning of likely default could be indicated by which of the following:

- i. Delays in repayment of loan (principal or interest) by the borrower
- ii. Significant increase in credit turnover in the borrower's bank account
- iii. Significant decrease in debit turnover in the borrower's bank account
- iv. Actual financial performance vs financial projections

Select all that apply.

- 1. Both ii and iv
- 2. i, ii and iii
- 3. i, iii and iv
- 4. ii, iii and iv

Options :

89951452099. 1

89951452100. 2

89951452101. 3

89951452102. 4

Question Number : 24 Question Id : 89951413385 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 3 Wrong Marks : 0

The major manifestations of Subprime mortgages were:

- i. Home loans given to people who were creditworthy
- ii. Banks started to lend willy-nilly as they became very flagrant and adventurous
- iii. Banks had a perverse incentive to give as many housing loans as they wanted to because they would then be able to sell it as Mortgage backed securities in the financial markets
- iv. Loans were given to customers who would otherwise not even be eligible for a loan

Select all that apply.

- 1. Both i and iv
- 2. ii, iii and iv
- 3. i, ii and iii
- 4. i, iii and iv

Options :

89951452103. 1

89951452104. 2

89951452105. 3

89951452106. 4

Question Number : 25 Question Id : 89951413386 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 3 Wrong Marks : 0

In an RMBS transaction, credit (default) risk is eliminated using which of the following:

- i. Cash collaterals provided by the borrowers (home owners)
- ii. 'Subordinated' structure
- iii. Credit derivatives such as CDS
- iv. Options and Futures

Select all that apply.

- 1. Both ii and iii
- 2. Both i and iv
- 3. ii, iii and iv
- 4. i, ii and iii

Options :

89951452107. 1

89951452108. 2

89951452109. 3

89951452110. 4

Question Number : 26 Question Id : 89951413387 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 3 Wrong Marks : 0

Investors in a securitization portfolio receive cash flows whenever:

- i. Borrowers meet their periodic loan repayment obligations
- ii. Borrowers pre-pay/pre-close their loans
- iii. Servicing agent fulfills the periodic loan repayment obligations
- iv. Servicing agent (the Originator) make good the loss by invoking the available credit enhancements

Select all that apply.

- 1. Both i and iii
- 2. Both i and iv
- 3. ii, iii and iv
- 4. i, ii and iv

Options :

89951452111. 1

89951452112. 2

89951452113. 3

89951452114. 4

Question Number : 27 Question Id : 89951413388 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 3 Wrong Marks : 0

Which of the following are applicable to a futures transaction?

- i. Can be bought and sold only through an 'Exchange'
- ii. Identity of Counterparty is known
- iii. Settlement is guaranteed by the exchange
- iv. Price discovery is transparent

Select all that apply

- 1. Both ii and iii
- 2. Both i and iv
- 3. i, iii and iv
- 4. ii, iii and iv

Options :

89951452115. 1

89951452116. 2

89951452117. 3

89951452118. 4

Question Number : 28 Question Id : 89951413389 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 3 Wrong Marks : 0

Additional precautions taken by mortgage lending institutions include which of the following:

- i. Obtaining the current price of the property
- ii. Establishing the title and legality of the property
- iii. Reviewing the location of the property
- iv. Establishing the market value of the property
- v. Ensuring all taxes are paid

Select all that apply.

- 1. Both i and iii
- 2. ii, iv and v
- 3. ii, iii and iv
- 4. i, iii and v

Options :

89951452119. 1

89951452120. 2

89951452121. 3

89951452122. 4

Question Number : 29 Question Id : 89951413390 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 3 Wrong Marks : 0

Credit rating involves a detailed assessment of the following aspects of the securitization portfolio:

- i. Quality of loans in the securitization portfolio
- ii. Solvency of the borrower
- iii. Legal structure of the portfolio
- iv. Prepayment risk
- v. Solvency of the issuer

Select all that apply.

- 1. Both i and iii
- 2. ii, iv and v
- 3. ii, iii, iv and v
- 4. i, iii, iv and v

Options :

89951452123. 1

89951452124. 2

89951452125. 3

89951452126. 4

Question Number : 30 Question Id : 89951413391 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 3 Wrong Marks : 0

Pillar- 1 under Basel II covers which of the following risks:

- i. Liquidity risk
- ii. Operational risk
- iii. Credit risk
- iv. Solvency risk
- v. Market risk

Select all that apply.

- 1. Both i and iii
- 2. ii, iv and v
- 3. ii, iii and v
- 4. i, iii and iv

Options :

89951452127. 1

89951452128. 2

89951452129. 3

89951452130. 4

Question Number : 31 Question Id : 89951413392 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 3 Wrong Marks : 0

Cash inflows for any financial institution would not include:

- i. Fresh deposits from customers
- ii. Disbursement of fresh loans
- iii. Interest income from loans
- iv. Proceeds from sale of bonds
- v. Interest paid to depositors

Select all that apply.

- 1. Both ii and v
- 2. ii, iv and v
- 3. ii, iii and iv
- 4. i, iii and v

Options :

89951452131. 1

89951452132. 2

89951452133. 3

89951452134. 4

Question Number : 32 Question Id : 89951413393 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 3 Wrong Marks : 0

Altman Z-Score uses which of the following ratios?

- i. Quick ratio
- ii. Current ratio
- iii. Retained earnings to total assets
- iv. EBIT to total assets
- v. Working capital to total assets

Select all that apply.

- 1. Both ii and v
- 2. iii, iv and v
- 3. ii, iii and iv
- 4. i, iii and v

Options :

89951452135. 1

89951452136. 2

89951452137. 3

89951452138. 4

Question Number : 33 Question Id : 89951413394 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 3 Wrong Marks : 0

Monetary policy involves effective management of which of the following:

- i. Economic growth
- ii. Non-performing Assets
- iii. Effective control of inflation
- iv. Capital adequacy ratio
- v. Exchange rate stability

Select all that apply.

- 1. Both ii and v
- 2. iii, iv and v
- 3. ii, iii and iv
- 4. i, iii and v

Options :

89951452139. 1

89951452140. 2

89951452141. 3

89951452142. 4

Question Number : 34 Question Id : 89951413395 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 3 Wrong Marks : 0

To hedge against a loan of CCU 100 million that the firm wishes to take three months from now, its CFO is like to use the futures market. Place the following actions in the correct sequence in order to help him hedge the risk:

- (a) Borrow CCU 100 million in the spot market three months from now;
- (b) Sell CCU 100 million in the futures market now;
- (c) Buy CCU 100 million in the futures market three months from now.

- 1. a --> c --> b
- 2. c --> b --> a
- 3. b --> a --> c
- 4. a --> b --> c

Options :

- 89951452143. 1
- 89951452144. 2
- 89951452145. 3
- 89951452146. 4

Question Number : 35 Question Id : 89951413396 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 3 Wrong Marks : 0

In the context of Risk Weighted Assets, rank order the following in ascending order of risk-weight:

- A. Unsecured loans given by a bank
- B. Cash
- C. Mortgage loans
- D. Investment in government securities (Treasury Bonds)
- E. Investment in corporate bonds issued by AAA rated firms

- 1. B --> C --> D --> A --> E
- 2. B --> D --> C --> E --> A
- 3. D --> C --> E --> B --> A
- 4. E --> D --> B --> A --> C

Options :

- 89951452147. 1
- 89951452148. 2
- 89951452149. 3
- 89951452150. 4

Banking and Financial Markets A Risk Management Perspective-C

Section Id :	899514224
Section Number :	3
Section type :	Online
Mandatory or Optional :	Mandatory
Number of Questions :	7
Number of Questions to be attempted :	7
Section Marks :	35
Mark As Answered Required? :	Yes
Sub-Section Number :	1
Sub-Section Id :	899514268
Question Shuffling Allowed :	Yes

**Question Number : 36 Question Id : 89951413397 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No
Correct Marks : 5 Wrong Marks : 0**

Please go through the summarized balance sheet of a Bank given below and compute the **Total Risk Weighted Assets** for this Bank.

<u>Assets</u>		<u>Risk Weight</u>
Investment in Treasury & Municipal Bonds	500	5%
Investment in Corporate Bonds	700	100%
Commercial Loans (Unsecured)	1000	100%
Mortgage Loans	900	60%
Fixed Assets	600	0%
Cash	100	0%
TOTAL ASSETS	3800	

<u>Liabilities</u>	
Equity Capital	55
Retained Earnings	125
Provision for Bad Loans	150
Subordinated Debt	50
Customer Deposits	3420
TOTAL LIABILITIES	3800

<u>Off-Balance Sheet Items</u>		<u>RW</u>	<u>CF</u>
Letter of Credit Issued	1000	100%	50%
Foreign Exchange Contracts	1000	100%	15%
Interest Rate Swaps	500	100%	10%

1. 2268
2. 3259
3. 2965
4. Need more information

Options :

89951452151. 1

89951452152. 2

89951452153. 3

89951452154. 4

Question Number : 37 Question Id : 89951413398 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 5 Wrong Marks : 0

A Bond with a face value of CCU 100 is currently trading at CCU 103, coupon rate 8% to be paid annually. The bond has a yield to maturity of 7% p.a. and has three more years coupon payments to maturity. What is the duration of the bond?

1. 2.887
2. 2.776
3. 2.631
4. Need more information

Options :

- 89951452155. 1
- 89951452156. 2
- 89951452157. 3
- 89951452158. 4

Question Number : 38 Question Id : 89951413399 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 5 Wrong Marks : 0

Net Worth of a Bank is CCU 100 million. The Board of Directors of the Bank has decreed that loan losses attributable to any industry sector cannot exceed 20% of the Bank's Net Worth. If the expected loss percentage in a specific sector due to loan default is 50%, the maximum loan to that sector by the Bank can be _____.

1. CCU 20.00 million
2. CCU 30.00 million
3. CCU 40.00 million
4. CCU 10.00 million

Options :

- 89951452159. 1
- 89951452160. 2
- 89951452161. 3
- 89951452162. 4

Question Number : 39 Question Id : 89951413400 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 5 Wrong Marks : 0

Based on the balance sheet data below for the Bank of Utopia, analyze the interest rate risk pertaining to assets and liabilities whose maturity is one year or less:

Abridged Balance Sheet of Bank of Utopia		(All figures in CCU Million)	
<u>Liabilities</u>		<u>Assets</u>	
1.0 Equity Capital	200	1.0 Consumer Loans	2175
Retained Earnings	500	< 1 yr	1050
		1 to 2 years	400
2.0 Inter-bank Borrowings	875	> 2yrs	725
(< 1year)		2.0 Home Mortgages	770
3.0 Call Money (Fed Funds)	325	Floating(Variable) Rate	520
4.0 Deposits from Customers		Fixed Rate	250
4.1 Transaction Accounts (Cur & Sav)	500	3.0 Investment in Bonds & Securities	1630
4.2 Certificate of Deposits	2600	< 1 yr	890
Variable Rate CDs	950	1 to 2 years	250
Fixed Rate CDs (< 1 year)	500	> 2yrs	490
Fixed Rate CDs (1 year-2yrs)	300	4.0 Fixed Assets	275
Fixed Rate CDs (> 2 yrs)	850	5.0 Cash	150
Total Liabilities	5000	Total Assets	5000

The Treasurer wishes to evaluate the impact on the Bank's net interest income, should interest rate be reduced by 0.75%. Based on past data, the Treasurer believes that:

- At least 35% of the fixed rate, home mortgages will be 'pre-closed' when the interest rate falls by 0.75%
- 25% of the Current and Savings Account (transaction accounts) are also rate sensitive

Estimate the impact on the bank's net interest income, based on the above information.

1. Increase by 1706250
2. Increase by 2362500
3. Reduce by 236250
4. Reduce by 1706250

Options :

89951452163. 1
89951452164. 2
89951452165. 3
89951452166. 4

Question Number : 40 Question Id : 89951413401 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 5 Wrong Marks : 0

A Bank has the following table of credit score parameters:

Parameters	Score				
Annual Gross Income (in CCU)	< 100,000	100,000 - 300,000	300,000 - 500,000	500,000 - 1,000,000	> 1,000,000
	0	10	20	30	40
Age	< 25	25 - 35	35 - 45	45 - 60	> 60
	10	20	35	20	10
Academic Credential	High School	Under-graduate	Graduate or Higher		
	5	15	25		
Current Debt Service Ratio	> 50%	35 - 50%	15 - 35%	5% - 15%	< 5%
	0	10	20	35	50
Credit Bureau Score (FICO)	300 - 600	600 - 725	725 - 850		
	0	10	20		
Major Credit Cards	None	One or More			
	0	10			
Nature of Current Relationship with the Bank	None	Savings Account	Savings A/C + Other		
	0	30	50		
Current Residence	Rent	Own, Mortgage	Own, Outright		
	5	20	40		
Length of Service in Present Job	< 1	1 - 5 years	> 5 years		
	0	15	30		
Maximum Possible Score	300				

Below information belongs to a customer:

- Length of service in present job: 11 years
- Age: 38 years
- Has only a savings account with the Bank
- Holds two credit cards
- Graduate from a recognized University
- Currently living in a rented home
- Current FICO score : 650
- Current Annual gross income: CCU 575,000
- Current DSR: 30%

What would be the computer credit score for this customer based on the above information?

1. 145
2. 180
3. 195
4. 215

Options :

- 89951452167. 1
- 89951452168. 2
- 89951452169. 3
- 89951452170. 4

Question Number : 41 Question Id : 89951413402 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 5 Wrong Marks : 0

Data for the last two years interest rate for a 15 day (fortnight) deposit is:

- (a) Mean value of 6%
- (b) Standard deviation of 0.60%
- (c) 26 fortnights in a year

Estimate the likely interest rate range (maximum and minimum) for a 15 day deposit commencing the coming fortnight at 95% (two sigma) confidence level.

- 1. 6.432 - 6.292
- 2. 6.325 - 5.597
- 3. 6.235 - 5.765
- 4. 6.142 - 5.553

Options :

- 89951452171. 1
- 89951452172. 2
- 89951452173. 3
- 89951452174. 4

Question Number : 42 Question Id : 89951413403 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 5 Wrong Marks : 0

A US firm has exported goods to a Utopian importer worth CCU 100,000 today for which the payment is due 90 days hence.

Based on the rates prevailing today:

- CCU/USD spot rate: 0.5750
- CCU/USD 90 day Forward Rate: 0.5720
- CCU 90-day interest rate 5.70% per annum
- USD 90-day interest rate: 3.60% per annum

How much USD cash flow can the US firm realize today using the money market hedge?

1. 57208
2. 56692
3. 57589
4. 56976

Options :

89951452175. 1
89951452176. 2
89951452177. 3
89951452178. 4