

National Testing Agency

Question Paper Name :	Banking and Financial Markets A Risk Management Perspective 25th March 2021 Shift 2
Subject Name :	Banking and Financial Markets A Risk Management Perspective
Creation Date :	2021-03-25 22:30:44
Duration :	180
Number of Questions :	50
Total Marks :	100
Display Marks:	Yes

Banking and Financial Markets A Risk Management Perspective

Group Number :	1
Group Id :	512452130
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 1

Section Id :	512452764
Section Number :	1
Section type :	Online
Mandatory or Optional :	Mandatory
Number of Questions :	50
Number of Questions to be attempted :	50
Section Marks :	100
Mark As Answered Required? :	Yes
Sub-Section Number :	1
Sub-Section Id :	512452766
Question Shuffling Allowed :	Yes

Question Number : 1 Question Id : 51245211516 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

51245234581. 1
51245234582. 2
51245234583. 3
51245234584. 4

Question Number : 2 Question Id : 51245211517 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

51245234585. 1
51245234586. 2
51245234587. 3
51245234588. 4

Question Number : 3 Question Id : 51245211518 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

- 51245234589. 1
- 51245234590. 2
- 51245234591. 3
- 51245234592. 4

Question Number : 4 Question Id : 51245211519 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

- 51245234593. 1
- 51245234594. 2
- 51245234595. 3
- 51245234596. 4

Question Number : 5 Question Id : 51245211520 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

- 51245234597. 1
- 51245234598. 2
- 51245234599. 3
- 51245234600. 4

Question Number : 6 Question Id : 51245211521 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

- 51245234601. 1
- 51245234602. 2
- 51245234603. 3
- 51245234604. 4

Question Number : 7 Question Id : 51245211522 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

- 51245234605. 1
- 51245234606. 2
- 51245234607. 3
- 51245234608. 4

Question Number : 8 Question Id : 51245211523 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

- 51245234609. 1
- 51245234610. 2

51245234611. 3

51245234612. 4

Question Number : 9 Question Id : 51245211524 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

51245234613. 1

51245234614. 2

51245234615. 3

51245234616. 4

Question Number : 10 Question Id : 51245211525 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

51245234617. 1

51245234618. 2

51245234619. 3

51245234620. 4

Question Number : 11 Question Id : 51245211526 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

51245234621. 1
51245234622. 2
51245234623. 3
51245234624. 4

Question Number : 12 Question Id : 51245211527 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

51245234625. 1
51245234626. 2
51245234627. 3
51245234628. 4

Question Number : 13 Question Id : 51245211528 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

- 51245234629. 1
- 51245234630. 2
- 51245234631. 3
- 51245234632. 4

Question Number : 14 Question Id : 51245211529 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

- 51245234633. 1
- 51245234634. 2
- 51245234635. 3
- 51245234636. 4

Question Number : 15 Question Id : 51245211530 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

- 51245234637. 1

51245234638. 2

51245234639. 3

51245234640. 4

Question Number : 16 Question Id : 51245211531 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

51245234641. 1

51245234642. 2

51245234643. 3

51245234644. 4

Question Number : 17 Question Id : 51245211532 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

51245234645. 1

51245234646. 2

51245234647. 3

51245234648. 4

Question Number : 18 Question Id : 51245211533 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

- 51245234649. 1
- 51245234650. 2
- 51245234651. 3
- 51245234652. 4

Question Number : 19 Question Id : 51245211534 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

- 51245234653. 1
- 51245234654. 2
- 51245234655. 3
- 51245234656. 4

Question Number : 20 Question Id : 51245211535 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

- 51245234657. 1
- 51245234658. 2
- 51245234659. 3
- 51245234660. 4

Question Number : 21 Question Id : 51245211536 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 Wrong Marks : 0

Which among the following is not a pillar of BASEL III?

1. Minimum capital standard
2. Market discipline
3. Continuous credibility assessment
4. Supervisory review

Options :

- 51245234661. 1
- 51245234662. 2
- 51245234663. 3
- 51245234664. 4

Question Number : 22 Question Id : 51245211537 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 Wrong Marks : 0

CAR is calculated as a percentage on _____

1. Total risk-weighted asset excluding deferred revenue expenditure
2. Risk weighted asset excluding off-balance-sheet assets
3. Only on RWA
4. Risk-weighted assets excluding current assets

Options :

- 51245234665. 1

51245234666. 2

51245234667. 3

51245234668. 4

Question Number : 23 Question Id : 51245211538 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

Full form of NII

1. Net income on investment
2. Net interest income
3. Non-investment income
4. None of the above

Options :

51245234669. 1

51245234670. 2

51245234671. 3

51245234672. 4

Question Number : 24 Question Id : 51245211539 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

The risk that the counterparty will default in honouring the obligation

1. Counter risk
2. Solvency risk
3. Credit risk
4. None of the above

Options :

51245234673. 1

51245234674. 2

51245234675. 3

51245234676. 4

Question Number : 25 Question Id : 51245211540 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

CRR will be in the form of:

1. Cash deposit with self
2. Cash deposits with Central bank of the country
3. Either of the above or mix
4. None of the above

Options :

- 51245234677. 1
- 51245234678. 2
- 51245234679. 3
- 51245234680. 4

Question Number : 26 Question Id : 51245211541 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 Wrong Marks : 0

BG and L/C issued by banks are

1. Contingent liability
2. Contingent asset
3. Asset
4. Liability

Options :

- 51245234681. 1
- 51245234682. 2
- 51245234683. 3
- 51245234684. 4

Question Number : 27 Question Id : 51245211542 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 Wrong Marks : 0

Who among the following is an RBI approved domestic credit rating agency?

1. CRISIL
2. ICRA LIMITED
3. All of the above
4. None of the above

Options :

- 51245234685. 1
- 51245234686. 2
- 51245234687. 3

51245234688. 4

Question Number : 28 Question Id : 51245211543 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

Liquidity coverage guidance considers:

1. Liquidity Coverage Ratio
2. NFSR
3. All of the above
4. None of the above

Options :

- 51245234689. 1
- 51245234690. 2
- 51245234691. 3
- 51245234692. 4

Question Number : 29 Question Id : 51245211544 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

The purpose of _____ is / are to protect the banking sector from periods of excess aggregate credit growth.

1. CCB
2. CCCB
3. All of the above
4. None of the above

Options :

- 51245234693. 1
- 51245234694. 2
- 51245234695. 3
- 51245234696. 4

Question Number : 30 Question Id : 51245211545 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

What is the credit conversion factor rate for the unutilized amount of Cash Credit?

- 1. 10%
- 2. 20%
- 3. 30%
- 4. 40%

Options :

- 51245234697. 1
- 51245234698. 2
- 51245234699. 3
- 51245234700. 4

Question Number : 31 Question Id : 51245211546 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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, a 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 :

- 51245234701. 1
- 51245234702. 2
- 51245234703. 3
- 51245234704. 4

Question Number : 32 Question Id : 51245211547 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

- 51245234705. 1
- 51245234706. 2
- 51245234707. 3
- 51245234708. 4

Question Number : 33 Question Id : 51245211548 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 Wrong Marks : 0

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

- i. Delays in repayment of the 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 :

- 51245234709. 1
- 51245234710. 2
- 51245234711. 3
- 51245234712. 4

Question Number : 34 Question Id : 51245211549 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 Wrong Marks : 0

The major manifestations of Subprime mortgages were:

- i. Home loans are 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 :

51245234713. 1

51245234714. 2

51245234715. 3

51245234716. 4

Question Number : 35 Question Id : 51245211550 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 Wrong Marks : 0

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

- i. Cash collaterals provided by the borrowers (homeowners)
- 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 :

51245234717. 1

51245234718. 2

51245234719. 3

51245234720. 4

Question Number : 36 Question Id : 51245211551 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

- 51245234721. 1
- 51245234722. 2
- 51245234723. 3
- 51245234724. 4

Question Number : 37 Question Id : 51245211552 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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. The 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 :

- 51245234725. 1
- 51245234726. 2

51245234727. 3

51245234728. 4

Question Number : 38 Question Id : 51245211553 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

51245234729. 1

51245234730. 2

51245234731. 3

51245234732. 4

Question Number : 39 Question Id : 51245211554 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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. The 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 :

- 51245234733. 1
- 51245234734. 2
- 51245234735. 3
- 51245234736. 4

Question Number : 40 Question Id : 51245211555 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 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 :

- 51245234737. 1
- 51245234738. 2
- 51245234739. 3
- 51245234740. 4

Question Number : 41 Question Id : 51245211556 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

- 51245234741. 1
- 51245234742. 2
- 51245234743. 3
- 51245234744. 4

Question Number : 42 Question Id : 51245211557 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

- 51245234745. 1
- 51245234746. 2

51245234747. 3

51245234748. 4

Question Number : 43 Question Id : 51245211558 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

51245234749. 1

51245234750. 2

51245234751. 3

51245234752. 4

Question Number : 44 Question Id : 51245211559 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

51245234753. 1

51245234754. 2

51245234755. 3

51245234756. 4

Question Number : 45 Question Id : 51245211560 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 Wrong Marks : 0

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

A. Unsecured loans are 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 :

51245234757. 1

51245234758. 2

51245234759. 3

51245234760. 4

Question Number : 46 Question Id : 51245211561 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

51245234761. 1
51245234762. 2
51245234763. 3
51245234764. 4

Question Number : 47 Question Id : 51245211562 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

51245234765. 1

51245234766. 2

51245234767. 3

51245234768. 4

Question Number : 48 Question Id : 51245211563 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

51245234769. 1

51245234770. 2

51245234771. 3

51245234772. 4

Question Number : 49 Question Id : 51245211564 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

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

51245234773. 1
51245234774. 2
51245234775. 3
51245234776. 4

Question Number : 50 Question Id : 51245211565 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 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 :

- 51245234777. 1
- 51245234778. 2
- 51245234779. 3
- 51245234780. 4