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## **ALL THE VERY BEST FOR YOUR EXAMS**

# **SAMPLE QUESTIONS FOR CAIIB ADVANCED BANK MANAGEMENT**

Though we had taken enough care to go through the sample questions provided here, we shall not be responsible for any loss or damage, resulting from any action taken on the basis of the contents. Creation of these short notes is the efforts of so many persons. First of all we thank all of them for their valuable contribution. We request everyone to go through the Macmillan book and update yourself with the latest information through RBI website and other authenticated sources. In case you find any incorrect/doubtful information, kindly update us also (along with the source link/reference for the correct information).

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### **CAIIB – GENERAL INFORMATION**

**Consists of 5 papers :**

#### **I. Compulsory Paper**

1. Advanced Bank Management
2. Bank Financial Management
3. Advanced Business & Financial Management
4. Banking Regulations and Business Laws

#### **II. Elective Papers (Candidates to choose any one of their Choice)**

1. Rural Banking
2. Human Resources Management
3. Information Technology & Digital Banking
4. Risk Management
5. Central Banking

- Only existing employees of banks who had cleared JAIIB can appear for CAIIB Exam.
- CAIIB exams are conducted in on-line mode only.
- The examination will be conducted normally twice a year in May / June and November / December on Sundays.
- The duration of the examination will be of 2 hours.
- **Examination Pattern :**
  - (i) Question Paper will contain 100 objective type multiple choice questions for 100 marks including questions based on case studies/ case lets. The Institute may however vary the number of questions to be asked for a subject.
  - (ii) There may be some numerical questions in some of the CAIIB subjects where, no options will be provided. These questions will not be in the MCQ pattern and the answer has to be keyed in by the candidate.
  - (iii) The examination will be held in Online Mode only.
  - (iv) There will be no negative marking for wrong answers.
  - (v) Questions for the examination will be asked for:
    - a. Knowledge testing
    - b. Conceptual grasp
    - c. Analytical/ logical exposition
    - d. Problem solving
    - e. Case analysis

➤ **Passing Criteria :**

1. Minimum marks for pass in the subject is 50 out of 100.
2. Candidates securing at least 45 marks in each subject with an aggregate of 50% marks in all subjects of examination in a single attempt will also be declared as having completed the Examination.
3. Candidates will be allowed to retain credits for the subject they have passed in an attempt till the expiry of the time limit for passing the examination.

Note : A candidate will be given 5 attempts for completion of exam (CAIIB) but, within a maximum period of three years, whichever is earlier, from the time he/she registers for the exam. These 5 attempts need not be consecutive.

➤ **"Class of Pass" Criteria :**

- ❖ **First Class** : 60% or more marks in aggregate and pass in all the subjects in the FIRST PHYSICAL ATTEMPT.
- ❖ **First Class with Distinction** : 70% or more marks in aggregate and 60% or more marks in each subject in the FIRST PHYSICAL ATTEMPT.
- ❖ Candidates who have been granted exemption in the subject/s will be given "**Pass Class**" only.

➤ **Cut-off Date of Guidelines /Important Developments for Examinations :**

- ❖ In respect of the exams to be conducted by the Institute for the Period from February to July of a calendar year, instructions/guidelines issued by the regulator(s) and important developments in banking and finance up to 31st December will only be considered for the purpose of inclusion in the question papers.
- ❖ In respect of the exams to be conducted by the Institute for the period from August to January of a calendar year, instructions/guidelines issued by the regulator(s) and important developments in banking and finance up to 30th June will only be considered for the purpose of inclusion in the question papers.

➤ **Exam Fees**

Description	Fees*
First attempt fee	5,000
Second attempt fee	1,300
Third attempt fee	1,300
Fourth attempt fee	1,300
Fifth attempt fee	1,300

\* Plus Convenience charges and Taxes as applicable.

**Please Note: Candidates are required to Register for every attempt separately**

## **SYLLABUS**

The details of the prescribed syllabus which is indicative are furnished in the booklet. However, keeping in view the professional nature of examinations, all matters falling within the realm of the subject concerned will have to be studied by the candidate as questions can be asked on all relevant matters under the subject.

Candidates appearing for the examination should particularly prepare themselves for answering questions that may be asked on the latest developments taking place under the various subject/s of the said examination although those topics may not have been specifically included in the syllabus. Further, questions based on current developments in banking and finance may be asked. **Candidates are advised to refer to financial news papers / periodicals more particularly "IIBF VISION" and "BANK QUEST" published by IIBF.**

### **MODULE A: STATISTICS**

#### **Definition of Statistics, Importance & Limitations & Data Collection, Classification & Tabulation**

Importance of Statistics; Functions of Statistics; Limitation or Demerits of Statistics; Definitions; Collection of Data; Classification and Tabulation; Frequency Distribution

#### **Sampling Techniques**

Random Sampling; Sampling Distributions; Sampling from Normal Populations; Sampling from Non-Normal Populations; Central Limit Theorem; Finite Population Multiplier

#### **Measures of Central Tendency & Dispersion, Skewness, Kurtosis**

Arithmetic Mean; Combined Arithmetic Mean; Geometric Mean; Harmonic Mean; Median and Quartiles; Mode; Introduction to Measures of Dispersion; Range and Coefficient of Range; Quartile Deviation and Coefficient of Quartile Deviation; Standard Deviation and Coefficient of Variation; Skewness and Kurtosis

#### **Correlation and Regression**

Scatter Diagrams; Correlation; Regression; Standard Error of Estimate

#### **Time Series**

Variations in Time Series; Trend Analysis; Cyclical Variation; Seasonal Variation; Irregular Variation; Forecasting Techniques

#### **Theory of Probability**

Mathematical Definition of Probability; Conditional Probability; Random Variable; Probability Distribution of Random Variable; Expectation and Standard Deviation; Binomial Distribution; Poisson Distribution; Normal Distribution; Credit Risk; Value at Risk; Option Valuation

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### **Estimation**

Estimates; Estimator and Estimates; Point Estimates; Interval Estimates; Interval Estimates and Confidence Intervals; Interval Estimates of the Mean from Large Samples; Interval Estimates of the Proportion from Large Samples

### **Linear Programming**

Graphic Approach; Simplex Method

### **Simulation**

Simulation Exercise; Simulation Methodology

## **MODULE B: HUMAN RESOURCE MANAGEMENT**

### **Fundamentals of Human Resource Management**

The Perspective; Relationship between HRM & HRD and their Structure and Functions; Role of HR Professionals; Strategic HRM; Development of HR Functions in India

### **Development of Human Resources**

HRD and its Subsystems; Learning and Development – Role and Impact of Learning; Attitude Development; Career Path Planning; Self-Development; Talent Management; Succession Planning

### **Human Implications of Organisations**

Human Behaviour and Individual Differences; Employees Behaviour at Work; Diversity at Workplace and Gender Issues; Theories of Motivation and their Practical Implications; 'Role' : Its Concept & Analysis

### **Employees' Feedback and Reward System**

Employees' Feedback; Reward and Compensation System

### **Performance Management**

Appraisal Systems; Performance Review and Feedback; Counselling; Competency Mapping and Assessment of Competencies; Assessment Centres; Behavioural Event Interview (BEI)

### **Conflict Management and Negotiation**

Conflict: Concept & Definition; Characteristics of Conflict; Types of Conflicts; Reasons for Conflict; Different Phases of Conflict; Conflict Resolution; Conflict Management; Negotiation Skills for Resolution of Conflicts

### **HRM and Information Technology**

Role of Information Technology in HRM; HR Information and Database Management; Human Resource Information System (HRIS); Human Resource Management System (HRMS); e-HRM; HR Research; Knowledge Management; Technology in Training; HR Analytics

## **MODULE C: CREDIT MANAGEMENT**

### **Overview of Credit Management**

Importance of Credit; Historical Background of Credit in India; Principles of Credit; Types of Borrowers; Types of Credit; Components of Credit Management; Role of RBI Guidelines in Bank's Credit Management

### **Analysis of Financial Statements**

Which are the Financial Statements; Users of Financial Statements; Basic Concepts Used in Preparation of Financial Statements; Accounting Standards (AS); Legal Position Regarding Financial Statements; Balance Sheet; Profit and Loss Account; Cash Flow Statement; Funds Flow Statement; Projected Financial Statements; Purpose of Analysis of Financial Statements by Bankers; Rearranging the Financial Statements for Analysis; Techniques used in Analysis of Financial Statements; Creative Accounting; Related Party Transactions

### **Working Capital Finance**

Concept of Working Capital; Working Capital Cycle; Importance of Liquidity Ratios; Methods of Assessment of Bank Finance; Working Capital Finance to Information Technology and Software Industry; Bills/Receivables Finance by the Banks; Guidelines of RBI for Discounting/Rediscounting of Bills by Banks; Trade Receivables Discounting System (TReDS); Non-Fund Based Working Capital Limits; Other Issues Related to Working Capital Finance

### **Term Loans**

Important Points about Term Loans; Deferred Payment Guarantees (DPGs); Difference between Term Loan Appraisal and Project Appraisal; Project Appraisal; Appraisal and Financing of Infrastructure Projects

### **Credit Delivery and Straight Through Processing**

Documentation; Third-Party Guarantees; Charge over Securities; Possession of Security; Disbursal of Loans; Lending under Consortium/Multiple Banking Arrangements; Syndication of Loans; Straight-Through Loan Processing or Credit Underwriting Engines

### **Credit Control and Monitoring**

Importance and Purpose; Available Tools for Credit Monitoring/Loan Review Mechanism (LRM)

### **Risk Management and Credit Rating**

Meaning of Credit Risk; Factors Affecting Credit Risk; Steps taken to Mitigate Credit Risks; Credit Ratings; Internal and External Ratings; Methodology of Credit Rating; Use of Credit Derivatives for Risk Management; RBI guidelines on Credit Risk Management; Credit Information System

### **Restructuring/Rehabilitation and Recovery**

Credit Default/Stressed Assets/NPAs; Wilful Defaulters; Non-cooperative borrowers; Options Available to Banks for Stressed Assets; RBI Guidelines on Restructuring of Advances by Banks; Available Frameworks for Restructuring of Assets; Sale of Financial Assets

### **Resolution of Stressed Assets under Insolvency and Bankruptcy Code 2016**

Definition of Insolvency and Bankruptcy; To Whom the Code is Applicable; Legal Elements of the Code; Paradigm Shift; Corporate Insolvency Resolution Process; Liquidation process; Pre-packed Insolvency Resolution Process for stressed MSMEs

## **MODULE D: COMPLIANCE IN BANKS & CORPORATE GOVERNANCE**

### **Compliance Function in Banks**

Compliance Policy; Compliance Principles, Process and Procedures; Compliance Programme; Scope of Compliance Function; Role & Responsibilities of Chief Compliance Officer (CCO)

### **Compliance Audit**

Role of Risk Based Internal Audit and Inspection; Reporting Framework and Monitoring Compliance; Disclosure Requirements; Accounting Standards; Disclosures under Listing Regulations of SEBI

### **Compliance Governance Structure**

Organisational Structure; Responsibility of the Board and Senior Management; Compliance Structure at the Corporate Office; Functional Departments; Compliance Structure at Field Levels; Internal Controls and its Importance

### **Framework for Identification of Compliance Issues and Compliance Risks**

Compliance Issues; Compliance Risk; Inherent Risk and Control Risk; Independent Testing and Effective Audit Programme; Reporting Framework and Monitoring Compliance; Role of Inspection and Audit; Loan Review Mechanism/Credit Audit; What is Good Compliance

### **Compliance Culture and GRC Framework**

How to Create Compliance Culture Across the Organisation; Governance, Risk and Compliance – GRC Framework; Benefits of an Integrated GRC Approach; Whistle-blower Policy; The Components of a Whistle-blower Policy; Reasons for Compliance Failures



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**Compliance Function and Role of Chief Compliance Officer in NBFCs**

Framework for Scale Based Regulation for Non-Banking Financial Companies; Transition Path; Framework for Compliance Function and Role of Chief Compliance Officer in Non-Banking Financial Companies in Upper Layer and Middle Layer (NBFC-UL & NBFC-ML)

**Fraud and Vigilance in Banks**

Definition of Fraud; Definition of Forgery; Areas in which Frauds are committed in Banks; Banking and Cyber Frauds; Fraud Reporting and Monitoring System; Vigilance Function in Banks; RBI Guidelines for Private Sector and Foreign

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## Advanced Bank Management

### Very Important Sample Questions

ABC limited company enjoying CC sanction limit of Rs. 14,00,000. Given the following details of stock and book debts statement as at the end of 31.03.2022, Calculate the Drawing Power.

Total stock	14,00,000
Creditors	3,00,000
Total book debtors	5,00,000
Debtors more than 90 days old	1,00,000 (as per sanction 90 days old are considered for DP).
Take, Margin on stock @25% and Margin on Debtor @40%	

- a. 985000
- b. 1035000
- c. 1065000
- d. 1125000

Ans - c

Explanation:

Drawing Power = Net Value of Stock + Net Value of Debtors

Where, Net Value of Stock = (Stock – Creditors)\*(100% – % margin on stock) and Net Value of Debtors = (Debtors\*(100% – % margin on debtors))

$$\begin{aligned} \text{Net Value of Stock} &= (1400000 - 300000) * (100\% - 25\%) \\ &= 1100000 * 75\% = \text{Rs. } 8,25,000 \end{aligned}$$

Total Book Debtors - 500000

Less: Debtors > 90 days - 100000

Net Debtors for DP = 500000 - 100000 = 400000

Net Value of Debtors = (Debtors\*(100% – % margin on debtors))

$$= (400000 * (100\% - 40\%))$$

$$= 400000 * 60\% = 240000$$

Total Drawing Power = Net Value of Stock + Net Value of Debtors

$$= \text{Rs. } 8,25,000 + \text{Rs. } 2,40,000$$

$$= \text{Rs. } 10,65,000$$

When a bond sells at a discount, its coupon rate is .....

- a. Greater than Yield to maturity
- b. Greater than the current yield and the current yield is greater than the Yield to maturity
- c. Less than the current yield and the current yield is greater than the Yield to maturity
- d. Less than the current yield and the current yield is less than the Yield to maturity

Ans - d

Based on the following information, what is the number of pieces must be produced so that the company does not incur any loss.

Sale price of each piece - Rs. 125

Cash discount per piece - 20%

Wage cost per piece - Rs 40

Raw material per piece - Rs 20

Office rent per month - Rs 11,000

Other fixed cost p.m. - Rs 17,000

- a. 600
- b. 700
- c. 800
- d. 900

Ans - b

Solution:

Sale price after allowing discount =  $125 - 20\% \text{ of } 125$   
 $= 125 - 25 = \text{Rs. } 100$

Variable cost per piece =  $40 + 20 = \text{Rs. } 60$

Contribution per unit sale =  $100 - 60 = \text{Rs. } 40$

Total Fixed cost =  $11,000 + 17,000 = \text{Rs. } 28,000$

BEP sales in number of units =  $\text{Total fixed cost} / \text{Contribution per unit}$

$= 28,000 / 40$

$= 700$

**Answer these questions based on Transactional Analysis**

1. What is the purpose of studying Transactional Analysis?
  - a. To know why we get angry
  - b. To know why we cry
  - c. To know why we behave differently at different times
  - d. To know why we procrastinate
  
2. Transactional Analysis is a psychological tool given by .....
  - a. Sigmund Freud
  - b. Eric Berne
  - c. Gordon Allport
  - d. John Watson
  
3. .... is the source of our emotional responses.
  - a. Child Ego State
  - b. Parent Ego State
  - c. Nurturing Parent
  - d. Adult Ego State
  
4. Which is not among the 3 main states of ego?
  - a. Adult Ego
  - b. Child Ego
  - c. Parent Ego
  - d. Compliant Child
  
5. A ..... parent does not deal with the behavior, but labels.
  - a. Nurturing
  - b. Critical
  - c. Compliant
  - d. Rebellious

Answers – 1-c, 2-b, 3-a, 4-d, 5-b

.....

In a Bank branch, the Branch Manager is less stress-prone patient, relaxed, easy-going and lacks time-urgency.

The Assistant Manager of the branch is always in a hurry, impatient, fast and can do several things at a time.

The Head Cashier of the branch is sensitive, short-tempered and proactive

The Clerk of the branch is reflective, non-competitive and creative in nature

Answer the following questions, based on the above information

1. Who are all having Type A personality? (i) Branch Manager, (ii) Assistant Manager, (iii) Head Cashier, (iv) Clerk

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. Only (i) and (iv)

Ans - c

2. Who are all having Type B personality? (i) Branch Manager, (ii) Assistant Manager, (iii) Head Cashier, (iv) Clerk

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. Only (i) and (iv)

Ans - d

.....

What is take-out financing?

- a. Providing finance for longer duration projects
- b. Providing interest-free loans from commercial banks
- c. Inter-bank loan transactions
- d. Borrowing from international financial institutions

Ans - a

.....

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Which of the following is a method of selecting samples from a population?

- (i) Judgement sampling
- (ii) Random sampling
- (iii) Probability sampling

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans - a

The following are the marks of 9 students in a class 34, 32, 48, 38, 24, 30, 27, 21, 3. Median is .....

- a. 24
- b. 32
- c. 34
- d. 35

Ans - b

Which of the following is most important in a compliance policy?

- a. Tone at the top
- b. Integration across the enterprise is key
- c. Silos
- d. Resources

Ans - a

The probability of loss that remains to systems that store, process, or transmit information after security measures or controls have been implemented is called ..... risk

- a. Residual
- b. Control
- c. Inherent

d. operational

Ans - a

The type of cumulative frequencies where the frequencies are added starting from the highest class to the lowest class are called \_\_\_\_\_

- a. Relative Frequency
- b. Percentage Frequency
- c. Less than Cumulative Frequency
- d. Greater than Cumulative Frequency

Ans - d

Provision Coverage Ratio refers to Ratio of .....

- a. Provision for NPA to gross non-performing assets
- b. Provision for NPA to Total assets
- c. gross non-performing assets to Advances
- d. Provision for NPA to Total equity

Ans - a

Possibility of regulatory action of closing down business is ..... risk

- a. annihilation
- b. legal
- c. operational
- d. Regulatory

Ans - a

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**Answer these questions based on Performance Appraisal**

1. "If a worker has few absences, his supervisor might give him a high rating in all other areas of work". This is an example of ..... bias in Performance Appraisal

- a. Halo effect
- b. Central Tendency
- c. Personal Biases
- d. Stereo Typing

2. Which of the following is not a physical or objective performance appraisal factor?

- a. Attendance
- b. Amount of work
- c. Efficiency
- d. Friendliness

3. "A professor, with a view to play it safe, might give a class grade near the equal to B, regardless of the differences in individual performances". This is an example of ..... bias in Performance Appraisal

- a. Halo effect
- b. Central Tendency
- c. Personal Biases
- d. Stereo Typing

4. Performance Appraisal is also known as ..... or .....

- a. Performance review, Annual review
- b. Performance review, Loss review
- c. Loss review, Annual review
- d. Discount review, Loss review

5. "The person who was a good performer in distant past is assured to be okay at present also". This is an example of ..... bias in Performance Appraisal

- a. Halo effect
- b. Central Tendency
- c. Horn effect
- d. Spill over effect



6. Match the following general applications of performance assessment with their specific purposes

- I. Administrative Uses/ Decisions - A. Performance Feedback
- II. Documentation - B. Lay - offs
- III. Organisational Maintenance/ Objectives - C. Helping to meet legal requirements
- IV. Developmental Uses - D. Evaluation of HR systems

- a. I-C, II-D, III-B, IV-A
- b. I-B, II-C, III-D, IV-A
- c. I-B, II-C, III-D, IV-D
- d. I-A, II-B, III-D, IV-C

7. "He is not formally dressed up in the office. He may be casual at work too!". This is an example of ..... bias in Performance Appraisal

- a. Halo effect
- b. Central Tendency
- c. Horn effect
- d. Stereo Typing

Answer: 1-a, 2-d, 3-b, 4-a, 5-d, 6-b, 7-c

If one year discount factor is 0.8333. What is the discount rate per year?

- a. 10%
- b. 15%
- c. 20%
- d. 25%

Ans - c

Explanation:

Discounting factor =  $1/(1+r)^n$

$0.8333 = 1/(1+r)$

$1+r = 1/0.8333$

$1+r = 1.20$

$r = 0.20$

Discount rate = 20%

Annual Foreign Purchase for the ensuing year (in Crores) - 100.00

Out of above total imports (in Crores) - 25.00

Less import duty component - Nil

Purchase on DA basis - 1.08

Usance Period in months - 3

Transit period/ Lead Time - 1

Purchase on DP basis (monthly) - 1.00

Annual Local Purchase for the ensuing year (in Crores) - 75.00

Out of above credit purchases (in Crores) - 75.00

Usance Period in months - 4

Transit period (7 days) / Lead Time - 0.23

Based on the above data, calculate the following

1. Foreign LC requirement DA Basis

- a. 1.00
- b. 2.32
- c. 4.32
- d. 5.32

2. Foreign LC requirement DP Basis

- a. 1.00
- b. 2.32
- c. 4.32
- d. 5.32

3. Total Foreign LC requirement

- a. 1.00
- b. 2.32
- c. 4.32
- d. 5.32

4. Inland LC requirement

- a. 24.64
- b. 26.44

- c. 28.44  
d. 29.64

5. Total LC limit recommended

- a. 29.86  
b. 31.76  
c. 32.84  
d. 33.68

Explanation :

1-c. Foreign LC requirement DA Basis = Purchase on DA basis x Total time period  
Total time period = Usance Period in months + Transit period/Lead Time = 3 + 1 = 4  
Foreign LC requirement DA Basis = 1.08 x 4  
= 4.32

2-a. Foreign LC requirement DP Basis = Purchase on DP basis x Transit period  
Net value of imports for the year = Total imports - Import duty component  
= 25.00 - 0 = 25.00  
Average monthly import (25/12) = 2.08  
Purchase on DP basis = Average monthly import - Purchase on DA basis  
= 2.08 - 1.08 = 1.00  
Foreign LC requirement DP Basis = 1 x 1  
= 1.00

3-d. Total Foreign LC requirement = Foreign LC requirement DA Basis + Foreign LC requirement DP Basis  
= 4.32 + 1.00 = 5.32

4-b. Inland LC requirement = Monthly Credit purchases x Total time period  
Monthly Credit purchases = Annual credit purchases/12  
= 75/12 = 6.25  
Total time period = Usance Period in months + (Transit period (7 days) / Lead Time)  
= 4 + (7/30) = 4 + 0.23 = 4.23  
Inland LC requirement = 6.25 x 4.23 = 26.44

5-b. Total LC limit recommended = Foreign LC requirement + Inland LC requirement  
= 5.32 + 26.44 = 31.76

In a survey of 150 people in a city, it was found that there were 50 smokers. Calculate the following based on the above data.

1. The estimate of population proportion

- a. 0.3333
- b. 0.5
- c. 0.6666
- d. 1.0

2. Estimated standard error of population

- a. 0.0015
- b. 0.2211
- c. 0.0385
- d. 0.4725

3. Binominal standard deviation of population

- a. 1.76
- b. 2.26
- c. 5.77
- d. 7.87

4. 95% confidence interval level of population proportion

- a. 0.4326, 0.2340
- b. 0.5468, 0.3178
- c. 0.4088, 0.2578
- d. 0.5568, 0.2778

5. 99% confidence interval level of population proportion

- a. 0.4326, 0.2340
- b. 0.5468, 0.3178
- c. 0.4088, 0.2578
- d. 0.5568, 0.2778

Ans - 1-a, 2-c, 3-c, 4-c, 5-a

Solution :

1.  $P = 50/150 = 0.3333$

2. Estimated standard error =  $\sqrt{P(1-P)/n}$

$P = 0.3333$

$1-P = 1 - 0.3333 = 0.6666$

$n = 150$

So,  $\sqrt{P(1-P)/n} = \sqrt{0.3333 \times 0.6666 / 150}$

$= \sqrt{0.2222 / 150}$

$= \sqrt{0.00148}$

$\sigma_x = 0.0385$

3. Binominal standard deviation =  $\sqrt{n \cdot p \cdot q}$

$= \sqrt{150 \cdot .333 \cdot .666}$

$= \sqrt{33.27}$

$= 5.77$

4. Level of Confidence and their Multiplier Number ( $z^*$ ) (Commonly used)

99% - 2.58, 95% - 1.96, 90% - 1.645

95% confidence interval =  $P \pm (1.96 (\sigma_x))$

$= 0.3333 + (1.96 \times 0.0385)$

$= 0.3333 + 0.0755$

$= 0.4088$

and

$= 0.3333 - (1.96 \times 0.0385)$

$= 0.3333 - 0.0755$

$= 0.2578$

5. 99% confidence interval =  $P \pm (2.58 (\sigma_x))$

$= 0.3333 + (2.58 \times 0.0385)$

$= 0.3333 + 0.0993$

$= 0.4326$

and

$= 0.3333 - (2.58 \times 0.0385)$

$= 0.3333 - 0.0993$

$= 0.2340$

Under Johari Window, known to self and known to others, is called .....

- a. Arena
- b. Blind
- c. Closed
- d. Dark

Ans - a

For rediscounting commercial instruments, the discount rate used by RBI is called .....

- a. Base Rate
- b. Bank Rate
- c. Repo Rate
- d. Reverse Repo

Ans - b

As per Achievement Motivation Theory, needs are ..... (i) Achievement, (ii) Power, (iii) Affiliation

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans – d

Vigilance angle may be discernible when a person .....

- (i) seems to have complied with unauthorised and unlawful oral instructions of his seniors without bringing them to the notice of the Competent Authority as per extant guidelines
- (ii) has exceeded his discretionary powers and his actions do not appear justifiable or to serve Bank's interest
- (iii) has abused or misused his official position to obtain benefit for himself or for another

- a. Only (i) and (ii)
- b. Only (i) and (iii)

- c. Only (ii) and (iii)  
d. (i), (ii) and (iii)

Ans - d

Given the values for the samples 60.25, 62.38, 65.32, 61.41, and 63.23 of a population.

1. Calculate Mean

- a. 56.12  
b. 61.52  
c. 62.51  
d. 65.12

2. Calculate standard deviation

- a. 1.72  
b. 1.92  
c. 2.19  
d. 2.37

3. Calculate coefficient of variance

- a. 0.03071  
b. 0.04071  
c. 0.05071  
d. 0.06071

Solution:

$$\begin{aligned} 1 - \text{c. Mean} &= (60.25 + 62.38 + 65.32 + 61.41 + 63.23)/5 \\ &= 312.59/5 \\ &= 62.51 \end{aligned}$$

2 - b. standard deviation

$$\begin{aligned} &= \sqrt{(1/(5-1)) * ((60.25 - 62.51799)^2 + (62.38 - 62.51799)^2 + (65.32 - 62.51799)^2 + (61.41 - 62.51799)^2 + (63.23 - 62.51799)^2)} \\ &= \sqrt{(1/4) * (-2.267992 + -0.137989992 + 2.802012 + -1.107992 + 0.712012)} \\ &= \sqrt{(1/4) * (5.14377 + 0.01904 + 7.85126 + 1.22764 + 0.50695)} \end{aligned}$$

.....

$$= \sqrt{3.68716}$$

$$\sigma = 1.92$$

3 - a. coefficient of variance

$$CV = (\text{Standard Deviation } (\sigma) / \text{Mean } (\mu))$$

$$= 1.92 / 62.51$$

$$= 0.03071$$

.....

Which of the following is an external factor affecting credit risk?

- a. Government policies
- b. Faulty loan and repayment structuring
- c. Overexposure (concentration) of credit to a particular segment
- d. Lack of an efficient recovery machinery

Ans - a

.....

Can an interim resolution professional act as the resolution professional?

- a. Yes, if appointed by the committee of creditors with not less than 66% of the voting share of the creditors
- b. Yes, if appointed by the committee of creditors with votes of not less than 66% of the number of creditors
- c. Yes, if appointed at a meeting of the committee of creditors with a majority of the creditors
- d. No, as it involves conflict of interest

Ans - a

.....

At the functional department level the duties of compliance officer is carried out by .....

- a. Chief compliance officer
- b. The senior officer designated in the deptt
- c. The functional head
- d. Special official appointed

Ans - b

.....

.....



The Concept of Johari Window is related to self-awareness.

The authors Luft and Ingham refer two dimensions i.e how much of one's behavior is known to him and how much he feels others known to him.

These two dimensions give four windows (Open, Blind, Hidden and dark).

Based on this concept. Answer the following questions.

01. Each of the four windows relate to specific situation. Which of these is matched?

- a. Open – Known to others but not known to self
- b. Blind – Unknown to self and others
- c. Hidden – Known to self and unknown to others.
- d. Dark – known to self and others

02. There is need to enhance the open area. If the actual situation is "Hidden" how the open area can be increased and hidden area reduced.

- a. By receiving feedback from others
- b. By self disclosure
- c. By sharing
- d. All he above

03. There is need to enhance the open area. If the actual situation is "Blind" how the open area can be increased and hidden area reduced.

- a. By receiving feedback from others.
- b. By self disclosure
- c. By sharing
- d. All he above

04. There is need to enhance the open area. If the actual situation is "Dark" how the open area can be increased and hidden area reduced.

- a. By receiving feedback from others
- b. By self disclosure
- c. By sharing.
- d. All the above

Ans - 1-c, 2-b, 3-a, 4-c

.....

The data of some worker's salary are given as 2300, 2400, 2500, 2100, 2000, 2000, 2300, 2800, 3000, 2300, 2700, 2400, 2500. If desired number of class intervals is 10, class width is .....

- a. 100
- b. 200
- c. 300
- d. 400

Ans - a

.....

Fraud .....

- a. is based on some action
- b. is a Civil liability
- c. may be actual or attempted even
- d. must result into some loss

Ans - c

.....

In which way Yield to Maturity and Interest Rates are related?

- a. Direct
- b. Indirect
- c. Relative
- d. No relation

Ans - a

.....

A DPG is issued by the bank for ....., by its client.

- a. Sale of goods
- b. Purchase of goods
- c. Sale of capital goods
- d. Purchase of capital goods

Ans - d

.....

A set of five patients whose glucose levels have been examined and presented along with their respective ages as below.

S No	X (Age)	Y (Glucose Level)
1	25	72
2	32	65
3	39	83
4	48	105
5	61	96

Based on the given information,

1. Find the value of a

- a. 41.57
- b. 45.17
- c. 47.15
- d. 49.17

2. Find the value of b

- a. 0.59
- b. 0.78
- c. 0.87
- d. 0.95

3. Build the regression line equation

- a.  $Y = 41.57 + 0.59 * x$
- b.  $Y = 47.15 + 0.59 * x$
- c.  $Y = 45.17 + 0.95 * x$
- d.  $Y = 49.17 + 0.87 * x$

4. Calculate the glucose level for a person aged 80 by using the regression line equation

- a. 121
- b. 123
- c. 125

d. 127

Solution :

S No	X (Age)	Y (Glucose Level)	XY	X <sup>2</sup>
1	25	72	1800	625
2	32	65	2080	1024
3	39	83	3237	1521
4	48	105	5040	2304
5	61	96	5856	3721
<b>Sum ( Σ )</b>	<b>205</b>	<b>421</b>	<b>18013</b>	<b>9195</b>

$$\begin{aligned} 1-b. a &= \frac{[(\sum Y) * (\sum X^2) - (\sum X) * (\sum XY)]}{[n * (\sum X^2) - (\sum X)^2]} \\ &= \frac{[421 * 9195 - 205 * 18013]}{[5 * 9195 - (205)^2]} \\ &= \frac{(3871095 - 3692665)}{(45975 - 42025)} \\ &= \frac{178430}{3950} = 45.17 \end{aligned}$$

$$\begin{aligned} 2-d. b &= \frac{[n * (\sum XY) - (\sum X) * (\sum Y)]}{[n * (\sum X^2) - (\sum X)^2]} \\ &= \frac{[5 * 18013 - 205 * 421]}{[5 * 9195 - (205)^2]} \\ &= \frac{(90065 - 86305)}{(45975 - 42025)} \\ &= \frac{3760}{3950} = 0.95 \end{aligned}$$

3-c. Regression Line Equation =  $Y = a + b * X$   
 $Y = 45.17 + 0.95 * x$

4-a. Glucose level for a person aged 80  
 $= 45.17 + 0.95 * x$   
 $= 45.17 + 0.95 * 80$   
 $= 45.17 + 76$   
 $= 121.17 \sim 121$

.....

The summer holidays for schools and colleges led to increased revenues for the travel and tourism industry. This is an example of .....

- a. Secular trend
- b. Cyclical variations
- c. Seasonal variations

d. Irregular variations

Ans – c

Which of the following statements is/are correct with reference to Kurtosis?

(i) A normal curve which is symmetrical and bell shaped is known as mesokurtic curve. If the curve is peaked at the top it is known as platykurtic curve.

(ii) If the curve is more flat than normal curve then it is known as leptokurtic curve.

- a. Only (i)
- b. Only (ii)
- c. Both (i) and (ii)
- d. Neither (i) nor (ii)

Ans – a

Which of the following is correct regarding Letters of Credit?

- a. These are opened by a bank for export sales by the client
- b. These are opened by a bank for local sales by the client
- c. Letters of Credit do not carry much risk for the opening bank
- d. Letters of Credit are opened by a bank for purchase of goods by the client

Ans - d

..... is accumulated data which is gathered on live births, deaths, migration, foetal deaths, marriages and divorces

- a. Vital Statistics
- b. Sampling
- c. Descriptive Statistics
- d. Inferential Statistics

Ans – a

Bank has to open a CC Account of Mr. Raj. He also needs term loans for construction of shed (Term Loan 1) and for purchase of machinery (Term Loan 1). He also needs to negotiate a LC. He requests to open the CC Account and LC first. Manager had explained him the sequence of opening the Accounts. What will be the correct sequence?

- a. LC, CC, TL1, TL2
- b. CC, LC, TL1, TL2
- c. TL1, TL2, LC, CC
- d. TL1, TL2, CC, LC

Ans - c

The central limit theorem .....

- a. Requires some knowledge of the frequency distribution
- b. Permits us to use sample statistics to make inferences about population parameters
- c. Relates the shape of a sampling distribution of the mean to the mean of the sample
- d. Requires a sample to contain fewer than 30 observations

Ans - b

Conflicts may also be caused by the following reasons .....

- (i) Inadequate remuneration to employees
- (ii) Poor working conditions
- (iii) Lack of Teamwork

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans - d

The total priority sector target for foreign banks, operating in India, is .....

- a. 20%

- b. 32%  
c. 40%  
d. 18%

Ans - c

.....

All unreconciled credit entries in Nostro accounts which are outstanding for more than ..... years shall be transferred to a Blocked Account

- a. 2  
b. 3  
c. 5  
d. 7

Ans - b

.....

Who makes regulations to be adopted by Insolvency Professional?

- a. Insolvency and Bankruptcy Board of India  
b. Ministry of Corporate Affairs  
c. Governing Board of the Insolvency Professional Agency  
d. National Company Law Tribunal

Ans - a

.....

Overall responsibility for overseeing the effective management of the bank's compliance function and compliance risk is of .....

- a. Bank's Board of Directors  
b. ACB  
c. Chief Compliance Officer  
d. CEO

Ans - a

.....

If 6 out of 40 students plan to go to graduate school, calculate

1. Estimated proportion of all students who plan to go to graduate school

- a. 0.10
- b. 0.15
- c. 0.20
- d. 0.25

2. The standard error of this estimate

- a. 0.0385
- b. 1.0645
- c. 0.0565
- d. 1.0396

3. Binominal standard deviation of Population

- a. 1.76
- b. 2.26
- c. 5.77
- d. 7.87

4. 90% confidence interval level

- a. 0.4326, 0.2340
- b. 0.2429, 0.0571
- c. 0.3489, 0.1576
- d. 0.2607, 0.0393

5. 95% confidence interval level

- a. 0.4326, 0.2340
- b. 0.2429, 0.0571
- c. 0.3489, 0.1576
- d. 0.2607, 0.0393

Ans - 1-b, 2-c, 3-b, 4-b, 5-d



Solution :

1.  $P = 6/40 = 0.15$

2. Estimated standard error =  $\sqrt{P(1-P)/n}$

$P = 0.15$

$1-P = 1 - 0.15 = 0.85$

$n = 40$

So,  $\sqrt{P(1-P)/n} = \sqrt{0.15 \times 0.85 / 40}$

$= \sqrt{0.1275 / 40}$

$= \sqrt{0.00319}$

$\sigma_x = 0.0565$

3. Binominal standard deviation =  $\sqrt{n \cdot p \cdot q}$

$= \sqrt{40 \cdot .15 \cdot .85}$

$= \sqrt{5.1} = 2.26$

4. Level of Confidence and their Multiplier Number ( $z^*$ ) (Commonly used)

99% - 2.58

95% - 1.96

90% - 1.645

90% confidence interval =  $P \pm (1.645 (\sigma_x))$

$= 0.15 + (1.645 \times 0.0565)$

$= 0.15 + 0.0929 = 0.2429$

and

$= 0.15 - (1.645 \times 0.0565)$

$= 0.15 - 0.0929 = 0.0571$

4. 95% confidence interval =  $P \pm (1.96 (\sigma_x))$

$= 0.15 + (1.96 \times 0.0565)$

$= 0.15 + 0.1107 = 0.2607$

and

$= 0.15 - (1.96 \times 0.0565)$

$= 0.15 - 0.1107 = 0.0393$

.....

ABC Agency has several loans from banks for equipment they purchased in the last five years. All of these loans are coming due which is decreasing their working capital. At the end of the year, they had 1,00,000 of current assets and 1,25,000 of current liabilities. Find out its Working Capital Ratio.

- a. 0.6
- b. 0.8
- c. 1
- d. 1.2

Ans - b

Solution :

$$\begin{aligned} \text{WC Ratio} &= \text{CA/CL} \\ &= 100000 / 125000 = 0.80 \end{aligned}$$

.....

Bills Purchased/Discounted/Negotiated under LC are treated as an exposure on .....

- a. The Applicant of LC
- b. The Exporter of Goods
- c. LC Negotiating Bank
- d. LC Opening Bank

Ans - d

.....

Job analysis consists of which of the following? (i) Job Specification, (ii) Job Description, (iii) Job Evaluation

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans - d

.....

Which of the following is not a micro level action for mitigation of credit risk?

- a. Improving sanctioning and delivering process

- b. Obtaining collateral security
- c. Monitoring and review of individual proposals/categories of proposals
- d. Periodical reviews of the exposure limits for business/industry segment

Ans - d

Business forecasting can be done with the help of different types of models. Which of the following is not a type of Quantitative model of Business forecasting?

- a. Indicator approach
- b. Delphi method
- c. Econometric modelling
- d. Time series methods

Ans – b

ABC's Furniture Company sells industrial furniture for office buildings. During the current year, it reported cost of goods sold on its income statement of 10,00,000. ABC's beginning inventory was 30,00,000 and its ending inventory was 40,00,000. ABC's turnover is ..... times.

- a. 0.25
- b. 0.29
- c. 0.33
- d. 0.37

Ans - b

Solution :

$$\begin{aligned}\text{Inventory Turnover Ratio} &= \text{Cost of Goods Sold} / \text{Average Inventory} \\ &= 1000000 / ((3000000+4000000)/2) \\ &= 1000000 / (7000000/2) \\ &= 1000000 / 3500000 \\ &= 0.29 \text{ Times}\end{aligned}$$

This means that ABC's Furniture Company only sold roughly a third of its inventory during the year. It also implies that it would take approximately 3 years to sell his entire inventory or complete one turn. In other words, he does not have very good inventory control.

.....  
If coefficient of correlation (r) is positive, then the relation between X and Y is .....

- a. when Y decreases, X increases
- b. when Y increases, X increases
- c. when Y increases. X does not change
- d. X and Y are independent variables

Ans – b

.....  
Which of the following statements is not true regarding credit derivative products?

- a. These are used to hedge credit risk to the bank
- b. The protection buyer is the lending bank
- c. The protection seller can be another bank or any other organisation
- d. The credit asset is transferred in case of derivatives

Ans - d

.....  
Cash = Rs. 6,00,000  
Debtors = Rs. 9,00,000  
Inventories = Rs. 20,00,000  
Current liabilities = Rs. 30,00,000  
Total current assets = Rs. 40,00,000  
The quick ratio = ?

- a. 1:1
- b. 1.5:1
- c. 1:1.5
- d. 2:1

Ans - c

Solution :

Quick ratio = Quick asset / CL

Here Quick asset = CA-Inventory = 4000000 - 2000000 = 2000000

CL = 3000000

Hence Quick Ratio = 2000000/3000000 = 1:1.5

From the following information, calculate...

Inventory in the beginning = 18,000

Inventory at the end = 22,000

Net purchases = 46,000

Wages = 14,000

Revenue from operations = 80,000

Carriage inwards = 4,000

1. Cost of Revenue from Operations

- a. Rs. 20,000
- b. Rs. 40,000
- c. Rs. 60,000
- d. Rs. 80,000

2. Average Inventory

- a. Rs. 20,000
- b. Rs. 40,000
- c. Rs. 60,000
- d. Rs. 80,000

3. Inventory Turnover Ratio

- a. 1 Time
- b. 2 Times
- c. 3 Times
- d. 4 Times

**Solution:**

1 - c. Cost of Revenue from Operations = Inventory in the beginning + Net Purchases + Wages + Carriage inwards – Inventory at the end

= Rs. 18,000 + Rs. 46,000 + Rs. 14,000 + Rs. 4,000 – Rs. 22,000

= Rs. 60,000

2 – a. Average Inventory = (Inventory in the beginning + Inventory at the end) / 2

= (Rs. 18,000 + Rs. 22,000) / 2

= Rs. 20,000

3 – c. Inventory Turnover Ratio = Cost of Revenue from Operations / Average Inventory  
= Rs. 60,000 / Rs. 20,000  
= 3 Times

Consider the following data, for a given firm:

Total assets - 1 Crore  
Current assets - 40 Lakhs  
Current liabilities - 35 Lakhs  
Long-term debt(book) - 50 Lakhs  
Total stockholders' equity(book) - 15 Lakhs  
Retained earnings - 10 Lakhs  
Sales - 1.5 Crores  
EBIT - 8 Lakhs  
Market value of equity - 30 Lakhs

Compute Altman's Z-score for this firm

- a. 1.4782
- b. 1.7482
- c. 2.4782
- d. 2.7482

Ans - c

**Solution :**

Z-Score =  $1.2A + 1.4B + 3.3C + 0.6D + 1.0E$

Where:

A = Working Capital/Total Assets = 5LAC/1CR

B = Retained Earnings/Total Assets= 10LAC/1CR

C = Earnings Before Interest & Tax/Total Assets = 8LAC/1CR

D = Market Value of Equity/Total Liabilities30LAC/35LAC

E = Sales/Total Assets =1.5CR/1CR

So, Z-Score =  $1.2A + 1.4B + 3.3C + 0.6D + 1.0E$   
=  $1.2(.05)+1.4(.1)+3.3(.08)+0.6(.857)+1.5$   
= 2.4782

Cluster Sampling falls under the category of .....

- a. Probability sampling
- b. Non-probability sampling
- C. Random sampling
- d. Quota sampling

Ans – a

Working capital turnover ratio is 4 and current ratio is 3:1. If current liabilities are Rs 30 lac and net profit to sales percent 5% . What is the amount of net profit?

- a. Rs 12 lac
- b. Rs 15 lac
- c. Rs 18 lac
- d. Rs 24 lac

Ans - c

Solution :

CR = 3:1, Liabilities = 30 lac

Hence current asset will be 90 lac

Now since wc turn over is 4 that means the total turn over will be  $90 \times 4 = 360$  lac

Then profit should be  $360 \times 5\% = 18$  lac

Which is incorrect about Lines of Defences Against Shocks?

- a. First line of Defence – Risk Takers Business
- b. 2nd line of Defence – Risk Oversight (Risk Management And Compliance)
- c. 3rd line of Defence Risk Assurance (Internal Audit)
- d. Supervisor as Regulator is 4th line of defence

Ans - d

Summary of a Balance sheet of XYZ Company

<b>Current Liabilities</b>	<b>(in Crores)</b>		<b>Current Assets</b>	<b>(in Crores)</b>
Cash Credit	3200		Cash	5000
Trade Creditors	9500		Inventory	14000
Other Current Liabilities	2000		Debtors	4200
			Other Current Assets	2000
<b>Total Current Liabilities</b>	<b>14700</b>		<b>Total Current Assets</b>	<b>25200</b>

Based on the above data, Find out

1. Current Ratio

- a. 1.61
- b. 1.71
- c. 1.81
- d. 1.91

2. Acid-Test Ratio

- a. 0.71
- b. 0.76
- c. 0.81
- d. 0.86

3. Net Working Capital

- a. 10000
- b. 10500
- c. 11000
- d. 11500

4. Working Capital Gap

- a. 12700
- b. 13200
- c. 13700
- d. 14200



5. MPBF as per Tandon Committee - Method-I

- a. 10275
- b. 10775
- c. 13700
- d. 17300

6. MPBF as per Tandon Committee - Method-II

- a. 6200
- b. 6700
- c. 7200
- d. 7400

7. Current Ratio as per Tandon Committee - Method-I

- a. 1.01
- b. 1.06
- c. 1.11
- d. 1.16

8. Current Ratio as per Tandon Committee - Method-II

- a. 1.07
- b. 1.09
- c. 1.23
- d. 1.33

9. Borrowing by the way of Cash Credit when compared with Tandon Committee - Method-I

- a. 7025
- b. 7075
- c. 7125
- d. 7175

10. Borrowing by the way of Cash Credit when compared with Tandon Committee - Method-II

- a. 4200
- b. 4600
- c. 5000

d. 5400

Solution:

$$\begin{aligned} 1-b. \text{ Current Ratio} &= \text{CA/CL} \\ &= 25200/14700 = 1.71 \end{aligned}$$

$$\begin{aligned} 2-b. \text{ Acid-Test Ratio} &= \text{Quick Assets/CL} = (\text{CA-Inv})/\text{CL} \\ &= (25200-14000)/14700 = 11200/14700 = 0.76 \end{aligned}$$

$$\begin{aligned} 3-b. \text{ Net Working Capital} &= \text{CA} - \text{CL} \\ &= 25200 - 14700 = 10500 \end{aligned}$$

$$\begin{aligned} 4-c. \text{ Working Capital Gap} &= \text{CA} - (\text{CL} - \text{BB}) \\ &= 25200 - (14700 - 3200(\text{CC})) \\ &= 25200 - 11500 = 13700 \end{aligned}$$

$$\begin{aligned} 5-a. \text{ MPBF as per Tandon Committee - Method-I} & \\ &= \text{WCG} - 25\% \text{ of WCG} = 13700 - 25\% \text{ of } 13700 \\ &= 13700 - 3425 = 10275 \end{aligned}$$

$$\begin{aligned} 6-d. \text{ MPBF as per Tandon Committee - Method-II} &= \text{WCG} - 25\% \text{ of CA} \\ &= 13700 - 25\% \text{ of } 25200 \\ &= 13700 - 6300 = 7400 \end{aligned}$$

$$\begin{aligned} 7-d. \text{ Current Ratio as per Tandon Committee - Method-I} &= \text{CA} / (\text{MPBF} + \text{Trade Creditors} + \text{Other CL}) \\ &= 25200 / (10275+9500+2000) \\ &= 25200 / 21725 = 1.16 \end{aligned}$$

$$\begin{aligned} 8-d. \text{ Current Ratio as per Tandon Committee - Method-II} &= \text{CA} / (\text{MPBF} + \text{Trade Creditors} + \text{Other CL}) \\ &= 25200 / (7400+9500+2000) \\ &= 25200 / 18900 = 1.33 \end{aligned}$$

$$\begin{aligned} 9-b. \text{ Borrowing by the way of Cash Credit} &= 3200 \\ \text{MPBF as per Tandon Committee - Method-I} &= 10275 \\ \text{So, Borrowing by the way of Cash Credit is short by} & (10275 - 3200) = 7075 \text{ Crores} \end{aligned}$$

$$\begin{aligned} 10-a. \text{ Borrowing by the way of Cash Credit} &= 3200 \\ \text{MPBF as per Tandon Committee - Method-II} &= 7400 \\ \text{So, Borrowing by the way of Cash Credit is short by} & (7400 - 3200) = 4200 \text{ Crores} \end{aligned}$$

From the following balance sheet of ABC Co. Ltd. as on March 31, 2021. Calculate .....

<b>Equity and Liabilities - 25,00,000</b>		<b>Assets - 25,00,000</b>	
<b>Shareholders' funds</b>		<b>Non-Current Assets</b>	
Share capital	12,00,000	Fixed assets	15,00,000
Reserves and surplus	2,00,000	Non-current investments	2,00,000
Money received against share warrants	1,00,000	Long-term loans and advances	1,00,000
<b>Non-current Liabilities</b>		<b>Current Assets</b>	
Long-term borrowings	4,00,000	Current investments	1,50,000
Other long-term liabilities	40,000	Inventories	1,50,000
Long-term provisions	60,000	Trade receivables	1,00,000
<b>Current Liabilities</b>		Cash and cash equivalents	2,50,000
Short-term borrowings	2,00,000	Short-term loans and advances	50,000
Trade payables	1,00,000		
Other current liabilities	50,000		
Short-term provisions	1,50,000		

1. Current assets

- a. Rs. 2,00,000
- b. Rs. 5,00,000
- c. Rs. 7,00,000
- d. Rs. 15,00,000

2. Current liabilities

- a. Rs. 2,00,000
- b. Rs. 5,00,000
- c. Rs. 7,00,000
- d. Rs. 15,00,000

3. Working Capital

- a. Rs. 2,00,000
- b. Rs. 5,00,000
- c. Rs. 7,00,000
- d. Rs. 15,00,000

4. Debt

- a. Rs. 2,00,000
- b. Rs. 5,00,000
- c. Rs. 7,00,000
- d. Rs. 15,00,000

5. Equity

- a. Rs. 2,00,000
- b. Rs. 5,00,000
- c. Rs. 7,00,000
- d. Rs. 15,00,000

6. Debt equity ratio

- a. 1 : 0.33
- b. 1 : 0.5
- c. 0.33 : 1
- d. 0.5 : 1

**Solution:**

1. c

Current assets = Current investments + Inventories + Trade receivables + Cash and cash equivalents + Short-term loans and advances  
= 1,50,000 + 1,50,000 + 1,00,000 + 2,50,000 + 50,000  
= 7,00,000

2. b

Current Liabilities = Short-term borrowings + Trade payables + Other current liabilities + Short-term provisions  
= 2,00,000 + 1,00,000 + 50,000 + 1,50,000  
= 5,00,000

3. a

Working Capital = Current assets – Current liabilities  
= Rs. 7,00,000 – Rs. 5,00,000  
= Rs. 2,00,000

4. b

Debt = Long-term borrowings + Other long-term liabilities + Long-term provisions  
= Rs. 4,00,000 + Rs. 40,000 + Rs. 60,000  
= Rs. 5,00,000

5. d

Equity = Share capital + Reserves and surplus + Money received against share warrants  
= Rs. 12,00,000 + Rs. 2,00,000 + Rs. 1,00,000  
= Rs. 15,00,000

Alternatively,

Equity = Non-current assets + Working capital – Non-current liabilities  
= Rs. 18,00,000 + Rs. 2,00,000 – Rs. 5,00,000  
= Rs. 15,00,000

6.

Debt-Equity Ratio = Debts / Equity  
= 50,0000 / 1,50,0000  
= 0.33 : 1

The key to Conflict resolution is .....

- a. Avoiding conflicts
- b. Its proper diagnosis
- c. its proper resolution
- d. its proper diagnosis and resolution

Ans - d

The standard deviation for the following data is 1, 2, 3, 4, 5, 6, 7, 8, 9

- a. 2.58
- b. 6.67
- c. 2
- d. 4

Ans - a

.....

In a normally distributed population, the sampling distribution of the mean .....

- (i) Is normally distributed
- (ii) Has a mean equal to the population mean
- (iii) Has a standard deviation equal to the population standard deviation divided by the square root of the sample size

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans - d

.....

Which of the following statements is not correct for project appraisal?

- a. Examination of technical feasibility is carried out
- b. The contribution of promoters forms a part of financial appraisal
- c. Promoters' background is part of the management appraisal
- d. Capacity of promoters to arrange for additional funds, in case of contingencies, forms a part of economic appraisal.

Ans - d

.....

Under which of the following methods, a period for number of years is selected to ascertain the percentage relationship of various items in financial items comparing with the items in base year?

- a. Ratio Analysis
- b. Common size statement
- c. Trend Analysis
- d. Comparative size statement

Ans - c

.....

- 
1. Consumption of raw material purchased under LC is 36 crore in a year
  2. EOQ is 9 crore
  3. Lead time is 20 days
  4. Transit period is 10 days
  5. Usance period is 6 months

Calculate the following questions

1. Number of LC to be opened in a year will be .....

  - a. 4
  - b. 5
  - c. 6
  - d. 7

2. Frequency of LC opening will be .....

  - a. 2 months
  - b. 3 months
  - c. 4 months
  - d. 5 months

3. Total time taken for one LC's to remain in force .....

  - a. 3 months
  - b. 5 months
  - c. 7 months
  - d. 9 months

4. How many LC's will be outstanding at a particular time?

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

5. Calculate the amount of LC limit

  - a. 15 crore
  - b. 16 crore

- c. 17 crore  
d. 18 crore

Solutions

1-a. Number of LC's to be opened in a year = Annual consumption / EOQ  
=  $36/9$   
= 4

2-b. Frequency of opening LC's = 12 Months / Number of LC's to be opened in a year  
=  $12/4$  Months  
= 3 Months

3-c. Total time taken for one LC's to remain in force = 20 Days + 10 Days + 6 Months  
= 7 Months

4-b. LC's remain outstanding at any point of time = 7 Months / Frequency of LC's opening  
=  $7/3$  Months  
= 2.33  
= 2

5-d. Total LC'S limit = 9 X LC's outstanding  
= 9 crore X 2  
= 18 crore

.....

A salesman collects the survey on feedback of the product from every fourth customer. So he selects the first customer to be surveyed randomly and after that every fourth customer is surveyed. What is this type of sampling known as?

- a. Systematic Sampling  
b. Stratified Sampling  
c. Random Sampling  
d. Cluster Sampling

Ans – a

.....



Find odd one out .....

- a. Cyclical Trend
- b. Dependent Variable
- c. Seasonal Variation
- d. Secular Trend

Ans - b

Which among the given set of statements is correct?

- (i) Statistics is a measure that describes the characteristics of a sample
- (ii) Parameter is the value that describes the characteristic of a population

- a. Only (i)
- b. Only (ii)
- c. Both (i) and (ii)
- d. Neither (i) nor (ii)

Ans – c

Which one of the following is not a means of identifying compliance issue in a product or process?

- a. Regulatory guidelines
- b. laws and statutes
- c. Characteristics of the product or process
- d. System and information security

Ans - c

Among the given, on which of the following parameters/ factors the performance of banks depends?

- (i) Quality of staff
- (ii) Staffs professional competence
- (iii) Compliance culture in the bank

- a. Only (i) and (ii)
- b. Only (i) and (iii)

- c. Only (ii) and (iii)  
d. (i) (ii) and (iii)

Ans - d

The sample weights of different people are 109, 108, 102, 93. Calculate the mean

- a. 100  
b. 102  
c. 103  
d. 105

Ans - c

Solution

$$\text{Mean} = (\text{Sum of all the samples}) / (\text{No of samples})$$
$$= (109+108+102+93) / 4 = 412/4 = 103$$

The probability that a number selected at random from the first 50 natural numbers is a prime number is .....

- a. 21/25  
b. 1  
c. 2/9  
d. 15/50

Ans - a

Project loans can be given by the bank to .....

- a. Only corporates  
b. Only corporates and partnership firms  
c. Only corporate, partnership firms and societies  
d. Any business entity

Ans - d

.....

The current ratio is 2 : 1. State giving reasons which of the following transactions would improve, reduce and not change the current ratio:

1. Payment of current liability

- a. Improve
- b. Reduce
- c. No change
- d. None of the above

2. Purchased goods on credit

- a. Improve
- b. Reduce
- c. No change
- d. None of the above

3. Sale of a Computer (Book value: Rs. 4,000) for Rs. 3,000 only

- a. Improve
- b. Reduce
- c. No change
- d. None of the above

4. Sale of merchandise (goods) costing Rs. 10,000 for Rs. 11,000

- a. Improve
- b. Reduce
- c. No change
- d. None of the above

5. Payment of dividend.

- a. Improve
- b. Reduce
- c. No change
- d. None of the above

Solution:

The given current ratio is 2 : 1. Let us assume that current assets are Rs. 50,000 and current liabilities are Rs. 25,000; Thus, the current ratio is 2 : 1. Now we will analyse the effect of given transactions on current ratio.

1. a

Assume that Rs. 10,000 of creditors is paid by cheque.

This will reduce the current assets to Rs. 40,000 and current liabilities to Rs. 15,000.

The new ratio will be 2.67 : 1 (Rs. 40,000/Rs.15,000).

Hence, it has improved.

2. b

Assume that goods of Rs. 10,000 are purchased on credit.

This will increase the current assets to Rs. 60,000 and current liabilities to Rs. 35,000.

The new ratio will be 1.7:1 (Rs. 60,000/Rs. 35,000).

Hence, it has reduced.

3. a

Due to sale of a computer (a fixed asset) the current assets will increase to Rs. 53,000 without any change in the current liabilities.

The new ratio will be 2.12 : 1 (Rs. 53,000/Rs. 25,000).

Hence, it has improved.

4. a

This transaction will decrease the inventories by Rs. 10,000 and increase the cash by Rs. 11,000 thereby increasing the current assets by Rs. 1,000 without any change in the current liabilities.

The new ratio will be 2.04 : 1 (Rs. 51,000/Rs. 25,000).

Hence, it has improved.

5. b

Assume that Rs. 5,000 is given by way of dividend.

It will reduce the current assets to Rs. 45,000 without any change in the current liabilities.

The new ratio will be 1.8 : 1 (Rs. 45,000/Rs. 25,000).

Hence, it has reduced.

Find Coefficient of Variance for the values given : {13,35,56,35,77}

- a. 0.4156
- b. 0.5164
- c. 0.5614
- d. 0.6514

Ans - c

**Explanation :**

Number of terms (N) = 5

Mean:  $\bar{X} = (13+35+56+35+77)/5$

=  $216/5 = 43.2$

Standard Deviation (SD):

$\sigma_x = \sqrt{(1/(N - 1) * ((x_1 - \bar{x})^2 + (x_2 - \bar{x})^2 + \dots + (x_n - \bar{x})^2))}$

=  $\sqrt{(1/(5-1)((13-43.2)^2 + (35-43.2)^2 + (56-43.2)^2 + (35-43.2)^2 + (77-43.2)^2))}$

=  $\sqrt{(1/4((-30.2)^2 + (-8.2)^2 + (12.9)^2 + (-8.2)^2 + (33.8)^2))}$

=  $\sqrt{(1/4((912.04) + (67.24) + (163.84) + (67.24) + (1142.44)))}$

=  $\sqrt{588.2} = 24.2528$

Coefficient of variation (CV) = Standard Deviation / Mean

=  $24.2528/43.2 = 0.5614$

A sack contains 4 black balls 5 red balls. What is probability to draw 1 black ball and 2 red balls in one draw?

- a. 12/21
- b. 9/20
- c. 10/21
- d. 11/20

Ans - c

**Solution :**

Here total sample space is  $(4+5) = 9$ . Out of 9, 3 (1 black & 2 red are expected to be drawn)

Hence sample space  $n(S) = {}^9C_3 = 9!/6! \times 3! = 84$

Now out of 4 black ball 1 is expected to be drawn.  $n(B) = {}^4C_1 = 4$

Same way out of 5 red balls 2 are expected be drawn.  $n(R) = {}^5C_2 = 5!/3! \times 2! = 10$

Then  $P(B \cup R) = n(B) \times n(R) / n(S) = 4 \times 10 / 84 = 10/21$

Which one of the following is not the basis for identifying the level of compliance risk in each business line, products and processes?

- a. Regulatory Focus, Customer Service aspect and Control aspects
- b. Nature of activity – Whether inherently high risk in nature
- c. Bank's exposure to it – materiality
- d. laws and statutes

Ans - d

What will be the effective annual interest rate of 14% compounding quarterly interest rate?

- a. 14.25
- b. 14.50
- c. 14.75
- d. 15.00

Ans - c

**Solution**

$$\begin{aligned} \text{Effective rate} &= (1 + \text{Annual ROI}/N)^n - 1 \\ &= 1 + 14\%/4)^4 - 1 \\ &= 1.035^4 - 1 = 1.1475 - 1 \\ &= 1475 = 14.75\% \end{aligned}$$

XYZ's Furniture Company sells industrial furniture for office buildings. During the current year, it reported cost of goods sold on its income statement of 25,00,000. Its beginning inventory was 40,00,000 and its ending inventory was 60,00,000. Calculate Its Furniture Company's Inventory Turnover Ratio.

- a. 0.25
- b. 0.33
- c. 0.5
- d. 0.67

Ans - c

Solution :

Inventory Turnover Ratio = Cost of goods sold / Average inventory for that period  
= 2500000 / ((4000000 + 6000000)/2)  
= 2500000 / 5000000  
= 0.5

Keynes explained Interest in terms of ..... in his Liquidity Preference Theory

- a. Purely Economic Force
- b. Purely Monetary Force
- c. Purely Real Force
- d. Purely Social Force

Ans - b

Which of the following is not an internal factor affecting credit risk?

- a. Excessive lending to cyclical industries
- b. Low quality of credit appraisal and monitoring
- c. Deficiencies in the loan policy of the bank
- d. Protectionist policies of other countries

Ans - d

Which of the following is not a part of the GRC concept?

- a. Governance
- b. Regulation
- c. Risk
- d. Compliance

Ans - b

Which among the following is/are True about ERG Theory?

- (i) This theory is based on existence; relatedness and growth.
- (ii) ERG theory was advanced by Clayton Alderfer

.....

(iii) Instead of five levels of needs, the ERG theory indicates only two  
(iv) The ERG counters by noting that when a higher-level need is frustrated; the individual's desire to increase a lower-level need takes place\_

- a. (i), (ii), (iii)
- b. (i), (ii), (iv)
- c. (ii), (iii), (iv)
- d. (i), (ii), (iii), (iv)

Ans – b

.....

What are the examples of cash flow from financing activities?

(i) Cash proceeds from issuing shares or other similar instruments  
(ii) Cash proceeds from issuing debentures, notes, bonds and other short-or long-term borrowings  
(iii) Cash repayments of amounts borrowed such as redemption of debentures, bonds, preference shares

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – d

.....

What must be the value of  $s$  for this infinite population for the previous question?

- a. 1,000
- b. 500
- c. 377.5
- d. 100

Ans - d

.....

Which of the following is not correct regarding term loans by the banks?

- a. Asset liability matching is an important consideration in term financing



- .....
- b. Installment of term loan, payable within one year is considered as current liability
  - c. Repayment of a term loan can be in equated monthly installments
  - d. Current ratio is the most important ratio in appraisal of a term loan

Ans - d

.....

Which of the following is not correct regarding financing of infrastructure project by the banks?

- a. Banks are allowed to funds promoters' equity in certain circumstances
- b. Exposure norms are relaxed by RBI
- c. Asset liability mismatch has been permitted by RBI
- d. IDFC provides liquidity support to banks

Ans - c

.....

Following cost data is given about ABC Company's product

Selling price per unit - Rs. 200

Marginal cost per unit - Rs. 150

Fixed cost per annum - Rs. 1,00,000

Calculate the following

1. P/V Ratio

- a. 20 percent
- b. 23 percent
- c. 25 percent
- d. 28 percent

2. Break even sales

- a. 2,00,000 OR 1000 units
- b. 3,00,000 OR 1500 units
- c. 4,00,000 OR 2000 units
- d. 5,00,000 OR 2500 units

3. Sales to earn a profit of Rs. 25,000

- a. 2,00,000 OR 1000 units  
b. 3,00,000 OR 1500 units  
c. 4,00,000 OR 2000 units  
d. 5,00,000 OR 2500 units

4. Profit at sales of Rs. 8,00,000

- a. 1,00,000  
b. 2,50,000  
c. 6,00,000  
d. 8,50,340

5. New break even sales, if price is increased by 25%

- a. 1,00,000  
b. 2,50,000  
c. 6,00,000  
d. 8,50,340

6. New break even sales, if price is reduced by 15%

- a. 1,00,000  
b. 2,50,000  
c. 6,00,000  
d. 8,50,340

Ans : 1-c, 2-c, 3-d, 4-a, 5-b, 6-d

Solution:

1.  $(S-v)/S = F + P$  OR

$S \times P/V \text{ Ratio} = \text{Contribution}$

So,  $P/V \text{ Ratio} = \text{Contribution} / \text{Sales} \times 100$

$= (200 - 150)/200 \times 100$

$= 50 / 200 \times 100 = 25\%$

2. Break even sales

$S \times P/V \text{ Ratio} = \text{Fixed Cost}$

(At break even sales, contribution is equal to fixed cost) Putting this values

$S \times 25/100 = 1,00,000$

$$S = 1,00,000 \times 100 / 25 \\ = 4,00,000 \text{ OR } 2000 \text{ units}$$

3. The sales to earn a profit of Rs. 25,000

$$S \times P/V \text{ Ratio} = F + P$$

Putting this values

$$S \times 25/100 = 1,00,000 + 25,000$$

$$S = 1,25,000 \times 100/25$$

$$S = \text{Rs. } 5,00,000 \text{ OR } 2500 \text{ units}$$

4. Profit at sales of 8,00,000

$$S \times P/V \text{ Ratio} = F + P$$

Putting this values

$$\text{Rs. } 8,00,000 \times 25/100 = 1,00,000 + P$$

$$2,00,000 = 1,00,000 + P$$

$$2,00,000 - 1,00,000 = P$$

$$p = 1,00,000$$

5. New break even sales, if sale price is increased by 25%

$$\text{New sales price} = 200 + 25\% = 200 + 50 = 250$$

$$\text{Marginal cost} = \text{Rs. } 150$$

$$\text{Contribution} = \text{Rs. } 250 - 150 = 100$$

$$P/V \text{ Ratio} = \text{Contribution} / \text{Sales}$$

$$= 100 / 250 \times 100 \text{ OR } 40 \%$$

Now,  $S \times P/V \text{ Ratio} = F$  (at B.E.P. contribution is equal to fixed cost)

$$S \times 40 / 100 = 1,00,000$$

$$S = 1,00,000 \times 100/40 = \text{Rs. } 2,50,000$$

6. New break even sales, if sale price is reduced by 25%

$$\text{New sales price} = 200 - 15\% = 200 - 30 = 170$$

$$\text{Marginal cost} = \text{Rs. } 150$$

$$\text{Contribution} = \text{Rs. } 170 - 150 = 20$$

$$P/V \text{ Ratio} = \text{Contribution} / \text{Sales}$$

$$= 20 / 170 \times 100 \text{ OR } 11.76 \%$$

Now,  $S \times P/V \text{ Ratio} = F$  (at B.E.P. contribution is equal to fixed cost)

$$S \times 11.76 / 100 = 1,00,000$$

$$S = 1,00,000 \times 100/11.76 = \text{Rs. } 8,50,340$$

.....

The top management of ABC. Bank was in a triumphant mood after engaging XYZ Ltd, one of the top IT Companies as a consultant for a massive technology upgradation in the Bank. Their enthusiasm was short lived, as the project did not progress well and the consultants were not able to deliver the desired results even after several months. In fact the Consultants were of the view that it may never be possible to implement the project with 100% success as they seemed to be facing resistance from the employees at multi-levels. The employees at all levels seemed reluctant to cooperate. Their fear of Role erosion seemed palpable.

1. What does "Role erosion" mean in this context?

- a. The fear of the employee that he will be sent out
- b. Fear that the responsibility and the power will reduce
- c. Fear that he will no more be an indispensable
- d. a & b

2. The critical issue in this case is:

- a. Attitudes of individuals
- b. Training of people
- c. Group behavior due to a sense of the unknown
- d. All the above

3. How could this situation have been managed better?

- a. By issuing project details and time frame mentioning punishments in case of delay
- b. By roping in the HR professionals to act as coordinator
- c. By recognizing that any change brings its own reactions and co-opting the managers even before Consultants moved in
- d. b & c

4. The Bank should deal with the employee resistance by:

- a. Co-opting the employees
- b. Communicating strategically about the potential benefits
- c. Conducting simultaneous training to familiarize the staff with the new software
- d. All of the above

**Answers :**

1 – d, 2 – c, 3 – d, 4 – d

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The debt equity ratio of X Ltd. is 0.5 : 1. Which of the following would increase/decrease or not change the debt equity ratio?

1. Further issue of equity shares

- a. Increase
- b. Decrease
- c. No change
- d. None of the above

Ans - b

2. Cash received from debtors

- a. Increase
- b. Decrease
- c. No change
- d. None of the above

Ans - c

3. Sale of goods on cash basis

- a. Increase
- b. Decrease
- c. No change
- d. None of the above

Ans - c

4. Redemption of debentures

- a. Increase
- b. Decrease
- c. No change
- d. None of the above

Ans - b

5. Purchase of goods on credit

- a. Increase
- b. Decrease
- c. No change
- d. None of the above

Ans - c

**Solution:**

The change in the ratio depends upon the original ratio. Let us assume that external funds are Rs. 5,00,000 and internal funds are Rs. 10,00,000. Now we will analyse the effect of given transactions on debt equity ratio.

1. b

Assume that Rs. 1,00,000 worth of equity shares are issued.

This will increase the internal funds to Rs. 11,00,000.

The new ratio will be 0.45 : 1 (5,00,000/11,00,000).

Thus, it is clear that further issue of equity shares decreases the debt-equity ratio.

2. c

Cash received from debtors will leave the internal and external funds unchanged as this will only affect the composition of current assets.

Hence, the debt-equity ratio will remain unchanged.

3. c

This will also leave the ratio unchanged as sale of goods on cash basis neither affect Debt nor equity.

4. b

Assume that Rs. 1,00,000 debentures are redeemed.

This will decrease the long-term debt to Rs. 4,00,000.

The new ratio will be 0.4 : 1 (4,00,000/10,00,000).

Redemption of debentures will decrease the debit-equity ratio.

5. c

This will also leave the ratio unchanged as purchase of goods on credit neither affect Debt nor equity.

Calculate the population standard deviation or dispersion of entire population 165.23, 172.51, 162.90, 160.64, 174.08, and 167.45

- a. 23.49
- b. 23.94
- c. 24.39
- d. 24.93

Ans - a

Solution:

$$\begin{aligned}\text{Mean} &= (165.23 + 172.51 + 162.90 + 160.64 + 174.08 + 167.45)/6 \\ &= 1002.81/6 \\ &= 167.135\end{aligned}$$

$$\begin{aligned}\sigma_N &= \sqrt{(1/6) * (165.23-167.135)^2 + (172.51-167.135)^2 + (162.90-167.135)^2 + (160.64-167.135)^2 + (174.08-167.135)^2 + (167.45-167.135)^2} \\ &= \sqrt{(1/6) * (-1.9052 + 5.3752 + -4.2352 + -6.4952 + 6.9452 + 0.3152)} \\ &= \sqrt{(1/6) * (3.629025 + 28.890625 + 17.935225 + 42.185025 + 48.233025 + 0.099224999999999)} \\ &= \sqrt{23.49534784} \\ \sigma_N &= 4.8472\end{aligned}$$

$$\begin{aligned}\text{variance} &= (\sigma_N)^2 \\ &= 4.8472 \times 4.8472 \\ &= 23.49\end{aligned}$$

Which of the following is also known as Gearing Ratio?

- a. Current ratio
- b. Debt Equity Ratio
- c. Debt Service Coverage Ratio
- d. Turnover Ratio

Ans - b

Value at Risk for a given equity portfolio is .....

- a. The underlying volatility of equity portfolio

- .....
- b. The maximum loss that can be experienced in the equity portfolio over a specified holding period
  - c. The worst-case loss that can be experienced in the equity portfolio with a certain level of probability
  - d. Both b and c

Ans - a

.....

Among the below given types which of the following is/are not the parts/types of banking compliances?

- a. Internal compliance
- b. Regulatory Compliance
- c. Legal Compliance
- d. External compliance

Ans – d

.....

On the basis of types of compliances, which of the following is/are not correctly matched?

- (i) Internal - Applicable to the bank as a whole-the institution itself would be responsible for ensuring adherence
- (ii) Regulatory - Formulated by the Board based on which an internal governance framework would have been laid down
- (iii) Legal - Applicable to the bank as a whole-the institution itself would be responsible for ensuring adherence

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – a

.....

Which of the following statements is not true for efficient inventory management?

- a. It results in reduction in inventory
  - b. It reduces the working capital requirements of the enterprise
- .....



- .....
- c. It reduces the NWC available with the enterprise
  - d. It increases the Inventory Turnover Ratio if the level of sales remains same

Ans - c

.....

In a statewide poll, 103 out of 500 Tamilians rated themselves as die-hard Cricket fans. Find a 90% confidence interval for the true proportion of Tamilians who were die-hard Cricket fans at that time.

- a. 0.1492, 0.2028
- b. 0.1592, 0.2228
- c. 0.1692, 0.2028
- d. 0.1692, 0.2428

Ans - d

Explanation :

The sample proportion is  $p = 103/500 = 0.206$  and

The z-score for a 90% confidence interval is  $z_r = 1.645$

Thus, the true proportion of Tamilians who were die-hard Cricket fans at the time was

$$p \approx 0.206 \pm (1.645 \times 0.5 / \sqrt{500})$$

$$\approx 0.206 \pm 0.0368$$

$$\text{or } 0.1692 \leq p \leq 0.2428$$

So from about 16.92% to 24.28% of Tamilians were die-hard Cricket fans

.....

Net Working Capital (NWC) means .....

- a. Excess of Assets over total outsider's liabilities
- b. Excess of total current liabilities over trade payable
- c. Excess of long term sources over long-term uses
- d. Excess of long term sources over short-term uses

Ans - c

.....

How many Credit Information Companies have been permitted by RBI to function?

- a. One
  - b. Two
- .....

- c. Three  
d. Four

Ans - d

The purpose of restructuring of loans and advances is .....

- a. To make the operations of the enterprise viable again  
b. To help in employment generation  
c. To comply with RBI guidelines  
d. To increase bank's advances

Ans - a

The financial data (Rs. in lakh) of a company for the Y/E 31.03.2022 is given below

Net Credit Sales - 300

Net Profit - 30

Net Worth - 30

Cost of Goods sold - 200

Average Accounts Receivable - 60

What is the Debt Collection period assuming 360 days in a year?

- a. 52 days  
b. 65 days  
c. 72 days  
d. 91 days

Ans - c

Explanation:

Debtor Turnover Ratio = Net Credit Sales/Average Accounts Receivable =  $300/60 = 5$

Debt Collection period =  $360/\text{Debtor Turnover Ratio}$

=  $360/5$

= 72 Days

As on end of previous financial year 2022-23, XYZ Bank has :

Total Advances	Rs. 160000 Cr
ANBC (Adjusted Net Bank Credit)	Rs. 150000 Cr
Agriculture Advances	Rs. 27000 Cr
MSE Advances	Rs. 10000 Cr
Weaker Section Advances	Rs. 17000 Cr
Total Priority Sector Advances	Rs. 58000 Cr

Answer the following based of the above information

1. Whether the Bank has achieved the target for Agriculture Advances?

- a. Yes. The Bank has just achieved the target
- b. Yes. the Bank has exceeded the target
- c. No. The Bank has defaulted in achieving the target
- d. No such target for Agriculture Advances

2. Whether the Bank has achieved the target for MSE Advances?

- a. Yes. The Bank has just achieved the target
- b. Yes. the Bank has exceeded the target
- c. No. The Bank has defaulted in achieving the target
- d. No such target for Agriculture Advances

3. Whether the Bank has achieved the target for Weaker Section Advances?

- a. Yes. The Bank has just achieved the target
- b. Yes. the Bank has exceeded the target
- c. No. The Bank has defaulted in achieving the target
- d. No such target for Agriculture Advances

4. Whether the Bank has achieved the target for Priority Sector Advances?

- a. Yes. The Bank has just achieved the target
- b. Yes. the Bank has exceeded the target
- c. No. The Bank has defaulted in achieving the target
- d. No such target for Agriculture Advances

**Answers :**

1 - a, 2 - d, 3 - b, 4 - c

While releasing the data relating to inflation increased by the Government, it is observed that

- 1) The consumer price index based inflation increased to 11% and
- 2) Whole sale price index based inflation increased to 8%
- 3) The govt. claims that due to implementation of Banks Bi-partite Settlement, there is increase in demand of goods and services leading to increase in consumer prices.
- 4) Further due to increased wages and salaries, there is increase in cost of inputs leading to increase in whole-sale price index.

Answer the following questions, based on the above information.

1. The inflation caused by the information given at point no.3 in the question, is not called as ..... (i) Core inflation, (ii) Demand Pull inflation (iii) Cost-push inflation

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

2. The inflation rate of 8%, represented by the whole sale price, is called:

- a. Core inflation
- b. Headline inflation
- c. Demand Pull inflation
- d. Cost-push inflation

3. The inflation rate 11% represented by the consumer price, is called:

- a. Core inflation
- b. Headline inflation
- c. Demand Pull inflation
- d. Cost-push inflation

4. The inflation caused by the information given at point no.4 in the question, is not called as ..... (i) Core inflation, (ii) Demand Pull inflation (iii) Cost-push inflation

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Answers : 1 - b, 2 -b , 3 - a, 4 - a

As on end of previous financial year, XYZ Bank has :

	Rs (in Crores)
Total Advances	80000
ANBC (Adjusted Net Bank Credit)	75000
Agriculture Advances	13500
MSE Advances	5000
Weaker Section Advances	8500
Total Priority Sector Advances	29000

Answer the following based of the above information

1. Whether the Bank has achieved the target for Agriculture Advances?

- a. Yes. The Bank has just achieved the target
- b. Yes. The Bank has exceeded the target
- c. No. The Bank has defaulted in achieving the target
- d. No such target for Agriculture Advances

2. Whether the Bank has achieved the target for MSE Advances?

- a. Yes. The Bank has just achieved the target
- b. Yes. The Bank has exceeded the target
- c. No. The Bank has defaulted in achieving the target
- d. No such target for Agriculture Advances

3. Whether the Bank has achieved the target for Weaker Section Advances?

- a. Yes. The Bank has just achieved the target
- b. Yes. The Bank has exceeded the target
- c. No. The Bank has defaulted in achieving the target
- d. No such target for Agriculture Advances

4. Whether the Bank has achieved the target for Priority Sector Advances?

- a. Yes. The Bank has just achieved the target
- b. Yes. The Bank has exceeded the target
- c. No. The Bank has defaulted in achieving the target
- d. No such target for Agriculture Advances

Answers : 1 - a, 2 - d, 3 - b, 4 - c

Which of the following is not a tool available to the bank for credit monitoring?

- a. Sending regular reminders to the borrower
- b. Periodic visits to the business place for inspection
- c. Analysis of financial statements
- d. Examine conduct of borrower's account

Ans - a

Which of the following is not a part of the whistle-blower policy?

- a. a whistle-blower
- b. a wrongful or unethical practice
- c. an authority
- d. a structure

Ans - d

Suppose that a population with  $N = 144$  has  $m = 2$ . What is the mean of the sampling distribution of the mean for samples of size 25?

- a. 24
- b. 2
- c. 4.8
- d. Insufficient data

Ans - a

Which of the following is a statutory regulation?

- a. Guidelines from SEBI
- b. Guidelines from RBI
- c. legislation under RBI act
- d. Guidelines from IRDA

Ans - c

.....

A firm has a capital of Rs. 400, Term Loan 400, Sundry Creditors 130, Stock 224 cash 62, Debtors 46 and Fixed Assets 868. Answer following questions

1. Current ratio is .....

- a. 1.25:1
- b. 1.85:1
- c. 2.1:1
- d. 2.55:1

2. The quick ratio would be .....

- a. 1:1
- b. 0.83:1
- c. 0.65:1
- d. 0.44:1

3. Net worth and tangible net worth is .....

- a. 270, 400
- b. 270, 624
- c. 670, 670
- d. 624, 670

4. Its Debt Equity Ratio

- a. 0.6:1
- b. 0.9:1
- c. 1.1:1
- d. 2:1

5. If Sales are 920 the Debt turnover ratio would be .....

- a. 10 times
- b. 20 times
- c. 0.5 month
- d. 1 month

6. If profit is 67, Return on equity would be .....

- a. 16.75%
- b. 15.50%
- c. 10.00%
- d. 20.00%

**Solutions :**

1-d. Current Ratio= Current Assets/Current Liabilities  
= 332/130 = 2.55:1

2-b. Quick Ratio = Current assets- Stock /Current Liabilities  
= 332-224/130  
= 108/130 = 0.83:1

3-c. Net worth=total assets-Total liabilities  
= 1200-530=670  
Tangible networkth = share capital + reserve  
= 400+270=670

4-a. Debt equity ratio=total long term debt/shareholder fund (tangible networkth)  
=400/670 =0.6:1

5-b. Debt Turnover Ratio = Net Credit Sales / Average Debtors  
= 920/46 = 20 times

6-c. Return on Equity= Net Income/Share holders equity\*100  
= 67/670\*100 = 10%

.....  
Among the below given statements, which of the following is/are correct statements?

- (i) Compliance activity has been in existence ever since the first regulation or law was enacted
- (ii) The compliance activity, in earlier times, was integrated with other systems and processes within the banks-, however; with banking becoming more complex, the compliance has evolved as an independent function in banks\_
- (iii) Reserve Bank of India introduced a system of "Compliance Officer" in banks way back in August 1991,
- (iv) Compliance officers were introduced on the basis of the recommendations of the Committee on Frauds and Malpractices in Banks (Ghosh Committee)\_

- a. (i), (ii), (iii)



- b. (i), (ii), (iv)  
c. (ii), (iii), (iv)  
d. (i), (ii), (iii), (iv)

Ans – b

.....  
An application against the decision of the liquidator rejecting the claim of a creditor may be made to

- .....  
a. the Insolvency and Bankruptcy Board of India  
b. the National Company Law Tribunal  
c. the committee of creditors  
d. the Debt Recovery Tribunal

Ans - b

.....  
A situation where an employee feels that there is decrease in his level of responsibility or his skill is not being fully utilised is called .....

- a. Role Isolation  
b. Role Erosion  
c. Role Inadequacy  
d. Role Expectation Conflict

Ans - b

.....  
For external credit rating, banks depend on .....

- a. Retired experienced staff of the bank  
b. Banking consultants  
c. Rating agencies  
d. None of the above

Ans - c

.....

Issued share capital - 4,00,000, 12% Debentures - 1,50,000

The fixed assets are valued at Rs. 3.00 lakhs. Production during the previous year is 1.00 lakh units. The same level of activity is intended to be maintained during the current year.

The expected ratios of cost to selling price are

Raw materials - 50%

Direct Wages - 10%

Overheads - 25%

The raw materials ordinarily remain in stores for 2 months before production

Every unit of production remains in process for 2 months

Finished goods remain in the warehouse for 4 months

Credit allowed by creditors is 3 months from the date of delivery of raw materials and credit given to debtors is 3 months from the date of dispatch

Selling price is Rs. 6 per unit. Both the production and sales are in a regular cycle.

From the above information, calculate

1. Sales Value

- a. 300000
- b. 600000
- c. 900000
- d. 2400000

2. Value of Raw Materials

- a. 60000
- b. 150000
- c. 300000
- d. 600000

3. Value of Labour

- a. 60000
- b. 150000
- c. 300000
- d. 600000

4. Value of Overheads

- a. 60000
- b. 150000
- c. 300000
- d. 600000

5. Value of finished goods in the warehouse

- a. 104000
- b. 170000
- c. 340000
- d. 510000

6. Value of Work in Progress

- a. 12500
- b. 50000
- c. 67500
- d. 85000

7. Current Assets

- a. 75000
- b. 120000
- c. 340000
- d. 415000

8. Current Liabilities

- a. 75000
- b. 120000
- c. 340000
- d. 415000

9. Working Capital

- a. 75000
- b. 120000
- c. 340000

d. 415000

Solution :

1. b

Sales Value = No. of units \* Selling price per unit

$$= 1,00,000 * 6$$

$$= 6,00,000$$

2. c

Raw Material (ratios of cost to selling price) = 50%

$$= 6,00,000 \times 50 / 100$$

$$= 3,00,000$$

3. a

Labour (ratios of cost to selling price) = 10%

$$= 6,00,000 \times 10 / 100$$

$$= 60,000$$

4. b

Overheads (ratios of cost to selling price) = 25%

$$= 6,00,000 \times 25 / 100$$

$$= 1,50,000$$

5. b

Finished Goods = Raw Materials + Direct Labour + Overheads

$$= 300000 + 60000 + 150000$$

$$= 510000$$

Finished goods remain in the warehouse for 4 months

So, Value of finished goods in the warehouse =  $510000 * 4 / 12$

$$= 1,70,000$$

6. c

Every unit of production remains in process for 2 months. At that time of computing work in progress labour, overhead value is reduced to half.

$$\text{Raw Materials} = 3,00,000 \times 2/12 = 50000$$

$$\text{Direct Labour} = 60,000 \times 2/12 \times 1/2 = 5000$$

$$\text{Overheads} = 1,50,000 \times 2/12 \times 1/2 = 12500$$

$$\text{Work in Progress} = 50000 + 5000 + 12500$$

.....  
= 67500

7. d

Raw Materials =  $3,00,000 \times 2/12 = 50000$

Work in Progress = 67500

Finished Goods =  $5,10,000 \times 4/12 = 170000$

Debtors =  $5,10,000 \times 3/12 = 127500$

Current Assets = Raw Materials + Work in Progress + Finished Goods + Debtors

=  $50000 + 67500 + 170000 + 127500$

= 4,15,000

8. a

Current Liabilities = Trade Creditors

= Trade Creditors (Credit allowed by creditors is 3 months)

=  $3,00,000 \times 3/12$

= 75,000

9. c

Working capital = current assets – current liabilities

=  $415000 - 75000$

= 3,40,000  
.....

Among the below given statements which of the following is/are correct in the context to Compliances?

(i) The objective of the compliance function is to minimize the deviation

(ii) The objective of the compliance is to ensure that there is a process to promptly respond to and redress the anomalies

(iii) A dedicated framework for overseeing the implementation of directions/guidelines issued by the government of India is required in the banks.

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i) (ii) and (iii)

Ans – d  
.....  
.....

.....

An urn contains some balls colored white, blue and green. The probability of choosing a white ball is  $\frac{4}{15}$  and the probability of choosing a green ball is  $\frac{2}{5}$ . There are 10 blue balls.

1. What is the probability of choosing one blue ball?

- a.  $\frac{2}{7}$
- b.  $\frac{1}{4}$
- c.  $\frac{1}{3}$
- d.  $\frac{2}{5}$

2. What is the total number of balls in the urn?

- a. 45
- b. 34
- c. 40
- d. 30

3. If the balls are numbered 1, 2, .... up to number of balls in the urn, what is the probability of choosing a ball containing a multiple of 2 or 3?

- a.  $\frac{3}{4}$
- b.  $\frac{4}{5}$
- c.  $\frac{1}{4}$
- d.  $\frac{2}{3}$

Solution:

1-c. Probability of choosing one blue ball

$$= 1 - \left(\frac{4}{15} + \frac{2}{5}\right)$$

$$= \frac{1}{3}$$

2-d. Probability of choosing one blue ball is  $\frac{1}{3}$

And total blue balls are 10. So with  $\frac{10}{30}$ , we get probability as  $\frac{1}{3}$

So total balls must be 30

3-d. There are 30 balls in the urn.

Multiples of 2 up to 30 =  $\frac{30}{2} = 15$ , Multiples of 3 up to 30 =  $\frac{30}{3} = 10$

Multiples of 6 ( $2 \times 3$ ) up to 30 =  $\frac{30}{6} = 5$

So total such numbers are =  $15 + 10 - 5 = 20$

So required probability =  $\frac{20}{30} = \frac{2}{3}$

.....

.....

Raw material value = 2.40 lac  
Stocks in process = 1.60 lac  
Finished goods = 3.40 lac  
Outstanding debtor = 4 lac  
Cash = 0.30 lac  
Trade creditor = 2.60 lac  
Other CL = 0.80 lac

1. Calculate WC

- a. 2.93 lakhs
- b. 4.62 lakhs
- c. 5.84 lakhs
- d. 8.30 lakhs

2. Calculate Minimum NWC (or margin) as per Tandon's 2nd method of lending

- a. 2.93 lakhs
- b. 4.62 lakhs
- c. 5.84 lakhs
- d. 8.30 lakhs

3. Calculate Permissible bank finance i.e., the limit the bank will sanction

- a. 2.93 lakhs
- b. 4.62 lakhs
- c. 5.84 lakhs
- d. 8.30 lakhs

Solution :

CA = Raw material value + Stocks in process + Finished goods + Outstanding debtor + Cash = 11.70 lac

CL = Trade creditor + Other CL = 3.40

$$\begin{aligned} 1-d. \text{ WC} &= \text{CA} - \text{CL} \\ &= 11.70 - 3.40 \\ &= 8.30 \text{ lac} \end{aligned}$$

2-a. Tandon's 2nd method of lending = 25% of CA

$$\begin{aligned} &= 11.70 \times 25\% \\ &= 2.93 \text{ lac} = \text{Margin} \end{aligned}$$

3-c.  $NWC = CA - Total\ CL = Margin$

$11.70 - Total\ CL = 2.93$

Total CL = 8.77 lacs

Since total CL includes bank cc & margin, & margin = 2.93

So,  $8.77 = bank\ cc + 2.93$

Permissible bank finance = 5.84 lac

.....

A firm had achieved sales of Rs. 300 lac & Rs. 500 lac in the previous two years. They have estimated sales of Rs. 800 lac for the next year which bank has accepted. The party is ready to pay margin of Rs. 50 lac. They have requested for sanction of fund based limit to them under Nayak's Committee Turnover Method.

1. What is the amount of sales the bank shall take into account to sanction the WC limit?
    - a. 75 Lakhs
    - b. 150 Lakhs
    - c. 200 Lakhs
    - d. 800 Lakhs
  2. What is the amount of WC the firm needs as per Nayak Committee method?
    - a. 75 Lakhs
    - b. 150 Lakhs
    - c. 200 Lakhs
    - d. 800 Lakhs
  3. What is the amount of bank limit the bank will sanction (no information is available about the margin available with the firm) as per Nayak Committee method?
    - a. 75 Lakhs
    - b. 150 Lakhs
    - c. 200 Lakhs
    - d. 800 Lakhs
  4. What is the amount of bank limit the bank will sanction based on information available about the margin as per Nayak Committee method?
    - a. 75 Lakhs
    - b. 150 Lakhs
- .....



- c. 200 Lakhs  
d. 800 Lakhs

Solution :

1-d. 800 lac

2-c. WC = 200 lac

3-a. WC limit = 25% of min margin requirement  
= 25% of 500 – 50 = 125 – 50 = 75 lac

4-b. 20% on WC but party is ready to give 50 lac  
So MPBF = 200 – 50  
= 150 lac

.....

Calculate the maximum permissible bank borrowings if Current assets = 1,00,000 and Current liabilities = 50,000

- a. 27500  
b. 32500  
c. 37500  
d. 42500

Ans – c

Solution

Current assets = 1,00,000

Current liabilities = 50,000

Working Capital gap = Current assets - Current liabilities

= 1,00,000 - 50,000 = 50,000

Less 25% as long term debts = 12500

(25%\*50,000 = 12500)

Maximum permissible bank borrowings = 50,000 - 12500 = 37500

.....

Answer the following questions based on Maslow's Hierarchy of Needs

1. Which among the following is the highest level need under Need Hierarchy Theory of Motivation?
  - a. Physiological Need
  - b. Safety and Security Needs
  - c. Self-esteem Needs
  - d. Self Actualization Needs
  
2. How many levels are there in Needs Hierarchy theory of motivation?
  - a. 2
  - b. 3
  - c. 4
  - d. 5
  
3. According to Maslow's need hierarchy theory motivation, the lower level of human needs emanates from .....
  - a. Need of maintaining a given economic level
  - b. Needs like food, clothing, shelter, air, water
  - c. Need of individuals to associate, belong with others
  - d. Need for power, self respect, autonomy, self confidence,
  
4. Which among the following is the correct order of Maslows' Need Hierarchy Theory of Motivation starting from lower to higher level need?
  - a. Safety and Security Needs, Physiological Need, Social Needs, Self-esteem Needs, Self Actualization Needs
  - b. Social Needs, Physiological Need, Safety and Security Needs, Self-esteem Needs, Self Actualization Needs
  - c. Physiological Need, Safety and Security Needs, Social Needs, Self-esteem Needs, Self Actualization Needs
  - d. Self Actualization Needs , Physiological Need, Safety and Security Needs, Social Needs, Self-esteem Needs
  
5. Name the motivation theory that is based on Satisfaction-progression?
  - a. Alderfer – ERG theory
  - b. Maslow – hierarchy of needs theory

- c. Herzberg – Two factor theory  
d. Skinner’s reinforcement theory

Answers : 1-d, 2-d, 3-b, 4-c, 5-b

The commercial paper can be issued by .....

- a. Corporates  
b. Corporates and partnership firms  
c. Any business entity  
d. None of the above

Ans - a

Which of the following is not correct regarding Forfaiting?

- a. It a form of working capital finance  
b. It is used in export finance  
c. It is with recourse to the drawer of the bill  
d. Under this, financier discounts the bills drawn on buyer

Ans - c

Which of the following is also known as Gearing Ratio?

- a. Current ratio  
b. Debt Equity Ratio  
c. Debt Service Coverage Ratio  
d. Turnover Ratio

Ans - b

Which of the following statements is/are correct?

- (i) On-the-Job training is based on the principle of "learning by doing".

(ii) Apprenticeship is a blend of classroom and on-the-job training and is conducted under close supervision.

(iii) In Vestibule Training, the job education training is given in the workplace other than the main production plant

(iv) In the Role-playing method of training, the trainees are divided into groups and then they are presented with the simulated marketplace.

- a. (i), (ii), (iii)
- b. (i), (ii), (iv)
- c. (ii), (iii), (iv)
- d. (i), (ii), (iii), (iv)

Ans – a

The finite population multiplier does not have to be used when the sampling fraction is .....

- a. Greater than 0.05
- b. Greater than 0.50
- c. Less than 0.50
- d. None of the above

Ans - d

Among the below mentioned, the compliance area is critically important in which of the following concerns?

- (i) Identifying risks
- (ii) Evaluating risks
- (iii) Addressing legal and reputational risks

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – d

.....

Among the below mentioned, which of the following is one of the key functions of the compliance department?

- a. Idea dissemination
- b. Information dissemination
- c. Parameter dissemination
- d. Risk dissemination

Ans – b

.....

Which of the following is a ratio indicative of the repayment capacity of a borrower?

- a. Quick ratio
- b. TOL/TNW
- c. DSCR
- d. DER

Ans - c

.....

Andragogy refers to .....

- a. Adult learning
- b. Action Learning
- c. Experiential learning
- d. Child learning

Ans - a

.....

The class intervals where upper and lower limits are also in the class interval are called

- a. Exclusive type
- b. Inclusive type
- c. Discrete type
- d. Continuous type

Ans - b

.....

The following table gives the distribution of 100 families according to their expenditures.

Expenditure (in 100)	0–10	10–20	20–30	30–40	40–50
No. of families	14	X	27	21	15

- a. 20
- b. 21
- c. 23
- d. 15

Ans - c

The largest and smallest values of a data are 60 and 40 respectively. If desired number of class intervals is 5, class width is

- a. 25
- b. 20
- c. 4
- d. 5

Ans - c

RBI's recognition of the need and importance of compliance functions received a further impetus after ..... issued the High-Level Paper on Compliance Risk and the Compliance Function in Banks in April 2005.

- a. BCBS
- b. SBI
- c. Ghosh committee
- d. Committee on Frauds and Malpractices in Banks

Ans – a

Life of torch battery  $\sim N(50, 9)$  The probability that Lifetime will be between 53 and 55 is (Given  $P(0 < Z < 1) = 0.3413$ ,  $P(0 < Z < 1.67) = 0.4525$ )

- a. 0.1112

- b. 0.4525  
c. 0.3413  
d. 0

Ans - d

Among the below given statements, which of the following is/are correct statements?

- (i) The role of compliance officers came into sharper focus since 1994  
(ii) The role of compliance officers came into sharper when the General Manager in charge of Audit and Inspection was made responsible for the compliance functions.  
(iii) In 1995, Inspection was made responsible for the compliance functions with a requirement for periodic reporting or certification on compliance functions directly to the MID\_  
(iv) It was gradually recognized that the circumference of compliance functions in banks needed to be not only enlarged, but very clearly defined, especially in a scenario were successive\_

- a. (i), (ii), (iii)  
b. (i), (ii), (iv)  
c. (ii), (iii), (iv)  
d. (i), (ii), (iii), (iv)

Ans - c

..... communication is essential in every organisation to avoid conflicts

- a. Written  
b. Oral  
c. Open  
d. Closed

Ans - c

Which of the following is not a method of detecting wrong mention of inventory in a stock statement?

- a. Stock audit  
b. Inspection of stocks

- .....
- c. Analysis of financial statements
  - d. Cross-check from the balance sheet figure

Ans - c

.....

Which type of conflict involves differences based on work details and goals .....

- a. Relationship conflict
- b. Task conflict
- c. Values conflict
- d. None of the above

Ans - b

.....

Which among the following is not a Psychological Factor that influences the behaviour of an individual?

- a. Perception
- b. Personality
- c. Values
- d. Leadership

Ans - d

.....

When mean is 79 and variance is 64, then CV is .....

- a. 81.01%
- b. 1.23%
- c. 10.13%
- d. 1.54%

Ans - c

.....

The front line unit in compliance hierarchy is .....

- a. The branch
- .....



- b. The audit committee
- c. The Chief compliance officer
- d. The board

Ans - a

Which of the following tools or techniques of Financial Statements is also referred to as Pyramid Method?

- a. Fund Flow Analysis
- b. Cash Flow Analysis
- c. Common Size Statement
- d. Trend Analysis

Ans – d

The marks obtained by students in a college are Normally distributed with a mean of 75 and a standard deviation of Given,  $(P(0 < Z < 1) = 0.3413)$ , The probability that a student will score between 75 and 80 is .....

- a. 0.8413
- b. 0.1587
- c. 0.3413
- d. 0.5

Ans - c

The data classification, which is based on variables, like, demand, supply, height and weight is considered as .....

- a. Qualitative data
- b. Quantitative data
- c. Time series data
- d. Discrete data

Ans - b

.....

The possibility that banks may incur losses due to movements in interest rates, foreign currency exchange rates, stock prices, and/or other market-related indicators is called ..... risk

- a. Credit
- b. Systems
- c. market
- d. liquidity

Ans - c

.....

Which among the following guideline of RBI is true regarding Bank Credit Management for Priority sector?

- (i) loans up to Rs 20 lakh to individuals for purchase or construction of dwelling unit
- (ii) Loans up to Rs 1 lakh and Rs 2 lakh for repairing of houses in rural or semi-urban and urban areas

- a. Only (i)
- b. Only (ii)
- c. Both (i) and (ii)
- d. Neither (i) nor (ii)

Ans – c

.....

Consider the following statement and determine the type of distribution applicable in this case. "The number of defective articles produced by a quality machine."

- a. Normal Distribution
- b. Poisson Distribution
- c. Binomial Distribution
- d. Expected Frequency Distribution

Ans – b

.....

Central Repository of Information on Large Credits (CRILC) has been set up by .....

- a. SBI
  - b. as a private company
- .....

- .....
- c. jointly by SBI and ICICI
  - d. RBI

Ans - d

.....

Banks enter into compromise with borrowers in case .....

- a. borrower has abundant money with him than the security value
- b. selling of security involves legal process
- c. the PV of compromise offer is more than the PV of realizable value of available securities
- d. all of the above

Ans - c

.....

The data which is classified or arranged by their time of occurrence, such as years, months, weeks, days, etc., is called .....

- (i) Time series data
- (ii) Geographical data
- (iii) Historical data

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans - b

.....

Which of the following is not a macro-level action for mitigation of credit risk?

- a. Periodically reviews of the exposure norms for single and group borrowers
- b. Improving appraisal standards of credit proposals
- c. Frequent reviews of norms and fixing internal limits for aggregate commitments to specific sectors of the industry/business
- d. Periodic review of total credit portfolio based on quality parameters

Ans - b

.....

.....

As per extant guidelines, Commercial Banks (excluding LABs and RRBs) shall transfer not less than ..... per cent of the 'net profit' before appropriations to the Statutory Reserve

- a. 25
- b. 30
- c. 10
- d. 5

Ans - a

If X follows Binomial distribution with  $n=7$ ,  $p=1/2$ , then Mode is .....

- a. 3.5
- b. 3
- c. 4
- d. 3 and 4

Ans - d

As banks are undertaking other business/functions such as bancassurance, cross selling of mutual funds, wealth management. etc. they need to adhere to the guidelines issued by which of the following?

- (i) IRDA
- (ii) SEBI
- (iii) PFRDA

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans - d

Under which of the following analysis, ratios are used for ascertaining the relationship between different items in the Balance Sheet?

- a. External Analysis

- b. Internal Analysis  
c. Horizontal Analysis  
d. Vertical Analysis

Ans – d

The scope of compliance function does include one of the following .....

- a. Code of Conduct issued by ICWA  
b. listing agreement  
c. internal guidelines  
d. regulatory compliance

Ans - a

Which of the following is not a method of detecting wrong mention of receivables in statement submitted by the borrower?

- a. Analysis of financial statements  
b. Cross check from the balance sheet figure  
c. Receivables audit  
d. Inspection of books of account

Ans - a

Which of the following is not a purpose of credit monitoring?

- a. To ensure end use of the funds by the borrower  
b. To detect any deterioration in the security charged to the bank  
c. To comply with the guidelines of the RBI  
d. To ascertain that the business continues to run on the projected lines

Ans - c

Which of the following statements is the CORRECT criticism pertaining to Herzberg's Motivation Hygiene Theory?

- (i) People generally blame failure on the external environment
- (ii) It is not unlikely that a person may dislike part of his/ her job, still thinks the job acceptable
- (iii) The theory basically explains job satisfaction, not motivation\_

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – d

In which of the following situations would  $s = \frac{x}{n}$  be the correct formula to use for computing

- (i) Sampling is from an infinite population
- (ii) Sampling is from a finite population without replacement
- (iii) Sampling is from a finite population with replacement

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans - b

What can be the key to manage conflict .....

- a. To resolve it in a healthy way
- b. To take strict administrative action
- c. To ignore conflicts
- d. None of the above

Ans - a

Oversight role, the process by which companies manage and mitigate business risks is part of .....

- a. Governance
- b. Risk management
- c. Compliance
- d. audit

Ans - a

In random sampling, we can describe mathematically how objective our estimates are. Why is this?

- (i) We always know the chance that any population element will be included in the sample
- (ii) Every sample always has an equal chance of being selected
- (iii) All the samples are exactly the same size and can be counted

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans - a

As per RBI guidelines, the projected turnover method of assessment should be applied for working capital limits of up to Rs. .... in case of MSEs

- a. One crore
- b. Two crores
- c. Five crores
- d. Ten crores

Ans - c

Among the given, which of the following is the area of interest responsibility of the board of the director of the bank?

- (i) approving and overseeing management's implementation of the bank's strategic objectives
- (ii) approving and overseeing management's implementation of the governance framework

.....

(iii) approving and overseeing management's implementation of the corporate culture.

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – d

.....

If a company notices that a particular employee is routinely late and continues being late even after the employee has received several warnings, then which of the following is an appropriate action?

- a. HR could step in and investigate the reason for the tardiness
- b. Manager could step in and investigate the reason for the tardiness
- c. CEO could step in and investigate the reason for the tardiness
- d. HR could step in and fire the employee

Ans – a

.....

Floating Interest rate on a new advance to a medium enterprise is linked to which of the following?

- a. Base rate
- b. EBLR
- c. PLR
- d. MCLR

Ans - b

.....

Credit rating is a system of .....

- a. Measuring risk
- b. Mitigating risk
- c. Migrating risk
- d. Credit appraisal

Ans - a

.....

.....



Purpose of appointing bank's nominee on company's board of borrowing company is .....

- a. To keep a tab on the important decisions of the board
- b. To be a part of the management
- c. To guide the company for better working
- d. To safeguard the securities charged to the bank

Ans - a

Suppose you are performing stratified sampling on a particular population and have divided it into strata of different sizes. How can you now make your sample selection?

- (i) Select at random an equal number of elements from each stratum
- (ii) Draw equal numbers of elements from each stratum and weigh the results
- (iii) Draw numbers of elements from each stratum proportional to their weights in the population

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans - c

Which of the following is not correct regarding Current Ratio?

- a. For same level of current assets, increase in NWC results in increased current ratio
- b. The current ratio can be less than one
- c. The current ratio can be negative
- d. Current ratio is an indicator of liquidity

Ans - c

Which of the following statements is not true for an infrastructure project?

- a. It has long gestation period
- b. It reduces the risk for the lender as her funds get assured deployment for a long time.
- c. The debt equity ratio is normally high for an infrastructure project

d. The implementation period is usually long

Ans - b

Which of the following statements about the training and development is/are correct?

- (i) Training is short tin-le/term focused whereas development is long time/term focused
- (ii) Training is a proactive process whereas development is a reactive process
- (iii) Training focuses on technical skills whereas development focuses on conceptual and human ideas
- (iv) Training focuses on the role whereas development focuses on the person

- a. (i), (ii), (iii)
- b. (i), (ii), (iv)
- c. (i), (iii), (iv)
- d. (i), (ii), (iii), (iv)

Ans – c

From which of the following measures, when deviations are taken, Mean Deviation takes its minimum value?

- a. Quartile Deviation
- b. Mode
- c. Median
- d. Mean

Ans – c

An application for bankruptcy can be withdrawn with the voting percentage of the .....

- a. 75% of Committee of Creditors
- b. 66% of Committee of Creditors
- c. 90% of Committee of Creditors
- d. 51% of Committee of Creditors

Ans - c

For external credit rating, banks depend on .....

- a. Rating agencies
- b. Experienced staff of the bank
- c. Banking consultants
- d. None of the above

Ans - a

When can a bank initiate a corporate insolvency resolution process in relation to a corporate debtor?

- a. On determination of default by National Company Law Tribunal
- b. On net-worth of the debtor becoming negative
- c. On the bank classified the account as Non-Performing Asset
- d. Occurrence of default

Ans - d

Among the given which of the following is/are the responsibilities of the board of directors of the bank?

- (i) The board has ultimate responsibility for the bank's business strategy and financial soundness, key personnel decisions, internal organisation and governance structure and practices, and risk management and compliance obligations.
- (ii) The board may delegate some of its functions, though not its responsibilities, to board committees where appropriate.
- (iii) The board should establish and be satisfied with the bank's organizational structure

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans - d

Vigilance .....

- a. is Deterrent to growth
- b. is a part and parcel of an organisation
- c. is a punitive activity
- d. is the responsibility of Vigilance Dept

Ans - b

The dispersion among sample means is less than the dispersion among the sampled items themselves because .....

- a. Each sample is smaller than the population from which it is drawn
- b. Very large values are averaged down, and very small values are averaged up
- c. The sampled items are all drawn from the same population
- d. None of these

Ans - b

Which of the following is not the purpose of credit audit?

- a. Improvement in the quality of credit portfolio
- b. Review sanction process and compliance status of large loans
- c. Feedback on regulatory compliance
- d. Stock inspection

Ans - d

Which of the following is not a market risk?

- a. movements in interest rates
- b. movements in foreign currency exchange rates
- c. movements in stock prices
- d. Sudden withdrawal of large chunks of deposits

Ans - d

Under Turnover method of assessment, as per RBI instructions, the limit is sanctioned at per cent of the projected turnover.

- a. 25
- b. 20
- c. 30
- d. 35

Ans - b

Cash budget method of assessment is more suitable for those business enterprises which have .....

- a. uniform level of operations
- b. High level of operations
- c. Low level of operations
- d. Seasonal operations

Ans - d

Which of the following is not a danger sign about the direction of business of the borrower?

- a. Devolvement of LCs, invocation of Bank Guarantees
- b. Demand for higher limit
- c. Delays in submission of stock/receivables statements
- d. Return of cheques/bills

Ans - b

Which of the following is not a source for meeting working capital requirements?

- a. Suppliers' credit
- b. Bank finance
- c. Other current liabilities
- d. Advance payment to suppliers

Ans - d

Let X = The number of defects that occur in a computer monitor of a certain size with average number of defects =  $P(X > 5)$  is .....

- a. 0.384
- b. 0.616
- c. 0.44
- d. 0.556

Ans - d

Which among the following laws are applicable for different kinds of borrowers, identify the correct match from the following.

- (i) Individual - Indian Contract Act
- (ii) Hindu Undivided family - Companies Act
- (iii) Partnership - Indian Partnership Act
- (iv) Statutory Corporation - Acts that created them

- a. (i), (ii), (iii)
- b. (i), (ii), (iv)
- c. (i), (iii), (iv)
- d. (i), (ii), (iii), (iv)

Ans – c

Which of the following is the tendency for a single negative attribute to cause raters to mark everything on the low end of the scale?

- a. Horn effect
- b. Halo effect
- c. Idiosyncratic Rater effect
- d. Spillover Effect

Ans – a

.....

An average daily wage of all the 90 workers in a factory is Rs. 60. An average daily wage of female workers is Rs. 4. The average daily wages of male workers if one third workers are male is

- a. 90
- b. 60
- c. 45
- d. 75

Ans - a

.....

If arithmetic mean of the following data is 21.14, the missing frequency X is

Values	0-10	10-20	20-30	30-40	40-50
Frequency	8	22	31	X	2

- a. 20
- b. 2
- c. 6
- d. 7

Ans - d

.....

The central limit theorem assures us that the sampling distribution of the mean

- a. Is always normal
- b. Is always normal for large sample sizes
- c. Approaches normality as sample size increases
- d. Appears normal only when N is greater than 1,000

Ans - b

.....

The marks obtained by students in a college are Normally distributed with a mean of 75 and a standard deviation of 10. Given,  $(P(0 < Z < 2) = 0.4772)$ , The probability that a student scores more than 85 is .....

- a. 0.3413
- b. 0.4772

- .....
- c. 0.0228
  - d. 0.9772

Ans - c

.....

The Whistle-Blower policy preamble contains the following. Which of them should be the most important?

- a. anonymity of the informant will be maintained
- b. The authenticity of the information will be confirmed and there will be no reprisal for reporting the information
- c. appropriate and disciplinary action will be taken after investigation and on confirmation of the information
- d. None of the above

Ans - a

.....

Suppose that, for a certain population,  $s_x$  is calculated as 20 when samples of size 25 are taken and as 10 when samples of size 100 are taken. A quadrupling of sample size, then, only halved  $s_x$ . We can conclude that increasing the sample size is .....

- a. Always cost-effective
- b. Sometimes cost-effective
- c. Never cost-effective
- d. None of the above

Ans - c

.....

Project loans can be given by the bank to .....

- a. Only corporates
- b. Only corporates and partnership firms
- c. Only corporate, partnership firms and societies
- d. Any business entity

Ans - d

.....

.....



Getting a number 10 on a dice is an example of .....

- a. Mutually Exclusive events
- b. Certain event
- c. Complement events
- d. Impossible event

Ans - d

Tenure for appointment of Chief Compliance Officer as per RBI in a Bank should be minimum .....

- a. 3 Years
- b. 1 Years
- c. 2 Years
- d. 4 years

Ans - a

Among the below mentioned statements, which of the following is/are correct statement's?

- (i) Documentation deficiencies, very often, plague the operational efficiency of banks and this could well be the case for compliance functions too.
- (ii) It is important that regular updates are carried out to the Compliance manuals and detailed check lists are prepared; which will ensure availability of an itemized inventory of "dos and don'ts" which can be followed by every new incumbent in the compliance hierarchy and also help in building institutional memory.
- (iii) In order that the compliance process attains its desired objectives, it is imperative that the Compliance and Audit functions act in a coordinated manner\_
- (iv) In order that the compliance process attains its desired objectives, it is imperative that the customer in a coordinated manner.

- a. (i), (ii), (iii)
- b. (i), (ii), (iv)
- c. (ii), (iii), (iv)
- d. (i), (ii), (iii), (iv)

Ans – a

Conflict is .....

- (i) sometimes constructive
- (ii) unavoidable fact
- (iii) a destructive force in relationships if avoided

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans - d

Any person aggrieved by the order of the National Company Law Tribunal may make an appeal to .....

- a. Debt Recovery Tribunal
- b. High Court
- c. Supreme Court
- d. National Company Law Appellate Tribunal

Ans - d

At the branch level the most important hurdle in being compliant is .....

- a. Conflict of interest
- b. lack of awareness of regulations
- c. laid back attitude
- d. lack of coordination amongst staff

Ans - a

Which of the following statements about the concept of Career Pattern is/are incorrect?

- (i) The concept of Career Pattern is closely parallel to the psychological concept of life stages.
- (ii) A spiral career pattern is one, which is characterized by changes in career fields as frequently as every one to five years\_

.....

(iii) Linear pattern allows the employee to make lateral moves between different functional areas within the same organization\_

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – c

.....

Conflicts are natural for .....

- a. a person or a group of individuals
- b. only an individual
- c. only for group of individuals
- d. None of the above

Ans - a

.....

A border patrol checkpoint that stops every passenger van is using .....

- a. Simple random sampling
- b. Systematic sampling
- c. Stratified sampling
- d. Complete enumeration

Ans - d

.....

Which of the following is a liquidity ratio?

- a. Quick ratio
- b. TOL/TNW
- c. DSCR
- d. DER

Ans - a

.....

Employee behaviour such as daydreaming, forgetfulness, absenteeism, tardiness, sabotage, alcoholism and drug abuse, can be analysed through which theory?

- a. Trait Theory
- b. Psycho-analytical theory
- c. Self-concept theory
- d. Social Learning theory

Ans – b

Internal rating means .....

- a. Rating the project
- b. Rating the promoters
- c. Rating the risk for internal use
- d. Rating borrower and facility

Ans - d

The term of the office of Chairperson of the Insolvency and Bankruptcy Board of India is .....

- a. 5 years or till she attains the age of 65 years, whichever is earlier
- b. 5 years
- c. 3 years
- d. 5 years or till she attains the age of 60 years, whichever is earlier

Ans - a

Which of the following is not an operational risk?

- a. Customer transactions errors
- b. Unethical conduct
- c. Collection of fake currency at the counter
- d. Wrong posting of entry due to computer malfunction

Ans - d

Which of the following is not a credit risk?

- a. Unwillingness of a customer to meet his/her commitment relating to a financial transaction with the bank
- b. Inability of the customer to reimburse the bank in case of invocation of a guarantee or devolvement of an L.C.
- c. Inability of a customer to meet his/her commitment relating to a financial transaction with the bank
- d. Loss to the bank due to fraud

Ans - d

Which of the following is not an unsatisfactory sign in conduct of the account of the borrower?

- a. Delay in payment of interest/installments
- b. routing of transactions with some other bank
- c. Frequent over drawings
- d. High turnover

Ans - d

Choose the pair of symbols that best completes this sentence: – is a parameter, whereas – is a statistic.

- (i) N, m
- (ii) s, s
- (iii) N, n

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans - c

.....

The standard error of the mean for a sample size of two or more is .....

- a. Always greater than the standard deviation of the population
- b. Generally greater than the standard deviation of the population
- c. Usually less than the standard deviation of the population
- d. None of these

Ans - c

.....

Which of the following is not a source of funds for meeting the cost of purchase of fixed assets by an enterprise?

- a. Credit by supplier of assets
- b. Internal accruals
- c. Debentures
- d. DPG

Ans - d

.....

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**CAIIB ABM RECOLLECTED QUESTIONS - JUNE 2023**

What is the Trojan virus known for?

- a. Deleting files and folders on a computer
- b. Stealing sensitive information from a computer system
- c. Slowing down the Internet connection
- d. Creating pop-up advertisements on websites

Ans - b

.....

How can effective knowledge management foster innovation in Company XYZ?

- a. By restricting access to information to maintain a competitive advantage
- b. By encouraging collaboration and knowledge sharing among employees
- c. By outsourcing knowledge-related tasks to external consultants
- d. By implementing strict intellectual property rights policies

Ans - b

.....

Which of the following is an example of tacit knowledge?

- a. A documented procedure for software installation
- b. A research report on market trends
- c. The expertise of an experienced employee
- d. An instructional video on product assembly

Ans - c

.....

Which of the following is an advantage of Role Analysis Technique (RAT)?

- (i) Improved team coordination and synergy
- (ii) Increased employee motivation and job satisfaction
- (iii) Enhanced conflict resolution skills

a. Only (i) and (ii)

.....

- b. Only (i) and (iii)  
c. Only (ii) and (iii)  
d. (i) (ii) and (iii)

Ans - d

What is the purpose of a knowledge repository In Company ABC's knowledge management system?

- a. To encourage competition among employees  
b. To store and organize knowledge assets  
c. To restrict access to sensitive information  
d. To automate routine tasks and processes

Ans - b

Which of the following is not a function of Human Resource Management (HRM)?

- a. Recruitment and selection  
b. Training and development  
c. Financial management  
d. Performance management

Ans - c

What is the full form of VUCA?

- a. Volatile, Unpredictable, Complex, Ambiguous  
b. Vital Unstable, Confusing, Ambiguous  
c. Valuable, Uncertain, Complicate, Adaptation  
d. Vibrant, Unstable, Challenging, Ambiguous

Ans - a

Which of the following functions is primarily associated with the Left Brain Hemisphere?

- a. Artistic expression



- b. Logical reasoning  
c. Intuition and creativity  
d. Spatial awareness

Ans - b

What is one of the advantages of using the Role Analysis Technique (RAT) in organizational settings?

- a. It helps identify key stakeholders in a project  
b. It provides a detailed breakdown of job responsibilities  
c. It facilitates effective communication and collaboration among team members  
d. It assists in evaluating employee performance and productivity

Ans - c

Which of the following is not a fund management technique?

- a. Active management  
b. Passive management  
c. Strategic asset allocation  
d. Random stock selection

Ans - c

What is the role of Chief Compliance Officers in a bank?

- a. Ensuring the profitability of the bank  
b. Overseeing marketing and advertising activities  
c. Managing customer complaints and inquiries  
d. Ensuring compliance with laws, regulations, and internal policies

Ans - d

What is the meaning of talent management?

- (i) Attracting and recruiting skilled individuals

- (ii) Developing and retaining high-potential employees  
(iii) Identifying and nurturing talent within an organization

- a. Only (i) and (ii)  
b. Only (i) and (iii)  
c. Only (ii) and (iii)  
d. (i) (ii) and (iii)

Ans - d

What is the difference between the first method and the second method of lending?

- a. Collateral requirements  
b. Interest rates  
c. Loan duration  
d. Repayment schedule

Ans - c

What is considered in priority sector lending?

- a. Lending to large corporations  
b. Lending to small and marginal farmers  
c. Lending to foreign investors  
d. Lending to high-net-worth individuals

Ans - b

What is the purpose of credit audit?

- a. Assessing the creditworthiness of borrowers  
b. Evaluating the performance of credit rating agencies  
c. Reviewing the effectiveness of credit risk management policies  
d. Monitoring the utilization of credit funds by borrowers

Ans - c

Company X is a leading manufacturer of electronic goods and has been exporting its products to various countries for many years. In order to mitigate the risks associated with exporting, the company has obtained export guarantees from a government agency. These guarantees provide financial protection in case of non-payment or other export-related risks.

Recently, the government agency has revised the provisioning norms for export guarantees, imposing stricter requirements on companies like X. The new norms state that companies must maintain a higher provision against outstanding export guarantees as a safeguard against potential defaults.

Based on the above situation, answer the following questions.

1. What is the purpose of export guarantees obtained by company X?

- a. To increase profitability
- b. To mitigate export-related risks
- c. To expand market share
- d. To reduce taxation burden

Ans - b

2. What is the recent change made by the government agency regarding provisioning norms for export guarantees?

- a. Lowering the provision requirement
- b. Imposing stricter provisioning requirements
- c. Eliminating the need for provisioning
- d. Increasing export guarantee coverage

Ans - b

3. Why does the government agency require companies like X to maintain a higher provision against outstanding export guarantees?

- a. To reduce the overall cost of export guarantees
- b. To increase the government's revenue
- c. To ensure companies are financially prepared for potential defaults
- d. To encourage companies to explore alternative risk mitigation measures

Ans - c

What is the maximum loan limit under the Prime Minister's Employment Generation Programme (PMEGP) without collateral?

- a. Rs. 5 lakh
- b. Rs. 10 lakh
- c. Rs. 15 lakh
- d. Rs. 20 lakh

Ans - b

Which of the following is a benefit of the break-even point analysis?

- (i) Guides pricing decisions
- (ii) Assists in financial forecasting
- (iii) Helps in determining the profitability of a business

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans - d

What is the upper limit of turnover (in Indian Rupees) for a business classified as a "Small" enterprise in the manufacturing and service sectors?

- a. Up to 1 Cr
- b. Up to 5 Cr
- c. Up to 10 Cr
- d. Up to 50 Cr

Ans - d

What are the components of attitude?

- a. Affective, Behavioral, Cognitive
- b. Emotional, Physical, Psychological

- .....
- c. Perception, Learning, Memory
  - d. Social, Cultural, Individual

Ans - a

.....

What is the primary focus of HRD (Human Resource Development) as a subsystem of HRM (Human Resource Management)?

- a. Recruitment and selection of employees
- b. Performance evaluation and appraisals
- c. Training and development of employees
- d. Compensation and benefits administration

Ans - c

.....

According to the Eysenck's theory, which of the following traits is NOT included in the PEN model?

- a. Psychoticism
- b. Extraversion
- c. Neuroticism
- d. Openness to experience

Ans - d

.....

In a data set, the numbers 6, 8, 9, 11, 11, 12, 12, 12, 15, 16, 20, 22 and 25 are present. What is the mode of this data set?

- a. 10
- b. 11
- c. 12
- d. 15

Ans - c

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The following data set represents the scores of students in a mathematics exam: 73, 85, 92, 72, 78. Calculate the mean of this data set.

- a. 80
- b. 82
- c. 83
- d. 85

Ans - a

Explanation:

To calculate the mean, we sum up all the values and divide the sum by the total number of values.

$$(73 + 85 + 92 + 72 + 78) / 5 = 400 / 5 = 80$$

.....

A retail store wants to estimate the average monthly sales for a particular product. They randomly select 30 sales records and calculate the sample mean sales to be \$5,000 with a sample standard deviation of \$1,000. What is the point estimate for the population mean?

- a. \$1,000
- b. \$2,000
- c. \$3,000
- d. \$5,000

Ans - d

Explanation:

The point estimate for the population mean is the sample mean. In this case, the sample mean sales is \$5,000

.....

What does GRC stand for in the context of organizational management?

- a. Governance, Risk, and Compliance
- b. Growth, Revenue, and Cost
- c. Global Resource Center
- d. Group Reporting and Control

Ans - a

.....

.....

The following data represents the frequency distribution of ages in a survey

Age Group	Frequency
10-20	5
20-30	12
30-40	8
40-50	4

What is the frequency density for the age group 20-30?

- a. 1.2
- b. 1.3
- c. 1.5
- d. 1.8

Ans - a

Explanation:

Frequency density is calculated by dividing the frequency of a group by the width of that group. For the age group 20-30, the frequency is 12, and the width is 10(30-20). So, the frequency density is  $12/10 = 1.2$

Which of the following concepts is NOT typically associated with Governance, Risk, and Compliance (GRC)?

- a. Transparency
- b. Accountability
- c. Profitability
- d. Regulatory compliance

Ans - c

Company XYZ is a technology startup that specializes in developing innovative software solutions. Over the past decade, they have experienced tremendous growth and have become one of the leading players in their industry. The company attributes its success to its focus on knowledge creation and utilization. What has been the key factor behind the success of Company XYZ in the knowledge era based on the above case study?

- a. Effective cost-cutting strategies

- b. Extensive advertising campaigns
- c. Emphasis on knowledge creation and utilization
- d. Aggressive competition with rival companies

Ans - c

According to the Rabble Hypothesis, workers are considered to be .....

- a. A well-organized collective with common interests
- b. A disorganized rabble of individuals
- c. A skilled workforce with shared goals
- d. A cooperative group promoting mutual benefits

Ans - b

What is the correlation coefficient between variables X and Y based on the given data?

<b>X</b>	1	2	3	4	5
<b>Y</b>	11	12	13	14	15

- a. -1
- b. 0
- c. 1
- d. Cannot be determined

Ans - c

Compliance is an independent function that identifies, assess, monitor and report on compliance risk to .....

- a. CAG
- b. Bank Board
- c. IBA
- d. MOF

Ans - b



.....  
Consider the inequality  $3x + 4y \geq 30$ . What are the x and y intercepts of the corresponding line?

- a. x intercept: 10, y intercept: 7.5
- b. x intercept: 7.5, y intercept: 10
- c. x intercept: 15, y intercept: 7.5
- d. x intercept: 7.55, y intercept: 15

Ans - a

Explanation:

To find the x intercept, we set  $y = 0$  and solve for x:  $3x + 4(0) \geq 30$ ,  $3x \geq 30$ ,  $x \geq 10$

Therefore, the x intercept is at  $x = 10$

To find the y intercept, we set  $x = 0$  and solve for y:  $3(0) + 4y \geq 30$ ,  $4y \geq 30$ ,  $y \geq 7.5$

Therefore, the y intercept is at  $y = 7.5$   
.....

Which of the following best describes a continuous random variable?

- a. A variable that can only take on a finite number of values
- b. A variable that can only take on integer values
- c. A variable that can take on any value within a specific range
- d. A variable that is unrelated to probability or statistics

Ans - c  
.....

Which of the following are the Three C's of talent management?

- a. Capability, Collaboration, and Compensation
- b. Creativity, Communication, and Coaching
- c. Competency, Commitment, and Culture
- d. Compliance, Control, and Coordination

Ans - c  
.....

Which of the following is a key assumption of the trait theory of personality?

- a. Personality is primarily determined by unconscious conflicts and early childhood experiences.
  - b. Personality traits are consistent across different situations and relatively stable over time.
- .....

- .....
- c. Personality is shaped by the interaction between individuals and their environment.
  - d. Personality can be best understood through the study of observable behaviors

Ans - b

.....

Which of the following best describes the purpose of Behavioral Event Interviewing (BEI) technique?

- a. To assess a candidate's educational background and qualifications
- b. To evaluate a candidate's technical skills and expertise
- c. To analyse a candidate's behavioral responses and past experiences
- d. To test a candidate's problem-solving abilities in hypothetical scenarios

Ans - c

.....

Which functions are typically associated with the left hemisphere of the brain?

- a. Creativity and artistic abilities
- b. Logical reasoning and analytical thinking
- c. Emotional processing and empathy
- d. Spatial awareness and visual perception

Ans - b

.....

What is the primary objective of Strategic Human Resource Management (HRM)?

- a. Maximizing employee satisfaction
- b. Ensuring compliance with labor laws
- c. Aligning HR practices with organizational goals
- d. Implementing performance appraisal systems

Ans - c

.....

What are the x and y intercepts of the line represented by the inequality  $5x + 2y \geq 30$ ?

- a. x intercept: 0, y intercept: 0
  - b. x intercept: 6, y intercept: 15
- .....

- c. x intercept: 15, y intercept 6  
d. x intercept: 5, y intercept: 2

Ans - b

Explanation:

To find the x intercept, we set  $y = 0$  and solve for  $x$ :  $5x + 2(0) \geq 30$ ,  $5x \geq 30$ ,  $x \geq 6$

Therefore, the x intercept is at  $x = 6$ .

To find the y intercept, we set  $x = 0$  and solve for  $y$ :  $5(0) + 2y \geq 30$ ,  $2y \geq 30$ ,  $y \geq 15$

Therefore, the y intercept is at  $y = 15$

What is the new definition of MSME (Micro, Small, and Medium Enterprises) as per the recent changes in India?

- a. Micro: Investment up to 5 crore, Small: Investment up to 10 crore, Medium: Investment up to 20 crore  
b. Micro: Investment up to 25 lakh, Small: Investment up to 5 crore, Medium: Investment up to 10 crore  
c. Micro: Investment up to 1 crore, Small: Investment up to 5 crore, Medium: Investment up to 10 crore  
d. Micro: Investment up to 50 lakh, Small: Investment up to 10 crore, Medium: Investment up to 20 crore

Ans - c

Which of the following is a broad subsystem of Human Resource Management (HRM)?

- a. Recruitment and Selection  
b. Performance Management  
c. Employee Training and Development  
d. All of the above

Ans - d

What is the Nayak Committee associated with?

- a. Banking sector reforms

- b. Tax reforms
- c. Education reforms
- d. Agricultural reforms

Ans - a

Who is a whistle blower?

- a. A person who reveals confidential company information to the public
- b. A person who leaks sensitive government documents to the media
- c. A person who criticizes the actions or decisions of a company
- d. A person who reports illegal activities or wrongdoing within an organisation

Ans - d

What does PIDPI stand for in the resolution "PIDPI resolution 2004"?

- a. Public Interest Digital Preservation Initiative
- b. Public Interest Disclosure and Protection of Informers
- c. Private Internet Data Protection Initiative
- d. Policy for International Development and partnership Integration

Ans - b

A measure of strength of linear relationship that exists between two variables is called?

- a. Slope
- b. Intercept
- c. Correlation Relationship
- d. Regression Relationship

Ans - c

Which of the following best describes ransomware?

- a. Malware designed to steal personal information from computers

- .....
- b. Malware that slows down computer performance
  - c. Malware that denies access to files and demands a ransom for decryption
  - d. Malware that spreads via social media platforms

Ans - c

.....

What is the primary basis for the response to conflict?

- a. Rumor
- b. Facts
- c. Relationship
- d. Perception

Ans - d

.....

What is the process called when the aim is to steal, spy, damage, and destroy the data of an organization?

- a. Cyber protection
- b. Cyber attack
- c. Cyber defense
- d. Cyber intrusion

Ans - b

.....

Which of the following is NOT one of the five core components of knowledge management?

- a. People
- b. Processes
- c. Technology
- d. Strategy

Ans - d

.....

If the mode of a data set is 5 and the mean is 6, what is the calculated median?

- a. 15/2
- b. 15/3
- c. 17/2
- d. 17/3

Ans - d

Solution:

$$\text{Mode} = 3\text{Median} - 2\text{Mean}$$

$$3\text{Median} = \text{Mode} + 2\text{Mean}$$

$$= 5 + 2 \times 6 = 5 + 12 = 17$$

$$\text{Median} = 17/3$$

.....

What is the requirement for fraud reporting to the Reserve Bank of India (RBI)?

- a. Reporting all types of fraud incidents
- b. Reporting only major fraud incidents
- c. Reporting only financial fraud incidents
- d. Reporting is not required

Ans - a

.....

What is the meaning of talent management?

- a. Acquiring new technology for the organization
- b. Developing skills and abilities of employees
- c. Managing financial resources effectively
- d. implementing marketing strategies for product promotion

Ans - b

.....

What is the purpose of loan payment protection?

- a. To protect the lender from default risks
  - b. To provide financial security to the borrower
- .....

- .....
- c. To ensure timely loan repayment
  - d. All of the above

Ans - d

.....

In a binomial distribution with  $n = 8$  and  $p = 1/2$ , what will be the value of mode?

- a. 2
- b. 4
- c. 6
- d. 8

Ans - b

.....

Which of the following components is NOT a part of attitude?

- a. Cognitive component
- b. Affective component
- c. Behavioral component
- d. Perceptual component

Ans - d

.....

What is the primary source of wealth creation in the Knowledge Era?

- a. Technology
- b. Human Capital
- c. Learning and Development
- d. Study and Research

Ans - b

.....

.....

A research team wants to estimate the average IQ score of college students. They randomly select 100 students and calculate the sample mean IQ score to be 120 with a sample standard deviation of 10. What is the point estimate for the population mean?

- a. 100
- b. 110
- c. 120
- d. 130

Ans - c

Explanation:

The point estimate for the population mean is the sample mean. In this case, the sample mean is 120

.....

Which of the following statements best describes a turnkey project?

- a. A project that requires minimal effort and resources to complete
- b. A project that involves the transfer of a fully functional product or service to the client
- c. A project that is funded entirely through loans and financial institutions
- d. A project that requires extensive customization and development

Ans - b

.....



### Important Formula

Some of these Formulas may not be applicable for ABM, but I request all of you to go through all of them to understand the concepts clear for ABM, BFM and ABFM.

1. Raw material Turnover Ratio = Cost of RM used / Average stock of R M
2. SIP Turnover = Cost of Goods manufactured / Average stock of SIP
3. Debt Collection period = No. days or months or Weeks in a year/Debt Turnover Ratio.
4. Average Payment Period = No. days or months or Weeks in a year/Creditors Turnover Ratio.
5. Inventory Turnover Ratio = Cost of Goods Sold / Average Inventory.
6. Debtors Turnover Ratio = Net Credit Sales / Average Debtors.
7. Creditors Turnover Ratio = Net Credit Purchases / Average Credits.
8. Defensive Interval Ratio = Liquid Assets / Projected Daily Cash Requirement
9. Projected daily cash requirement = Projected operating cash expenses / 365.
10. Debt Equity Ratio = Long Term Debt / Equity.
11. Debt Equity Ratio = Total outside Liability / Tangible Net Worth.
12. Debt to Total Capital Ratio = Total Debts or Total Assets/(Permanent Capital + Current Liabilities)
13. Interest Coverage Ratio = EBIT / Interest.
14. Dividend Coverage Ratio = N. P. after Interest & Tax / Preferential dividend
15. Gross Profit Margin = Gross Profit / Net Sales \* 100
16. Net Profit Margin = Net Profit / Net Sales \* 100
17. Cost of Goods Sold Ratio = Cost of Goods Sold / Net Sales \* 100.

- 
18. Operating Profit Ratio =  $\text{Earnings Before Interest Tax} / \text{Net Sales} * 100$
  19. Expenses Ratio or Operating Ratio =  $\text{Expenses} / \text{Net Sales} * 100$
  20. Net Profit Ratio =  $\text{Net Profit After interest and Tax} / \text{Net Sales} * 100$
  21. Operating Expenses Ratio =  $(\text{Administrative} + \text{Selling expenses}) / \text{Net Sales} * 100$
  22. Administrative Expenses Ratio =  $(\text{Administrative Expenses} / \text{Net Sales}) * 100$
  23. Selling Expenses Ratio =  $(\text{Selling Expenses} / \text{Net Sales}) * 100$
  24. Financial Expenses Ratio =  $(\text{Financial Expenses} / \text{Net Sales}) * 100$
  25. Return on Assets =  $\text{Net Profit After Tax} / \text{Total Assets}$ .
  26. Total Assets =  $\text{Net Fixed Assets} + \text{Net Working Capital}$ .
  27. Net Fixed Assets =  $\text{Total Fixed Assets} - \text{Accumulated Depreciation}$ .
  28. Net Working Capital =  $(\text{CA} - \text{CL}) - (\text{Intangible Assets} + \text{Fictitious Assets} + \text{Idle Stock} + \text{Bad Debts})$
  29. Return on Capital Employed =  $\text{Net Profit Before Interest and Tax} / \text{Average Capital Employed}$ .
  30. Average Capital employed =  $\text{Equity Capital} + \text{Long Term Funds provided by Owners \& Creditors at the beginning \& at the end of the accounting period divided by two}$ .
  31. Return on Ordinary Share Holders Equity =  $(\text{NPAT} - \text{Preferential Dividends}) / \text{Average Ordinary Share Holders Equity or Net Worth}$ .
  32. Earnings Per Share =  $\text{Net Profit After Taxes and Preferential dividends} / \text{Number of Equity Share}$ .
  33. Dividend per Share =  $\text{Net Profit After Taxes and distributable dividend} / \text{Number of Equity Shares}$ .
  34. Dividend Pay Out Ratio =  $\text{Dividend per Equity Share} / \text{Earnings per Equity Share}$ .
  35. Dividend Pay Out Ratio =  $\text{Dividend paid to Equity Share holders} / \text{Net Profit available for Equity Share Holders}$ .
-

- 
36. Price Earnings Ratio = Market Price per equity Share / Earning per Share.
37. Total Asset Turnover = Cost of Goods Sold / Average Total Assets.
38. Fixed Asset Turnover = Cost of Goods Sold / Average Fixed Assets.
39. Capital Turnover = Cost of Goods Sold / Average Capital employed.
40. Current Asset Turnover = Cost of Goods Sold / Average Current Assets.
41. Working Capital Turnover = Cost of Goods Sold / Net Working Capital.
42. Return on Net Worth = ( Net Profit / Net Worth ) \* 100
43. DSCR = Profit after Tax & Depreciation + Int. on T L & Differed Credit + Lease Rentals if any divided by Repayment of Interest & Installments on T L & Differed Credits + Lease Rentals if any.
44. Factory Cost = Prime cost + Production Overheads.
45. Cost of Goods Sold = Factory Cost + Selling, distribution & administrative overheads
46. Contribution = Sales – Marginal Costs.
47. Percentage of contribution to sales = ( Contribution / Sales ) \* 100
48. Break Even Analysis =  $F / ( 1 - VC / S )$   
F = Fixed costs, VC = Total variable operating costs & S = Total sales revenue
49. Break Even Margin or Margin of Safety = Sales – Break Even Point / Sales.
50. Cash Break Even =  $F - N / P - R$  or  $F - N / 1 - ( VC / S )$
51. BEP = Fixed Costs / Contribution per unit.
52. Sales volume requires = Fixed cost + Required profit / Contribution per unit.
53. BEP in Sales = ( Fixed Costs / Contribution per unit ) \* Price per unit.
54. Contribution Sales Ratio = ( Contribution per unit / Sale price per unit ) \* 100
-

55. Level of sales to result in target profit after Tax = (Target Profit) / (1 – Tax rate / Contribution per unit)

56. Level of sales to result in target profit = (Fixed Cost + Target profit) \* sales price per unit  
Contribution per unit.

57. Net Present Value = - Co + C1 / (1 + r)

58. Future expected value of a present cash flow = Cash Flow ( 1 + r ) ^ t

59. Present value of a simple future cash flow = Cash Flow / (1 + r) ^ t

60. The Discount Factor = 1 / (1 + r) ^ t

61. CR = CA : CL

62. Net Worth = CA - CL

63. DER = TL/TNW or debt/equity or TL/equity

64. Price Elasticity of Supply = (% change in quantity supplied)/(% change in price)

### ABFM Important Formula

Earnings Per Share	<b>EAT/No of Equity Shares</b>
Degree of Operating Leverage (DOL)	<b>% change in EBIT / %change in Sales</b>
Impact of Fixed Cost: DOL	<b>Contribution / EBIT</b>
Degree of Financial Leverage (DFL)	<b>% change in EPS / %change in EBIT</b>
Impact of Interest Cost: DFL	<b>EBIT / EBT</b>
Degree of Combined Leverage (DCL) OR Degree of Total Leverage (DTL)	<b>% change in EPS / %change in Sales</b>
Impact of Interest Cost and Fixed Cost: DCL	<b>Contribution / EBT</b>
Break-Even Formula: Break- Even Point	<b>Fixed Cost / Contribution per Unit</b>
Pay Back Period	<b>Initial Investment / Annual Cash Inflow</b>
Net Present Value (NPV)	<b>Present value of net cash inflow - Total net initial investment</b> if NPV ≥ 0 :- Accept the Proposal if NPV ≤ 0 :- Reject the Proposal

Accounting Rate of Return (ARR)	$(\text{Average Annual Net Earning after Taxes} / \text{Average Investment}) \times 100\%$
ARR	$(\text{Average Profit} / \text{Average Investment}) \times 100\%$
Average profit made yearly	<b>Total Profit / No.of Years</b>
Average Investment	$\{(\text{Initial Investment}-\text{Scrap}) / 2\} + \text{Scrap Value}$
Average Investment	$(\text{Initial Investment} + \text{Scrap Value})/2$
Average Investment	$\{(\text{Initial Investment}-\text{Salvage Value}) / 2\} + \text{Salvage Value}$
Deprecation per year	$(\text{Price of Machine}-\text{Salvage Value}) / \text{Life of Machine (Year)}$
Break-even Point (per month in units)	$(\text{Fixed Cost p.m.} + \text{number of setups} \times \text{cost per setup}) / \text{Contribution p.u.}$
Profit per month	$\{\text{Monthly demand (units)} \times \text{Contribution per unit}\} - \text{Fixed Cost per month} + \text{setup cost per month}$
Activity cost driver rate	<b>Total cost of activity / Activity driver</b>
Non-DCF Valuation Models: EBITDA Basis Book Value Basis Seles Basis	<b>EV / EBITDA</b> <b>EV / Book Value</b> <b>EV / Sales Value</b>
P/E multiple	<b>Market price per share / Earnings per share</b>
Price-earnings multiple	<b>P0 / E1</b>
The book value per share (B)	$(\text{Shareholders funds}-\text{Preference capital}) / \text{Number of outstanding equity shars}$
EV to EBITDA Multiple	<b>Enterprise value (EV) / Earnings before Interest, Taxes, Depreciation, and Amortization</b>
EV/EBIT Multiple	<b>Enterprise value (EV) / Earnings before Interest, Taxes, (EBIT)</b>
EV/FCFF Multiple	<b>Enterprise value (EV) / Free cash flow to firm(FCFF)</b>
EV/BV Multiple	<b>Enterprise value (EV) / Book value of assets (BV)</b>
EV/Sales Multiple	<b>Enterprise value (EV) / Sales(S)</b>

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## **ALL THE VERY BEST FOR YOUR EXAMS**

# **SAMPLE QUESTIONS FOR CAIIB ADVANCED BANK MANAGEMENT**

Though we had taken enough care to go through the sample questions provided here, we shall not be responsible for any loss or damage, resulting from any action taken on the basis of the contents. Creation of these short notes is the efforts of so many persons. First of all we thank all of them for their valuable contribution. We request everyone to go through the Macmillan book and update yourself with the latest information through RBI website and other authenticated sources. In case you find any incorrect/doubtful information, kindly update us also (along with the source link/reference for the correct information).

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