ALL THE VERY BEST FOR YOUR EXAMS

SAMPLE QUESTIONS FOR
CAIIB
BANK FINANCIAL 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: INTERNATIONAL BANKING

Exchange Rates and Forex Business
Foreign Exchange – Definition and Markets; Factors Determining Exchange Rates; Exchange Rate Mechanism; Foreign Exchange Dealing Room Operations; Derivative Products; RBI / FEDAI Guidelines; Foreign Exchange Arithmetic – Concepts and Examples

Liberalised Remittance Scheme (LRS) and other Remittance Facilities for Residents
Capital Account Transactions and Current Account Transactions; Key Sections under FEMA vis-à-vis Liberalized Remittance Scheme; Permissible/Non-permissible Remittances under LRS; Operational Guidelines; Remittances under LRS for Current Account Transactions; Tax Collected at Source (TCS); LRS vis-à-vis Capital Account Transactions; Reporting Requirements under LRS

Correspondent Banking and NRI Accounts
Correspondent Banking – Accounts and other Services; Nostro, Vostro and Loro Accounts; Electronic Modes of Transmission/Payment Gateways – SWIFT, CHIPS, CHAPS, RTGS, etc.; NRI Banking; NRI accounts – Rupee and Foreign Currency Accounts; Facilities to NRIs; Advances to Non-Residents against Non-Resident Deposits; Housing Loans to Non-Resident Indians

Documentary Letters of Credit
Definition of Letter of Credit; Types of Letters of Credit; Operations of Letter of Credit; UCP 600 and Important Articles; Liabilities, Responsibilities and Rights of the Parties; Documents under LC – Scrutiny, Crystallization, Follow-up for Bills under LC and Safeguards for Banks; Risks Relating to LC Transactions; Standby Letter of Credit (Similar to Guarantees); Uniform Rules for Bank-to-Bank Reimbursements (URR–725); International Standard Banking Practice – 745 (ISBP 745); Incoterms; Case Studies

Facilities for Exporters and Importers
Exchange and Trade Control Guidelines for Exporters; Facilities for Exporters;; Export Finance; Gold Card Scheme for Exporters; Export Data Processing and Monitoring System (EDPMS); Factoring and Forfaiting; Exchange and Trade Control Guidelines for Importers; Import Finance; Import Data Processing and Monitoring System (IDPMS); Trade Credit – Supplier's Credit and Buyer's Credit; Case Study on Export Finance

External Commercial Borrowings and Foreign Investments in India
External Commercial Borrowings – Concepts; ECBs – Other Operational Concepts; Reporting Requirements; Conversion of ECB into Equity; Foreign Investments; Key Concepts; Eligible Foreign Investors; Eligible Investee Entities; Eligible Investment Instruments; Prohibited Sectors; Rules Governing Pledge of Shares; Operational Guidelines; Snap Shot of Non-Debt Instruments (NDI) Rules; List of Documents for Obtention of Foreign Investments; List of Documents for Refund of Foreign Investments

Risks in Foreign Trade – Role of ECGC
Definition of Risk and Risks in International Trade; Country Risk; Export Credit Insurance in International Trade; ECGC Role and Products; ECGC Policies; ECGC's Products for Banks; Other Aspects Relating to ECGC Policies and Guarantees; Some of the Common "To Do Points" under ECGC Policies; Claims

Role of EXIM Bank, Reserve Bank of India, Exchange Control in India – FEMA, FEDAI and Others
EXIM Bank – Role, Functions and Facilities; Reserve Bank of India – Role and Exchange Control Regulations in India; Foreign Exchange Management Act (FEMA) 1999; Role of FEDAI and FEDAI Rules; Short Notes on Other Topics: ECB and ADR/GDRs and FCCB;

International Financial Service Centres (IFSC), GIFTCity
Scope of IFSC in India; Opportunities at Gift City; Guidelines relating to setting up of IFSC Banking Units (IBUs); Role of IFSCA ; Regulatory Framework; Permissible Activities at IBUs; Relaxations for the FPI (Foreign Portfolio Investors) Entities at GIFT City

Technology in International Banking
Introduction to Digitization in International Banking – An Overview, Evolution of Technology in International Banking; Benefits and Limitations of Technology in International Banking; Digital Platforms in International Banking; FINTECH and evolution of FINTECH in International Banking; Delivery channels under FINTECH in International Banking; Sample process of International Trade Using Blockchain Technology; Challenges in FINTECH

MODULE B: RISK MANAGEMENT

Risk and Basic Risk Management Framework
What is Risk?, Linkages among Risk, Capital and Return; Why Risk Management?; Basic Risk Management Framework

Risks in Banking Business
Risk Identification in Banking Business; The Banking Book; The Trading Book; Off-Balance Sheet Exposures; Banking Risks – Definitions

Risk Regulations in Banking Industry
Regulation of Banking Industries – Necessities and Goals; The Need for Risk-based Regulation in a Changed World Environment; Basel I: The Basel Capital Accord; 1996 Amendment to Include Market Risk; Basel II Accord – Need and Goals; Basel II Accord; Towards Basel III; Capital Charge for Credit Risk; Credit Risk Mitigation; Capital Charge for Market Risk; Capital Charge for Operational Risk; Pillar 2 – Supervisory Review Process; Pillar 3 – Market Discipline; Capital Conservation Buffer; Leverage Ratio; Countercyclical Capital Buffer; Systemically Important Financial Institutions (SIFIs); Risk Based Supervision (RBS)

Market Risk
Market Risk – Concept; Market Risk in Banks; Market Risk Management Framework; Organisation Structure; Risk Identification; Risk Measurement; Risk Monitoring and Control; Risk Reporting; Managing Trading Liquidity; Risk Mitigation

Credit Risk
General; Credit Risk Management Framework; Organisation Structure; Risk Identification; Risk Measurement; Credit Risk Control and Monitoring; Credit Risk Policies and Guidelines at Transaction Level; Credit Control and Monitoring at Portfolio Level; Active Credit Portfolio Management; Controlling Credit Risk through Loan Review Mechanism (LRM); Credit Risk Mitigation; Securitisation; Credit Derivatives (CDs)

Operational Risk and Integrated Risk Management
Operational Risk – General; Operational Risk – Classification; Operational Risk Classification by Event Type – Definitions; Operational Risk Management Practices; Management Overview and Organisational Structure; Processes and Framework; Risk Monitoring and Control Practices; Operational Risk Qualification; Operational Risk Mitigation; Scenario Analysis; Integrated Risk Management; The Necessity of Integrated Risk Management; Integrated Risk Management – Challenges; Integrated Risk Management – Approach

Liquidity Risk Management

Liquidity Risk Management – Need & Importance; Potential Liquidity Risk Drivers; Types of Liquidity Risk; Principles for Sound Liquidity Risk Management; Governance of Liquidity Risk Management; Liquidity Risk Management Policy, Strategies and Practices; Management of Liquidity Risk; Ratios in
respect of Liquidity Risk Management; Stress Testing; Contingency Funding Plan; Overseas Operations of the Indian Banks' Branches and Subsidiaries and Branches of Foreign Banks in India; Broad Norms in Respect Of Liquidity Management; Liquidity Across Currencies; Management Information System; Reporting to the Reserve Bank of India; Internal Controls

Basel III Framework on Liquidity Standards

Liquidity Coverage Ratio; Liquidity Risk Monitoring Tools; Net Stable Funding Ratio

MODULE C: TREASURY MANAGEMENT

Introduction to Treasury Management

The Concept; Functions of Integrated Treasury; The Process of Globalisation; Evolving Role of Treasury as Profit Centre; Organisation of Treasury

Treasury Products

Products of Foreign Exchange Markets; Money Market Products; Securities Market Products; Domestic and Global Markets

International Equity and Debt Products

Regulatory Environment; Global Depository Receipts; Indian Depository Receipts; External Commercial Borrowings; Trade Credits; Rupee Denominated Bonds

Funding and Regulatory Aspects

Reserve Assets: CRR and SLR; The Liquidity Adjustment Facility (LAF); Payment and Settlement Systems

Treasury Risk Management

Supervision and Control of Treasury; Market Risk and Credit Risk; Risk Measures: VaR and Duration; Use of Derivatives in Risk Management

Derivative Products

Derivatives and the Treasury; OTC and Exchange Traded Products; Forwards, Options, Futures and Swaps; Interest Rate and Currency Swaps; Developments in Indian Markets and RBI Guidelines on Risk Exposure

Treasury and Asset-Liability Management
Meaning of Asset-Liability Management (ALM), Liquidity Risk and Interest Rate Risk, Role of treasury in ALM, Use of derivatives in ALM, Credit risks and Credit Derivatives, Transfer pricing, Policy Environment

MODULE D: BALANCE SHEET MANAGEMENT

Components of Assets and Liabilities in Bank's Balance Sheet and their Management
Components of a Bank's Balance Sheet; What is Asset Liability Management?; Significance of Asset Liability Management; Purpose and Objectives of Asset Liability Management; ALM as Co-ordinated Balance Sheet Management

Banking Regulation and Capital
Capital and Banking Regulation

Capital Adequacy – Basel Norms
Scope of Application; Pillar-1 – Minimum Capital Requirements; Pillar 2- Supervisory Review Process; Pillar 3 – Market Discipline;

Asset Classification and Provisioning Norms
Asset Classification; Provisioning Norms

Liquidity Management
Definition; Dimensions and Role of Liquidity Risk Management; Measuring and Managing Liquidity Risk

Interest Rate Risk Management
Essentials of Interest Rate Risk; Sources of Interest Rate Risk; Effects of Interest Rate Risk; Measurement of Interest Rate Risk; Interest Rate Risk Measurement Techniques; Strategies for Controlling Interest Rate Risk; Controls and Supervision of Interest Rate Risk Management; Sound Interest Rate Risk Management Practices; RBI's Draft Guidelines on Interest Rate Risk in Banking Book

RAROC and Profit Planning
Profit Planning; Risk Aggregation and Capital Allocation; Economic Capital and RAROC

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18. Basel-Ill Framework on Liquidity Standards

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22. Funding and Regulatory Aspects
23. Treasury Risk Management
24. Derivative Products
25. Treasury and Asset-Liability Management

MODULE D: BALANCE SHEET MANAGEMENT

26. Components of Assets and Liabilities in Bank's Balance Sheet and Their Management
27. Capital Adequacy - Basel Norms
28. Asset Classification and Provisioning Norms
29. Liquidity Management
30. Interest Rate Risk Management
31. RAROC and Profit Planning

Bank Financial Management - Recollected Questions

Answers following questions realted to Remittance of Assets

1. 'Remittance of assets' means remittance outside India of funds representing a deposit with a bank or a firm or a company of ...... (i) provident fund balance/superannuation benefits, (iii) amount of claim or maturity proceeds of Insurance policy, (iv) sale proceeds of shares, securities, immovable property or any other asset held in India

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

2. PIO means ......

a. a person residing in India for more than 182 days during the course of the year
b. a person residing in India for more than 182 days during the course of the financial year
c. a person residing in India for more than 182 days during the course of the preceding year
d. a person residing in India for more than 182 days during the course of the preceding financial year

3. "Not permanently resident" means a person resident in India for employment ...... (i) of a specified duration (irrespective of length), (ii) for a specific job duration which does not exceed three years

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Neither (i) nor (ii)

4. Maximum fund which may be remitted by a NRI/PIO from the balances of NRO account in a financial year subject to declaration is ......

a. USD 250,000
b. USD 5,00,000
c. USD 1 Million
d. USD 2 Million

5. Maximum fund which may be remitted by a NRI/PIO from the Sale proceeds of assets or from assets acquired from legacy/inheritance/deed of settlement is ......

a. USD 250,000
b. USD 5,00,000
c. USD 1 Million
d. USD 2 Million

6. PIO doesn't include a person who has gone out of India or who stays outside India ...... (i) for or on taking up employment outside India, (ii) for carrying on outside India a business or vocation outside India, (iii) for any other purpose, in such circumstances as would indicate his intention to stay outside India for an uncertain period

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

7. PIO doesn't include a person who has come to or stays in India, otherwise than ...... (i) for or on taking up employment outside India, (ii) for carrying on outside India a business or vocation outside India, (iii) for any other purpose, in such circumstances as would indicate his intention to stay outside India for an uncertain period

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

Ans : 1-d, 2-d, 3-c, 4-c, 5-c, 6-d, 7-d
....

A customer has approached you for finance against his retention in export contract. The export order was of $ 1 million (retention of 20%) and its trunckey project where in 25% amount is for services. How much amount you will sanction to your customer.

a. Max of $ 1 million
b. Max of 0.75 million
c. Max of 0.20 million
d. Max of 0.15 million

Ans - d
....

Under advanced IRB approach who provides input for LGD ......

a. Bank
b. Supervisor
c. Function provided by BCBS
d. None

Ans - a
....

A is an Indian who now settled in UK and married B who is from Kenya but now a British citizen. They have 2 children (C&D) born in London. C is now married to a Pakistani citizen and settled in Karachi. D is working in London.

1. Status of D ......

a. NRI
b. Foreign National
c. Person of Indian origin
d. Person of Kenya origin

2. A can open which type of a/c? (i) NRE, (ii) NRO, (iii) FCNR(B)

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

3. A can make Nominee for her a/c out of her family?

a. B
b. C
c. D
d. Anyone

4. Daughter C can open NRI account with the permission of ......

a. RBI
b. MoF
c. Ministry of External affairs
d. cannot open

Ans : 1-c, 2-d, 3-d, 4-a
....

The current price of the specified future contract is ......

a. spot price
b. market price
c. option price
d. future price

Ans - d
....

Based on the below given data of a bank's branch as on 31.03.2023 (in Lakhs), answer the following questions.

A/c	Balance	Security	NPA Date
A1	120	40	30.09.2022
A2	100	60	30.07.2020
A3	160	80	30.06.2021
A4	120	100	31.08.2022
A5	150	150	31.07.2019
A6	160	0	31.10.2021
A7	200	120	30.08.2020
A8	180	140	31.05.2021

1. What is the provision required against account A1?

a. 20
b. 22
c. 24
d. 26

Ans - d
....

2. What is the provision required against account A2?

a. 55
b. 58
c. 64
d. 72

Ans - c
....

3. What is the provision required against account A3?

a. 96
b. 100
c. 104
d. 160

Ans - b
....

4. What is the provision required against account A4?

a. 14
b. 20
c. 24
d. 25

Ans - b
....

5. What is the provision required against account A5?

a. 37.5
b. 60
c. 75
d. 150

Ans - b
....

6. What is the provision required against account A6?

a. 40
b. 64
c. 128
d. 160

Ans - d
....

7. What is the provision required against account A7?

a. 40
b. 64
c. 128
d. 160

Ans - c
....

8. What is the provision required against account A8?

a. 68
b. 75

c. 82
d. 96

Ans - b
....

Explanation

1. The A/c is NPA on 30.09.2022. So, it is in Sub-Standard category and the provision for Secured-15% and Unsecured-25%

Secured Amount – 40, Unsecured Amount - 80

Provision Required = 40*15% + 80*25%
= 6 + 20
= 26 Lakhs
....

2. The A/c is NPA on 30.07.2020. So, it is in Doubtful (D2) category and the provision for Secured-40% and Unsecured-100%

Secured Amount – 60, Unsecured Amount - 40

Provision Required = 60*40% + 40*100%
= 24 + 40
= 64 Lakhs
....

3. The A/c is NPA on 30.06.2021. So, it is in Doubtful (D1) category and the provision for Secured-25% and Unsecured-100%

Secured Amount – 80, Unsecured Amount - 80

Provision Required = 80*25% + 80*100%
= 20 + 80
= 100 Lakhs
....

4. The A/c is NPA on 31.08.2022. So, it is in Sub-Standard category and the provision for Secured-15% and Unsecured-25%

Secured Amount – 100, Unsecured Amount - 20

Provision Required = 100*15% + 20*25%

= 15 + 5
= 20 Lakhs
....

5. The A/c is NPA on 31.07.2019. So, it is in Doubtful (D2) category and the provision for Secured-40% and Unsecured-100%

Secured Amount – 150, Unsecured Amount - 0

Provision Required = 150*40% + 0*100%
= 60 + 0
= 60 Lakhs
....

6. The A/c is NPA on 31.10.2021. So, it is in Doubtful (D1) category and the provision for Secured-25% and Unsecured-100%

Secured Amount – 0, Unsecured Amount - 160

Provision Required = 0*25% + 160*100%
= 0 + 160
= 160 Lakhs
....

7. The A/c is NPA on 30.08.2020. So, it is in Doubtful (D2) category and the provision for Secured-40% and Unsecured-100%

Secured Amount – 120, Unsecured Amount - 80

Provision Required = 120*40% + 80*100%
= 48 + 80
= 128 Lakhs
....

8. The A/c is NPA on 31.05.2021. So, it is in Doubtful (D1) category and the provision for Secured-25% and Unsecured-100%

Secured Amount – 140, Unsecured Amount - 40

Provision Required = 140*25% + 40*100%
= 35 + 40
= 75 Lakhs
....

Answers following questions realted to NRI/PIO

1. Who is a PIO? (i) Who was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 or Who belonged to a territory that became part of India after the 15.08.1947, (ii) Who is a child or a grandchild or a great grandchild of a citizen of India or of a person referred to in clause (i), (iii) Who is a spouse of foreign origin of a citizen of India or spouse of foreign origin of a person referred to in clause (i) or (ii)

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

2. Joint account of NRE Account can be oppened ...... (i) jointly in the names of two or more NRIs/PIOs, (ii) jointly with residents on 'either or survivor' basis, (iii) jointly with residents on 'former or survivor' basis

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

3. Joint account of NRO Account can be oppened ...... (i) jointly in the names of two or more NRIs/PIOs, (ii) jointly with residents on 'either or survivor' basis, (iii) jointly with residents on 'former or survivor' basis

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

4. NRE Account can be opened as ...... (i) Savings, (ii) Current, (iii) Fixed Deposit

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

5. FCNR (B) Account can be opened as ...... (i) Savings, (ii) Current, (iii) Term Deposit

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

6. NRO Account can be opened as ...... (i) Savings, (ii) Current, (iii) Fixed Deposit

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

7. What is status of Taxabilty in case of NRE Account?

a. Income earned in the accounts is exempt from income tax
b. Balances exempt from wealth tax
c. Taxable
d. Both a and b

8. What is status of Taxabilty in case of FCNR (B) Account?

a. Income earned in the accounts is exempt from income tax
b. Balances exempt from wealth tax
c. Taxable
d. Both a and b

9. What is status of Taxabilty in case of NRO Account?

a. Income earned in the accounts is exempt from income tax
b. Balances exempt from wealth tax
c. Taxable
d. Both a and b

10. Can a individuals of Bangladesh nationality have an account in India?

a. Yes
b. Yes. With prior approval of the Reserve Bank
c. Yes. If holding a valid visa and valid residential permit issued by FRO/FRRO concerned
d. No

11. Can a individuals of Pakistan nationality have an account in India?

a. Yes
b. Yes. With prior approval of the Reserve Bank
c. Yes. If holding a valid visa and valid residential permit issued by FRO/FRRO concerned
d. No

Ans : 1-d, 2-b, 3-b, 4-d, 5-c, 6-d, 7-d, 8-d, 9-c, 10-c, 11-b
....

Case study on EEFC - Exchange Earner's Foreign Currency (EEFC) Account

1. Who can open EEFC Account? (i) Individuals, (ii) Companies, (iii) All categories of foreign exchange earners

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

Ans - d

2. How much can be credited into an EEFC account?

a. 50% foreign exchange earnings
b. 75% foreign exchange earnings
c. 100% foreign exchange earnings
d. 100% foreign exchange earnings, provided the sum total of the accruals in the account during a calendar month should be converted into Rupees on or before the last day of the succeeding calendar month after adjusting for utilization of the balances for approved purposes or forward commitments.

Ans - d

3. What are the permissible credits in the EEFC account? (i) Inward remittance through normal banking channels, (ii) Advance remittance received by an exporter, (iii) Payment received for export of goods and services from India

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

Ans - d

4. Any restriction on withdrawal of funds from an EEFC account? (i) No restriction on withdrawal in Rupees of funds held in an EEFC account, (ii) The amount withdrawn in Rupees shall not be eligible for conversion into foreign currency and for re-credit to the account.

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d

Case study on UCPDC 600 guidelines : UCPDC:Uniform Customs and Practice for Documentary Credits

1. Which article deals with "the documents under LC can be dated prior to the date of LC"

a. Article 14
b. Article 16
c. Article 30
d. Article 36

Ans - a

2. Which article deals with "amount of the credit-about or approximately: allowing a tolerance level not to exceed 10 % more or 10% less"

a. Article 14
b. Article 16
c. Article 30
d. Article 36

Ans - c

3. Which article deals with "bank assumes no liability or responsibility for the consequences arising out of the interruption of its business by acts of god, riots, civil commotions,insurrections,wars act of terrorism or by any strikes or lockouts or any other causes beyond its control"

a. Article 14
b. Article 16
c. Article 30
d. Article 36

Ans - d

4. Which article deals with "the issuing bank gets 5 banking days (holidays are excluded for counting) to determine whether the documents carry discrepancy or not"

a. Article 14
b. Article 16
c. Article 30
d. Article 36

Ans - b

5. Which article deals with "quantity of the goods: a tolerance level not to exceed 5% more or 5% less"

a. Article 14
b. Article 16
c. Article 30
d. Article 36

Ans - c

....

An export bill is taken for collection by the bank. The exchange rate applied for the transaction will be ......

a. bill buying rate
b. bill selling rate
c. TT buying rate as on the date of sending the bill for collection
d. TT buying rate as on the date of realisation of the bill

Ans - d

....

The material difference between debentures and bonds is ...... (i) Debentures are governed by relevant provisions of company law, (ii) Debentures are transferable on registration, (iii) Bonds are negotiable instrument governed by Law of Contract

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

Ans - d

....

SGL Account is ...... (i) Subsidiary General Ledger, (ii) It is maintained by public debt office of RBI, (iii) Banks maintain exclusively government Securities Accounts

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

Ans - d

....

Balance sheet of a bank provides the following information:

Total advances Rs 50000cr, Gross NPA 10% and Net NPA 3%, Based on this information, answer the following questions?

1. What is the amount of gross NPA?

a. Rs 4000cr
b. Rs 4500cr
c. Rs 5000cr
d. Rs 5500cr

2. What is the amount of net NPA?

a. Rs 1000cr
b. RS 1200cr
c. Rs 1500cr
d. Rs 1800cr

3. What is the amount of provision for standard loans, if all the standard loan account represent general advance?

a. Rs 150cr
b. Rs 160cr
c. Rs 180cr
d. Rs 200cr

4. What is the provision on NPA accounts?

a. Rs 3000cr
b. RS 3500cr
c. Rs 4500cr
d. Rs 5000cr

5. What is the total amount of provisions on total advances, including the standard accounts?

a. Rs 3500cr
b. Rs 3680cr
c. Rs 4000cr
d. Rs 4200cr

6. What is the minimum amount of provision to be maintained to meet the PCR of 70%?

a. Rs 3500cr

b. Rs 3680cr
c. Rs 4000cr
d. Rs 4200cr

7. What is the amount of provision for standard loans, if all the standard loan account represent direct advances to agricultural?

a. Rs 90cr
b. Rs 112.5cr
c. Rs 135cr
d. Rs 180cr

8. What is the amount of provision for standard loans, if all the standard loan account represent advances to SMEs sectors?

a. Rs 90cr
b. Rs 112.5cr
c. Rs 135cr
d. Rs 180cr

9. What is the amount of provision for standard loans, if all the standard loan account represent advances to CRE sectors?

a. Rs 112.5cr
b. Rs 180cr
c. Rs 337.5cr
d. Rs 450cr

10. What is the amount of provision for standard loans, if all the standard loan account represent advances to CRE-RH sectors?

a. Rs 112.5cr
b. Rs 180cr
c. Rs 337.5cr
d. Rs 450cr

Solution :

1. c
Gross NPA
= 50000 x 10 %
= 5000 Cr

2. c

Net NPA
= 50000 x 3 %
= 1500 Cr

3. c
Stadard Accounts
= Total advances - Gross NPA
= 50000 - (50000 x 10%)
= 50000 - 5000
= 45000

Provision for standard loans (general advance)
= 0.4%
= 45000 x 0.4%
= 180 Cr

4. b
Provision of NPA
= (Gross NPA - Net NPa. x Total Advances
= (10% - 3%) x 50000
= 7% x 50000
= 3500 Cr

5. b
Provision on Total Advances
= Provision of NPA + Provision for standard loans
= 3500 + 180
= 3680 Cr

6. a
Minimum amount of provision to be maintained to meet the PCR of 70%
= Gross NPA x PCR
= 5000 x 70%
= 3500 Cr

7. b
Stadard Accounts
= Total advances - Gross NPA
= 50000 - (50000 x 10%)
= 50000 - 5000
= 45000

Provision for standard loans (direct advances to agricultural)
= 0.25%

= 45000 x 0.25%
= 112.5 Cr

8. b
Stadard Accounts
= Total advances - Gross NPA
= 50000 - (50000 x 10%)
= 50000 - 5000
= 45000

Provision for standard loans (SMEs Sector)
= 0.25%
= 45000 x 0.25%
= 112.5 Cr

9. d
Stadard Accounts
= Total advances - Gross NPA
= 50000 - (50000 x 10%)
= 50000 - 5000
= 45000

Provision for standard loans (Commercial Real Estate (CRE) Sector)
= 1%
= 45000 x 1%
= 450 Cr

10. c
Stadard Accounts
= Total advances - Gross NPA
= 50000 - (50000 x 10%)
= 50000 - 5000
= 45000

Provision for standard loans (Commercial Real Estate (CRE) Sector)
= 0.75%
= 45000 x 0.75%
= 337.5 Cr

SME - Small and Micro Enterprises
CRE - Commercial Real Estate (CRE) Sector
CRE - RH - Commercial Real Estate – Residential Housing Sector (CRE - RH)
……………………………………

Which of the following statements are true?

a. A bank's assets are its sources of funds
b. A bank's liabilities are its uses of funds
c. A bank's balance sheet shows that total assets equal total liabilities plus equity capital
d. Each of the above

Ans - c
....

What is forward contract? (i) It is a contract for purchase and sale of currency at a future date, (ii) The exchange rate for a future contract is quoted on the day of contract, (iii) The contract between buyer and seller is called forward contract

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 procedures is essential in validating the VaR estimates?

a. Back Testing
b. Scenario Analysis
c. Stress Testing
d. Once approved by regulators no further validation is required

Ans - a
....

What is Money Market?

a. It is place for raising and deploying short term resources where maturity does not exceed one year
b. Inter-Bank market is divided as call money and term money
c. Call money market is also overnight market where borrowed funds are repaid on the next working day
d. Notice money market is where funds are placed beyond overnight and upto 14 days

Ans - a
....

Answer the following questions, based on the below given information

1st year (Rs. In crores)
Net profits - 420.00
Provisions - 600.00
Staff expenses - 740.00
Other operating expenses - 840.00
Other income - 520.00

2nd year (Rs. In crores)
Net profits - 520.00
Provisions - 680.00
Staff expenses - 820.00
Other operating expenses - 980.00
Other income - 600.00

1. What is the amount of capital charge for operational risk, on the basis of 1st year results alone as per Basic indicator approach?

a. 350 cr
b. 390 cr
c. 420 cr
d. 450 cr

Ans – b
....

2. What is the amount of capital charge for operational risk, on the basis of 2rd year results alone as per Basic indicator approach?

a. 350 cr
b. 390 cr
c. 420 cr
d. 450 cr

Ans – d
....

3. What is the amount of capital charge for operational risk, on the basis of 1st and 2nd year results as per Basic indicator approach?

a. 350 cr
b. 390 cr
c. 420 cr

d. 450 cr

Ans – c

....

4. What is the amount of risk weighted assets for operational risks in India as per Basel III recommendations, on the basis of 1st year results alone?

a. 3063 cr
b. 3391 cr
c. 3652 cr
d. 3913 cr

Ans – b

....

5. What is the amount of risk weighted assets for operational risks in India as per Basel III recommendations, on the basis of 2nd year results alone?

a. 3063 cr
b. 3391 cr
c. 3652 cr
d. 3913 cr

Ans – d

....

6. What is the amount of risk weighted assets for operational risks in India as per Basel III recommendations, on the basis of 1st year and 2nd year results?

a. 3063 cr
b. 3391 cr
c. 3652 cr
d. 3913 cr

Ans - c

....

Explanations:

1. Capital charge = Gross income X 15%
Gross income = net profit + provisions + staff expenses + other operating expenses.
= 420 + 600 + 740 + 840 = 2600 cr
Capital charge = 2600 x 15% = 390 cr

2. Capital charge = Gross income X 15%
Gross income = net profit+ provisions + staff expenses + other operating expenses
= 520 + 680 + 820 + 980 = 3000 cr

Capital Charge = 3000 x 15% = 450cr

3. Capital charge Gross income X l5%.
Gross income for 1st year = 2600 cr
Gross income for 2nd year = 3000 cr
Average gross income = (2600 + 3000) / 2 = 2800 cr
Capital charge = 2800 x 15% = 420 cr

4. Capital charge / 11.5 % = 390 / 11.5 % = Rs. 3391 cr

5. Capital charge / 11.5 % = 450 / 11.5 % = Rs. 3913 cr

6. Capital charge / 11.5 % = 420 / 11.5 % = Rs. 3652 cr
....

The instrument(s) that does not qualify for upper Tier II capital is/are ......

a. PCPS
b. RNCPS
c. PNCPS
d. All of these

Ans - c
....

Eligible portion of subordinated debts that qualify for Tier II may not exceed ......

a. 50% of total Tier II capital
b. I 00% of Tier I capital
c. 50% of Tier I capital
d. 100% of upper Tier II capital

Ans - c
....

An interest rate swap transforms the nature of ......

a. An existing liability only
b. An existing asset only
c. As notional liability or an asset

d. An existing liability or an asset

Ans - d

....

When the costs/yields of liabilities/assets are linked to a floating rate and there is no simultaneous movement in interest rates, it leads to ......

a. Real interest rate risk
b. Basis risk
c. Reinvestment risk
d. Volatility risk

Ans - b

....

The effective interest rate on a Repo transaction should not be ...... (i) Higher than the corresponding money market rate, (ii) Lower than the corresponding money market rate, (iii) Equal to the corresponding money market rate

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

Ans - b

....

Currency ‘X’ having 6% risk free rate for 6 months has a spot rate of 30Y. Where Y is another currency and has 4% risk free rate for 8 months period. The 6 months forward rate of ‘X’ in terms of 'Y' would be ......

a. 29.70
b. 29.71
c. 30.30
d. 30.29

Ans - b

....

In a market where a given security’s price is rising, profit potential is unlimited for ......

a. Call option holder on the security
b. Put option holder on the security

c. Call option seller on the security
d. Put option seller on the security

Ans - a

PNCPS are ......

a. In the nature of capital and qualifies for Tier II capital
b. Debts and qualify for Tier I capital
c. Debts and qualifies for Tier II capital
d. In the nature of capital and qualifies for Tier I capital

Ans - d

Revaluation reserves ......

a. Qualify for Tier I capital but limited to 55% of it
b. Qualify for Tier II capital but limited to 55% of it
c. Qualify for Tier I capital but limited to 45% of it
d. Qualify for Tier II capital but limited to 45% of it

Ans - c

The Purchasing Power Parity (PPP) theory is a good predictor of ......

a. all of the following
b. the long-run tendencies between changes in the price level and the exchange rate of two countries
c. interest rate differentials between two countries when there are strong barriers preventing trade between the two countries
d. either b or c

Ans - b

According to the Purchasing Power Parity (PPP) theory, ...

a. Exchange rates between two national currencies will adjust daily to reflect price level differences in the two countries
b. In the long run, inflation rates in different countries will equalize around the world
c. In the long run, the exchange rates between two national currencies will reflect price-level differences in the two countries

d. None of the above

Ans - c

....

Risk aggregation in ICAAP implies ......

a. Sum total of risks measured across various risks
b. Sum total of risks measured in terms of pillar I guidelines
c. Sum total of risks measured after accounting for risk diversification
d. Assessment of bank's internal capital, capital adequacy assessment and strategy

Ans - c

....

If the U.S. dollar appreciates relative to the British pound, ...

a. it will take fewer dollars to purchase a pound
b. it will take more dollars to purchase a pound
c. it is called a weakening of the dollar
d. both a & c

Ans – a

....

An arbitrageur in foreign exchange is a person who ......

a. earns illegal profit by manipulating foreign exchange
b. causes differences in exchange rates in different geographic markets
c. simultaneously buys large amounts of a currency in one market and sell it in another market
d. None of the above

Ans - c

....

A speculator in foreign exchange is a person who ......

a. buys foreign currency, hoping to profit by selling it a a higher exchange rate at some later date
b. earns illegal profit by manipulation foreign exchange
c. causes differences in exchange rates in different geographic markets
d. None of the above

Ans - a

....

TT selling rate is applicable for transactions of ......

a. issue of telegraphci transfers
b. outward remittances other than for retirement of import bill
c. retirement of import bill for which remittance is sent by TT
d. payment of telegraphic transfer

Ans - b
....

On return from abroad, a traveller should surrender his unspent travellers' cheques, within ...... days from date of return

a. 90
b. 180
c. 30
d. 60

Ans - b
....

When Rs. 1 million is deposited at a bank, the required reserves ratio is 20 percent (SLR), and the bank chooses not to hold any reserves but makes loans instead, then, in the bank's final balance sheet,

a. the assets at the bank increase by Rs.200,000
b. the liabilities of the bank increase by Rs.200,000
c. SLR reserves increase by Rs. 200,000
d. each of the above occurs

Ans - c
....

Which of the following is true regarding a forward contract? (i) Treasury may have forward contracts with customers or Banks as counterparties, (ii) Customers cover currency risk through forward contract, (iii) Treasury may cover its customer exposure by taking reverse position in Inter-Bank market

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

Ans - d
....

Relative for business purpose aur official purpose has been defined in ......

a. Indian contract act
b. Indian Family dispute settlement act
c. Indian company act
d. Indian evidence act

Ans - c
....

What is Gilts? (i) Securities issued by government or Treasuries, (ii) They do not have any credit Risk

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d
....

For calculating cross currency rates, banks in India use the dollar/foreign currency rate quoted in ......

a. Mumbai
b. London
c. New York
d. any international market

Ans - d
....

The Bond can be ...... (i) Zero Coupon Bond, (ii) Floating Rate Bond, (iii) Deep Discount Bond

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 followings is not correct?

a. Debenture and Bonds can be issued with redemption in instruments over a period
b. They can be issued with a premium or redemption

c. There are no Bonds with put and call option
d. Bonds secured by stocks or other collateral are called collaterised obligations

Ans - c
....

Who issues guidelines for issue of CP? (i) RBI, (ii) Market practices prescribed by FIMMDA

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d
....

The quotation for merchant transaction is ......

a. two-way quotation
b. applicable to all merchant transactions uniformly
c. specific to the transaction for which it is quoted
d. applicable only for traders

Ans - c
....

The selling rate is also known as ......

a. bid rate
b. offer rate
c. spread
d. swap

Ans - b
....

The settlement of CDS in which protection by a delivers wants of reference entity is called as ......

a. cash settlement
b. credit settlement
c. default settlement
d. physical settlement

Ans - d

Forward option facility in a forex forward contract implies ......

a. It is an option on forward contract where customer has no tion but right to exercise
b. Banks may allow delivery to take place within a month before expiry date
c. Banks may allow delivery to take place within a month after expiry date
d. None of these

Ans - b
....

Certain risks in banking business are managed at transaction level and aggregate level; whereas few risks are managed at aggregate level only. Identify the risks managed at aggregate level only?

a. Credit risk
b. Operational risk
c. Market risk
d. Liquidity risk

Ans - d
....

What is Reinvestment Risk? (i) When Interest Rate at which the future cash flows can be reinvested are uncertain it is called Reinvestment Risk, (ii) Any mismatch in cash flows will expose a Bank, (iii) Since the market interest rates move in different directions, it will have variation in net interest income

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?

a. Strategic Risk is the part of Operational Risk
b. Any Risk which is not categorized as market risk may be Operational Risk
c. Scope to Operational Risk is very wide
d. Operational Risk may also arise due to external factors

Ans - a
....

The features of Net Interest position Risk are ...... (i) When there are more earning Assets than paying liabilities, interest rate may arise if market interest rates adjust downwards, (ii) It may result in reduction in Net Interest Income, (iii) It will have an impact on the economic value of Bank's Assets

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

Ans - d

....

A bank has failed to meet its obligation on account of a payment on due date due to its incapacity to pay. What kind of risk it is?

a. credit risk
b. liquidity risk
c. settlement risk
d. payment risk

Ans - c

....

The market parameters which parameters which derive market value are ...... (i) Demand Supply Position, (ii) Interest Rate, (iii) Inflation

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

Ans - d

....

Risk associated with changes in the credit profile of the borrowers and counter parties, is called ......

a. credit risk
b. market risk
c. counter-party risk
d. liquidity risk

Ans - a

....

Which of the following is relevant to the measurement of sensitivity? (i) This indicates the degree of risk associated with the portfolio against the changes in interest rate, (ii) It does not consider the impact of other parameters, (iii) Sensitivity is more appropriate measurement to measure impact of interest rate changes

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

Ans - d
....

There are no formal rules or mechanisms for ensuring market stability and integrity, and for safeguarding the collective interests of market participants. Which type of Derivatives contracts are being referred to here?

a. Over the Counter Derivatives
b. Exchange traded derivatives
c. Stock Futures
d. Commodity derivatives

Ans - a
....

A customer of your bank has approached you for export bill discounted on 16th July 2013 against a bill of £0.2 million. You have discounted it for £ 0.19 million with a maturity on 18th sept 2013. On 18th sept the bill got dishonoured. The rate on that day was £= Rs 84.221/.228. How much will be the amount to be recovered from customer for such dishonor, if charges for dishonor is 0.025% and RBI interest rate is 8% p.a.

a. Rs.1,62,34,020
b. $ 1,62,29,963
c. Rs.1,62,35,313
d. $ 1,62,31,369

Ans - c
....

(Eligible total capital funds) / (RWAs for Credit Risks + RWAs for market risks + RWAs for operational risks) is ......

a. Total CRAR
b. Capital adequacy ratio

c. Tier I CRAR
d. None of these

Ans - a
....

Which of the following steps are involved in calculating price volatility? (i) It is multiplication of yield volatility and Basis Point Value, (ii) The above (a. is then multiplied by the yield, (iii) The above (ii) is divided by price

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

Ans - d
....

VaR for USD/INR rate at 95% confidence interval is 50 BPs overnight. If the day closes at 44.30 spot for USD, what is the worst possible rate for imports the day after?

a. 44.80
b. 43.80
c. 45
d. 45.01

Ans - d
....

Risk associated with a portfolio is always less than the weighted average of risks of individual items in the portfolio due to ...... (i) Diversification of risks, (ii) The fact that all accounts in a portfolio will not behave in unidirectional manner, (iii) The fact that risks in all the accounts in a portfolio will not materialize simultaneously

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

Ans - d
....

Forward purchase contract cannot be booked for ......

a. Exporters of services
b. Full-fledged money changers
c. Deferred exporters
d. None of the above

Ans - d
....

The operational Risk management policy should cover the following ...... (i) Operational Risk management structure, (ii) Role and Responsibilities, (iii) Operational Risk management processes

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 Business lines, Beta Factor is 18%? (i) Corporate Finance, (ii) Trading and Sales, (iii) Payments and Settlement

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

Ans - d
....

The customer service in a bank branch, has been disrupted for 2 hours, due to failure of the central server. What type of risk it is?

a. reputation risk
b. systemic risk
c. operational risk
d. settlement risk

Ans - c
....

Aggregated risk of the organizations as a whole is called ......

a. Transaction risk
b. Portfolio risk
c. Total risk
d. None of these

Ans - b

....

'Cli' order stands for ......

a. Trading member's own order
b. Client order
c. Proprietary order
d. Client ID

Ans - b

....

Which of the following is/are not characteristic(s) of exchange traded products?

a. Standardised products
b. No counter party risk
c. Products are for specified period
d. Can be settled on any trading day

Ans - d

....

Which of the following cannot freely participate in futures market?

a. Banks and financial institutions
b. Individuals
c. NRIs
d. Corporates

Ans - c

....

OTC Derivatives stand for ......

a. Over the Counter Derivatives
b. Outstanding Transaction Credit Derivatives

c. Options Trade Credit Derivatives
d. Commodity price risks

Ans - a
....

Which of the following is part of Total Capital Funds?

a. Subordinated debts issued and computed in accordance with the regulatory guidelines for the purpose
b. Capital reserves arising out of sale proceeds of assets
c. Revaluation reserves at a discount of 55%
d. All of the above

Ans - d
....

In the process of A.L.M., price matching is used to assess whether an institution is in a position to benefit by raising interest rates through "Positive Gap". Positive Gap means:

a. Assets more than liabilities
b. Liabilities more than assets
c. Either a or b
d. None of the above

Ans - a
....

In case of forward contract the difference between sport rate and forward rate is called as ......

a. backward margin
b. forward margin
c. spot margin
d. past margin

Ans - b
....

Permissible debits in EEFC account

a. Advance payments to overseas suppliers under the merchanting trade transactions subject to compliance with the terms and conditions as applicable.
b. Payment of freight on imports into India/exports from India by the account holder to shipping/airline companies or their agents operating in India.

c. Payment of Customs duty in accordance with provisions of Exim Policy of Government of India.
d. All the above

Ans - d

....

Which of following instrument s not eligible for Credit risk Mitigation?

a. Cash
b. Mutual fund
c. Life Insurance
d. OTC

Ans - d

....

A bank that specializes in granting loans to firms in a specific line of business ......

a. May decrease its operating cost and decrease its credit risk
b. May increase both its operating cost and its credit risk
c. May increase its operating cost and decrease its credit risk
d. May decrease its operating costs and increase its credit risk

Ans - d

....

Which of the following approach is simplest in terms of measure capital requirement?

a. Basic Indicator Approach
b. Standardized Approach
c. Advanced Management Approach
d. All of these

Ans - a

....

YTM of a bond depends upon ......

a. Coupon rate and market value
b. Market value and residual maturity
c. Residual maturity and coupon rate
d. Coupon rate, market value and residual maturity

Ans - d

Balance sheet of a bank provides the following information:

Fixed Assets - 800cr
Investment in central Govt Securities - Rs 8000cr

In standard loan accounts
Housing Loans - RS 4000cr (Secured, below Rs 10 lac)
the Retail loan - Rs 4000cr
Other loans - Rs 6000cr

sub-standard secured loans - Rs 800cr
sub-standard unsecured loans - Rs 400cr
Doubtful loans (D-1, secured) - Rs 600cr
Doubtful loans (D-1, unsecured) - Rs 400cr
Doubtful loans (D-2, secured) - Rs 400cr
Doubtful loans (D-2, unsecured) - Rs 800cr
Doubtful loans (D-3, secured) - Rs 800cr
Doubtful loans (D-3, unsecured) - Rs 400cr
Loss Assets - 50cr and
other assets - Rs 400cr

Answer the following questions, based on this information, by using standard Approach for credit risk.

1. What is the amount of RWAs for investment in govt securities?

a. Rs 4000cr
b. Rs 6000cr
c. Rs 8000cr
d. Nil

2. What is the amount of RWAs for sub-standard secured accounts?

a. Rs 200cr
b. Rs 400cr
c. Rs 600cr
d. Rs 1200cr

3. What is the amount of RWAs for sub-standard unsecured accounts?

a. Rs 200cr
b. Rs 400cr
c. Rs 600cr
d. Rs 1200cr

4. What is the amount of RWAs for doubtful (D-1, Secured) accounts?

a. Rs 200cr
b. Rs 400cr
c. Rs 600cr
d. Rs 1200cr

5. What is the amount of RWAs for doubtful (D-1, unSecured) accounts?

a. Rs 200cr
b. Rs 400cr
c. Rs 600cr
d. Rs 1200cr

6. What is the amount of RWAs for doubtful (D-2, Secured) accounts?

a. Rs 200cr
b. Rs 400cr
c. Rs 600cr
d. Rs 1200cr

7. What is the amount of RWAs for doubtful (D-2, unSecured) accounts?

a. Rs 200cr
b. Rs 400cr
c. Rs 600cr
d. Rs 1200cr

8. What is the amount of RWAs for doubtful (D-3, Secured) accounts?

a. Rs 200cr
b. Rs 400cr
c. Rs 600cr
d. Rs 1200cr

9. What is the amount of RWAs for doubtful (D-3, Secured) accounts?

a. Rs 200cr
b. Rs 400cr
c. Rs 600cr
d. Rs 1200cr

10. What is the amount of RWAs for retail loans?

a. 2000cr
b. 3000cr
c. 4000cr
d. 5000cr

11. What is the amount of RWAs for housing loans?

a. 2000cr
b. 3000cr
c. 4000cr
d. 5000cr

Solution :

1. d
RW against Govt Securities = 0 %

So, RWA
= 12000 x 0%
= 0 Cr

2. d
If the provision is less than 20 %, then RW is 150%
If the provision is 20-50 %, then RW is 100%
If the provision is more than 50 %, then RW is 50%

Provision in Sub-Standard Secured - 15 %, and so, RW = 150 %
So, RWA
= 800 x 150 %
= 1200 Cr

3. b
If the provision is less than 20 %, then RW is 150%
If the provision is 20-49 %, then RW is 100%
If the provision is 50% or more, then RW is 50%

Provision in Sub-Standard Un-Secured - 25 %, and so, RW = 100 %
So, RWA
= 400 x 100 %
= 400 Cr

4. c
If the provision is less than 20 %, then RW is 150%
If the provision is 20-49 %, then RW is 100%
If the provision is 50% or more, then RW is 50%

Provision in doubtful (D-1, Secured) - 25 %, and so, RW = 100 %
So, RWA
= 600 x 100 %
= 600 Cr

5. a
If the provision is less than 20 %, then RW is 150%
If the provision is 20-49 %, then RW is 100%
If the provision is 50% or more, then RW is 50%

Provision in doubtful (D-1, unsecured) - 100 %, and so, RW = 50 %
So, RWA
= 400 x 50 %
= 200 Cr

6. b
If the provision is less than 20 %, then RW is 150%
If the provision is 20-49 %, then RW is 100%
If the provision is 50% or more, then RW is 50%

Provision in doubtful (D-2, Secured) - 40 %, and so, RW = 100 %
So, RWA
= 400 x 100 %
= 400 Cr

7. b
If the provision is less than 20 %, then RW is 150%
If the provision is 20-49 %, then RW is 100%
If the provision is 50% or more, then RW is 50%

Provision in doubtful (D-2, unsecured) - 100 %, and so, RW = 50 %
So, RWA
= 800 x 50 %
= 400 Cr

8. b
If the provision is less than 20 %, then RW is 150%
If the provision is 20-49 %, then RW is 100%
If the provision is 50% or more, then RW is 50%

Provision in doubtful (D-3, Secured) - 100 %, and so, RW = 50 %
So, RWA
= 800 x 50 %
= 400 Cr

9. a
If the provision is less than 20 %, then RW is 150%
If the provision is 20-49 %, then RW is 100%
If the provision is 50% or more, then RW is 50%

Provision in doubtful (D-3, unsecured) - 100 %, and so, RW = 50 %
So, RWA
= 400 x 50 %
= 200 Cr

10. b
RW on retail loans = 75 %
So, RWA
= 4000 x 75%
= 3000 Cr

11. a
RW on housing loans = 50 %
So, RWA
= 4000 x 50%
= 2000 Cr
....

The forward US dollar is quoted at premium against Indian Rupees. This implies ......

a. Money market rates are higher in India than in the US
b. Money market rates are lower in India than in the US
c. Market yield is higher in US than in India
d. Dollar has a better value than Indian Rupee

Ans - a
....

Exchange traded futures resemble most the following derivative ......

a. Swaps
b. Options
c. Forward contracts

d. None of these

Ans - c
....

The most common means of hedging transactions in foreign currency in Indian markets is ......

a. Swaps
b. Options
c. Forward Contracts
d. Money market instruments

Ans - c
....

A call option on AUD at a given AUD/EURO strike is a ......

a. Call option on Euro
b. Put option on AUD
c. AUD call & EURO put
d. EURO call & AUD put

Ans - c
....

Most important risk that a call option holder faces is ......

a. Price risk
b. Operational risk
c. Counter party risk
d. Liquidity risk

Ans - c
....

If your local currency is in variable form and foreign currency is in fixed form the quotation will be ......

a. Indirect
b. Direct
c. Local form
d. Foreign form

Ans - b
....

Answer the following questions are based on the below given information

a. USD-INR spot and forward rate
Spot USD - 65.60/62
O/N - 1/2
TOM - 2/3
2 weeks - 7/8
1 month - 15/17
2 months - 31/33
3 months - 47/50
6 months - 95/100

b. The AD loads margin of 10 paisa for purchase transactions and 12 paisa for sale transactions

1. What is the bid rate for over night dollar?

a. 65.59
b. 65.60
c. 65.61
d. 65.65

Ans - c
....

2. What is the asking rate for Tom USD?

a. 65.59
b. 65.60
c. 65.61
d. 65.65

Ans - d
....

3. TT buying rate for customer transaction in spot dollar is ......

a. 65.50
b. 65.74
c. 65.81
d. 65.84

Ans - a
....

4. Quote the forward TT buying rate for 2 months USD is ......

a. 65.50
b. 65.74
c. 65.81
d. 65.84

Ans - c
....

5. USD selling rate for customer transactions in spot dollar is ......

a. 65.50
b. 65.74
c. 65.81
d. 65.84

Ans - b
....

6. Quote forward TT selling rate for one month USD ......

a. 65.50
b. 65.74
c. 65.81
d. 65.91

Ans - d
....

Bank XYZ has
Common shares - 500cr
Statutory reserves - 250cr
Capital reserves - 300cr
Balance in P&L Account at the end of the previous FY - 150cr
Revaluation reserves - 200cr
Provisions and Loss Reserves - 300cr
Debt Capital Instruments - 200cr
Perpetual Debt Instruments (PDI) - 50cr
Perpetual Cumulative Preference Shares (PCPS) - 50cr
Redeemable Cumulative Preference Shares (RCPS) - 50cr
RWA for credit and operational risk are Rs 12000cr
RWA for market risk Rs 5000cr
Based on the above information, answer the following questions?

1. what is the amount of Tier-1 capital?

a. 1080cr
b. 1140cr
c. 1250cr
d. 1380cr

Ans - c

Tier-1 = Common shares + Statutory reserves + Capital reserves + Balance in P&L Account at the end of the previous FY + Perpetual Debt Instruments (PDI)
= 500+250+300+150+50
= 1250cr
....

2. Calculate the amount of Tier-2 capital?

a. 350cr
b. 475cr
c. 540cr
d. 840cr

Ans - c

Tier2 = Provisions and Loss Reserves maximum 1.25% of risk weighted assets + Debt Capital Instruments + Revaluation reserve at 55% discount + PCPS + RCPS

= (12000*1.25%) 150+200+(200*45%,at 55% discount)90+50+50
= 540cr
....

3. Calculate the amount of capital fund?

a. 1250cr
b. 1380cr
c. 1560cr
d. 1790cr

Ans - d

Total capital fund = Tier-1 capital + Tier-2 capital
= 1250 + 540
= 1790cr
....

4. What is the capital adequacy ratio of the bank?

a. 10.20 %
b. 10.53 %
c. 11.03 %
d. 11.53 %

Ans - b

Capital adequacy ratio = Total Capital fund / Total RWA
= 1790 / 17000 = 10.53 %
....

5. What is the amount of minimum capital to support credit and operational risk as per Basel 3 without capital conservation buffer?

a. 1080cr
b. 1140cr
c. 1250cr
d. 1380cr

Ans - a

= 12000 * 9% = 1080cr
....

6. What is the amount of minimum capital to support credit and operational risk as per Basel 3 with capital conservation buffer?

a. 1080cr
b. 1140cr
c. 1250cr
d. 1380cr

Ans - d

12000 * 11.5% = 1380cr
....

7. What is the amount of minimum Tier 1 to support the credit and operational risk without capital conservation buffer?

a. 350cr
b. 475cr

c. 540cr
d. 840cr

Ans - d

Tier 1 = 12000 * 7% = 840 cr
....

8. What is the amount of minimum Tier 1 to support the credit and operational risk with capital conservation buffer?

a. 1080cr
b. 1140cr
c. 1250cr
d. 1380cr

Ans - b

Tier 1 = 12000 * 9.5% = 1140 cr
....

9. What is the amount of minimum Tier 1 to support the market risk without capital conservation buffer?

a. 350cr
b. 475cr
c. 540cr
d. 840cr

Ans - a

Tier 1 = 5000 * 7% = 350 cr
....

10. What is the amount of minimum Tier 1 to support the market risk with capital conservation buffer?

a. 350cr
b. 475cr
c. 540cr
d. 840cr

Ans - b
Tier 1 = 5000 * 9.5% = 475 cr
....

LC within Retail portfolio (AAA rated securities) - 3000 crore
Standby LC (As Financial Guarantee) (A rated Co.) - 2000 crore
Standby LC – particular transaction (AA rated Co) - 1000 crore
Performance Bonds & Bid bonds (Unrated Co.) - 2000 crore
Financial Guarantees (AA rated Co.) - 1000 crore
Confirmed LC for Imports (AAA rated Co.) - 1000 crore

1. What is the amount of Risk Weighted Assets for LC within Retail portfolio (AAA rated securities)?

a. 120 crore
b. 150 crore
c. 300 crore
d. 1000 crore

2. What is the amount of Risk Weighted Assets for Standby LC (As Financial Guarantee) (A rated Co.)?

a. 120 crore
b. 150 crore
c. 300 crore
d. 1000 crore

3. What is the amount of Risk Weighted Assets for Standby LC – particular transaction (AA rated Co)?

a. 120 crore
b. 150 crore
c. 300 crore
d. 1000 crore

4. What is the amount of Risk Weighted Assets for Performance Bonds & Bid bonds (Unrated Co.)?

a. 120 crore
b. 150 crore
c. 300 crore
d. 1000 crore

5. What is the amount of Risk Weighted Assets for Financial Guarantees (AA rated Co.)?

a. 120 crore
b. 150 crore
c. 300 crore
d. 1000 crore

6. What is the amount of Risk Weighted Assets for Confirmed LC for Imports (AAA rated Co.)?

a. 40 crore
b. 150 crore
c. 300 crore
d. 2610 crore

7. What is the amount of Total Risk Weighted Assets?

a. 40 crore
b. 150 crore
c. 300 crore
d. 2610 crore

8. What is the amount of Capital Required?

a. 40 crore
b. 150 crore
c. 300 crore
d. 2610 crore

Solution:

1. a
CCF for LC Retail Portfolio (AAA rated) = 20%
So, Adjusted Exposure = 3000*20% = 600 crore
So, RWA = 600 * 20% = 120 crore

2. d
CCF for Standby LC (As Financial Guarantee) (A rated Co.) = 100%
So, Adjusted Exposure = 2000*100% = 2000 crore
So, RWA = 2000 * 50% = 1000 crore

3. b
CCF for Standby LC–particular transaction (AA rated) = 50%
So, Adjusted Exposure = 1000*50% = 500 crore
So, RWA = 500 * 30% = 150 crore

4. d
CCF for Performance Bonds & Bid bonds (Unrated) = 50%
So, Adjusted Exposure = 2000*50% = 1000 crore
So, RWA = 1000 * 100% = 1000 crore

5. c

CCF for Financial Guarantees (AA rated) = 100%
So, Adjusted Exposure = 1000*100% = 1000 crore
So, RWA = 1000 * 30% = 300 crore

6. a
CCF for Confirmed LC for Imports (AAA rated Co.) = 20%
So, Adjusted Exposure = 1000*20% = 200 crore
So, RWA = 200 * 20% = 40 crore

7. d
Total RWAs = 120 + 1000 + 150 + 1000 + 300 + 40 = 2610 crore

8. c
Capital Required = 2610 * 11.5 % = 300 crore
....

From the following information calculate Net NPA
NPAs - Gross
Opening balance - 3,152.50
Additions during the year - 3,443.31
Reductions during the year - 2,131.06

Movement of provisions for NPAs excluding provisions on standard assets:
Opening balance - 2,361.62
Provisions made during the year - 1,836.42
Write-off/ write-back of excess provisions - 1,276.93

a. 3905.26
b. 1,543.64
c. 6,266.88
d. 2628.33

Ans - b
....

Full fledged money changers are authorized to undertake ......

a. only sale transactions
b. only purchase transactions
c. all types of foreign exchange transactions
d. purchase and sale of foreign currency notes, coins and travellers cheques

Ans - d
....

Fixed Assets - 600 Crore

Govt. Securities - 6000 crore

Standard Assets
Retail - 4000 crore
HL - 3000 crore
Other loans - 12000 cr

Sub-Standard Assets
Secured - 600 crore
Unsecured - 200 crore

Doubtful (DAI) - 1000 crore

1. What is the amount of Risk Weighted Assets for Standard Assets (Retail)?

a. 1500 crore
b. 3000 crore
c. 12000 crore
d. 16500 crore

2. What is the amount of Risk Weighted Assets for Standard Assets (HL)?

a. 1500 crore
b. 3000 crore
c. 12000 crore
d. 16500 crore

3. What is the amount of Risk Weighted Assets for Standard Assets (Other loans)?

a. 1500 crore
b. 3000 crore
c. 12000 crore
d. 16500 crore

4. What is the amount of Risk Weighted Assets for Standard Assets?

a. 1500 crore
b. 3000 crore
c. 12000 crore
d. 16500 crore

5. What is the amount of Risk Weighted Assets for Govt. Securities?

a. 0 crore
b. 200 crore
c. 900 crore
d. 1000 crore

6. What is the amount of Risk Weighted Assets for SS Secured?

a. 0 crore
b. 200 crore
c. 900 crore
d. 1000 crore

7. What is the amount of Risk Weighted Assets for SS Unsecured?

a. 0 crore
b. 200 crore
c. 900 crore
d. 1000 crore

8. What is the amount of Risk Weighted Assets for Doubtful D1?

a. 0 crore
b. 200 crore
c. 900 crore
d. 1000 crore

9. What is the amount of Total Risk Weighted Assets?

a. 10500 crore
b. 12000 crore
c. 16500 crore
d. 18600 crore

Solution:

1. b
RWA for Standard Assets (Retail) = 4000*75/100 = 3000 crore

2. a
RWA for Standard Assets (HL) = 3000*50/100 = 1500 crore

3. c
RWA for Standard Assets (Other loans) = 12000*100/100 = 12000 crore

4. d
RWA for Standard Assets = 3000 + 1500 + 12000 = 16500 crore

5. a
RWA for Gsec = 5000*0/100 = 0

6. c
RWA for SS Secured = 600*150/100 = 900 crore

7. b
RWA for SS Unsecured = 200*100/100 = 200 crore

8. d
RWA for Doubtful D1 = 1000*100/100 = 1000 crore

9. d
Total RWAs = 3000 + 1500 + 12000 + 900 + 200 + 1000 = 18600 crore
....

Using the following data, calculated capital charge for borrower A & B under Basel III after credit risk mitigation
Borrower- A Ltd Borrower- B Ltd
Exposure - Rs.100 crore - Rs.100 crore

Maturity of exposure(years) - 6 - 2
Nature of exposure - Corporate - Corporate
Currency - USD - INR
Rating of Exposure - BBB - UNRATED
Haircut for exposure - 12% - 25%
Value of collateral after haircut - Rs.88 crore - Rs.75 crore
Risk weight - 100% - 100%

a. Rs.24 crore and Rs 50 crore respectively
b. Rs.172.50 crore and Rs.53 crore respectively
c. Rs.18 crore and Rs.12 crore respectively
d. Rs.150 crore and Rs.75 crore respectively

Ans - a
....

ABC bank has the following exposure to Corporate sector secured by financial assets.

Party - A Ltd
Amount in Rs - 20.00 Cr
Maturity of exposure & collateral - 2
Collateral - Mutual Fund (AA)
Value of collateral - 20.00 Cr
Exposure Rating - AA

Party - B Ltd
Amount in Rs - 40.00 Cr
Maturity of exposure & collateral - 3
Collateral - Sovereign Bond
Value of collateral - 40.00 Cr
Exposure Rating - BBB

Party - C Ltd
Amount in Rs - 60.00 Cr
Maturity of exposure & collateral - 6
Collateral - Gold
Value of collateral - 62.00 Cr
Exposure Rating - A

1. Find out the credit risk weighted asset for A Ltd.

a. 0.18 Cr
b. 0.24 Cr
c. 0.80 Cr
d. 2.65 Cr

2. Find out the credit risk weighted asset for B Ltd.

a. 0.18 Cr
b. 0.24 Cr
c. 0.80 Cr
d. 2.65 Cr

3. Find out the credit risk weighted asset for C Ltd.

a. 0.18 Cr
b. 0.24 Cr
c. 0.80 Cr
d. 2.65 Cr

Answer:
Applying the credit risk mitigation formula:
E* = max {0, [E x (1 + He) - C x (1 - Hc - Hfx)]}
where:
E* = the exposure value after mitigation
E = current value of the exposure for which the collateral qualifies as a risk Mitigant
He = haircut appropriate to the exposure
C = the current value of the collateral received
Hc = haircut appropriate to the collateral
Hfx = haircut appropriate for currency mismatch between the collateral and exposure

1. b
Party - A Ltd
Exposure - 20.00
Rating of Exposure - AA
Risk Weight - 30%
Hair cut for exposure - 0
Collateral value - 30.00
Collateral - Mutual Fund(AA)
Maturity of collateral - 2
Hair cut for collateral - 4%

E* = max {0, [20 x (1 + 0) - 20 x (1 – 0.04 - 0)]}
= max of 0 or [0.80]
Means the collateral value after mitigation = 20 - 0.80 = 19.20
So the net exposure = 20 - 19.20 = 0.80
RWA = 0.80 x Risk weight of exposure which is 30%
= 0.24 Cr

2. c
Party - B Ltd
Exposure - 40.00
Rating of Exposure - BBB
Risk Weight - 100%
Hair cut for exposure - 0
Collateral value - 40.00
Collateral - Sovereign Bond
Maturity of collateral - 3
Hair cut for collateral - 2%

E* = max {0, [40 x (1 + 0) - 40 x (1 – 0.02 - 0)]}
= max of 0 or [0.80]
Means the collateral value after mitigation = 40 - 0.80 = 39.20
So the net exposure = 40 - 39.20 = 0.80

RWA = 0.80 x Risk weight of exposure which is 100%
= 0.80 Cr

3. d
Party - C Ltd
Exposure - 60.00
Rating of Exposure - A
Risk Weight - 50%
Hair cut for exposure - 0
Collateral value - 62.00
Collateral - Gold
Maturity of collateral - 6
Hair cut for collateral - 15%

E* = max {0, [60 x (1 + 0) - 62 x (1 – 0.15 - 0)]}
= max of 0 or [7.30]
Means the collateral value after mitigation = 62 - 7.30 = 54.70
So the net exposure = 60 - 54.70 = 5.30
RWA = 5.30 x Risk weight of exposure which is 50%
= 2.65 Cr
....

From the following information find out the amount of provisions required to be made in the Profit & Loss Account of a commercial bank for the year ended 31st March, 2013: Packing credit outstanding from Food Processors Rs 60 lakhs against which the bank holds securities worth Rs 15 lakhs. 40% of the above advance is covered by ECGC. The above advances has remained doubtful more than 3 years.

Other advances:
Asset classification - Rs in lakhs
standard - 3,000
Sub-standard (Secured 75%) - 2,200
Doubtful (Full secured)
For one year - 900
For two year - 600
For three years - 400
For more than 3 years - 300
Loss assets than - 600

a. 45 lakhs & 1997.50 lakhs
b. 51 lakhs & 1765 lakhs
c. 60 lakhs & 1997.50 lakhs
d. 42 lakhs & 1765 lakhs

Ans – d

ABC Bank has a Repo transaction. The details of it has been given below.

Type of the Security - GOI security
Residual Maturity - 5 years
Coupon - 6%
Current Market Value - Rs.3000
Cash borrowed - Rs.2000
Modified Duration of the security - 3.6 years
Assumed frequency of margining - Daily
Haircut for security (adjusted for minimum holding period) - 1.4 %
Haircut on cash - Zero
Minimum holding period - 5 business days
Change in yield for computing the capital charge for general market risk - 0.7 % p.a.

1. Calculate Capital Charge for CCR

a. 0
b. 23.97
c. 75.6
d. 99.57

2. Calculate Capital Charge for credit risk

a. 0
b. 23.97
c. 75.6
d. 99.57

3. Calculate Capital Charge for market (specific) risk

a. 0
b. 23.97
c. 75.6
d. 99.57

4. Calculate Capital Charge for market (General) risk

a. 0
b. 23.97
c. 75.6
d. 99.57

5. Calculate Total capital required

a. 0
b. 23.97
c. 75.6
d. 99.57

Solution :

1. b
Capital Charge for CCR
1. Exposure - MV of the security = 3000.00
2. CCF for Exposure - 100 %
3. On-Balance Sheet Credit Equivalent - 3000 * 100 % = 3000.00
4. Haircut - 1.4 %
5. Exposure adjusted for haircut - 3000 * 1.014 = 3042.00
6. Collateral for the security lent - Cash = 2000.00
7. Haircut for exposure - 0 %
8. Collateral adjusted for haircut - 2000 * 1.00 = 2000.00
9. Net Exposure (5- 8) - 3042 - 2000 = 1042.00
10. Risk weight (for a Scheduled CRAR complaint bank) - 20 %
11. Risk weighted assets for CCR (9 x 10) - 1042 * 20 % = 208.4
12. Capital Charge for CCR (11 x 11.5 %) - 208.4 * 0.115 = 23.97

2. a
Capital for credit risk (if the security is held under HTM) = Zero (Being Govt. security)

3. a
Capital for market (specific) risk (if the security is held under AFS/HFT) = Zero (Being Govt. security)

4. c
Capital for market (General) risk = (Modified duration * Assumed yield change (%) * market value of security)
= 3.6 * 0.7% * 3000
= 75.6

5. d
Total capital required = (for CCR + credit risk + specific risk + general market risk)
= 23.97 + 0 + 0 + 75.6
= 99.57

....

You are working as a Middle Level Executive with 'Strong Bank Ltd.,' The MIS Department has submitted the following Statistics from which you are required to estimate the likely Capital Funds required by the Bank as of March,31st, 2014 taking into account the Basel III implementation compliance.

i) Risk-Weighted Assets for Credit Risk likely to be Rs.53,889.50 crores
ii) Capital Allocation for Market Risk to be Rs.100/- crores
iii) For Operational Risk following Data available.

The bank is required to calculate Capital Charge for Operational Risk by Basic Indicator Approach. (Amount in Crore)

Year	31-03-2011	31-03-2012	31-03-2013
Gross Income	2600.00	3000.00	3400.00

I. Based on the Gross Income given above, the likely Capital Charge for Strong Bank Ltd., as on March 31, 2014 to cover Operational Risk under Basic Indicator Approach shall be

a. 375 crores
b. 540 crores
c. 450 crores
d. 360 crores

Ans - c
....

II. The Strog Bank Ltd., will require total Capital Funds for covering Credit Risk. As on March 31,2014 to comply Basel III norms of Rs. crores.

a. 5400 crore
b. 4850 crores
c. 4800 crores
d. 4311.16 crores

Ans - b
....

From the following information calculate CET 1 and Tier II capital according to basel III requirements:

Paid up Share capital - 12.54
Share Premium - 43.37
Statutory Reserves - 112.25
Capital Reserves - 7.80
Special Reserve 36 (i) viii) - 3.99
Revaluation Reserves - 18.69
Investment Reserve - 0.74

Special Reserve (Swap) - 0.51
Other reserves (disclosed) - 82.43
7 years non convertible bonds (4 years to maturity) - 92.80
Provision for Standard Assets - 19.21
Deferred Tax Assets and Other Intangible Assets - 30.24

a. CET 1 Rs.232.14, Tier II Rs.123.54
b. CET 1 Rs.250.29, Tier II Rs.12.09
c. CET 1 Rs.229.40, Tier II Rs.122.29
d. CET 1 Rs.119.89, Tier II Rs.119.89

Ans - b
....

The credit portfolio of ABC Bank has undergone a uniform downgrade as on 31-3-2014 after an economic downturn. The position prior to the downgrade is given below: The minimum capital required after downgrade is ......

Rating Scale	Risk Weight (%)	Exposure Rs. In crores	Extent of downgrade
AAA	20	200	AA
AA	30	200	A
A	50	100	BBB
BBB	100	200	BB
BB& Below		150	100
		800	

Minimum capital under Basel III Rs.48.60 Cr

a. 63.9 crores
b. 58.6 crores
c. 60.6 crores
d. 52.6 crores

Ans - a
....

ABC Bank ltd. had extended the following credit lines to a Small & Micro Industry which had not paid any interest since March, 2012. How much provision is required for 31.03.2018.
Balance outstanding on 31.3.2018
Term Loan - Export Credit
Rs 70 lakhs - Rs 60 lakhs
CGTMS/ECGC cover - 50% - 40%
Securities held - Rs 30 lakhs - Rs 25 lakh
Realisable value of securities - Rs 20 lakhs - Rs 15 lakhs

a. TL 40 lakhs & EC 35 lakhs

b. TL 35 lakhs & EC 36 lakhs
c. TL 15 & EC 21 lakhs
d. TL 45 lakhs & EC 42 lakh

Ans - d
....

From the following information, compute the amount of provisions to be made in the Profit and Loss Account of a Commercial bank:

Assets Rs in lakhs
Standard (Value of security Rs 6,000 lakhs) - 7,000
Sub-standard - 3,000
doubtful
a. Doubtful for less than one year (realizable value of security Rs 500 lakhs) - 1,000
b. Doubtful for more than one year, but less than 3 years (Realisable value of security Rs 300 lakhs) - 500
c. Doubtful for more than 3 years (No security) - 300

a. 1319 lakhs
b. 898 lakhs
c. 1478 lakhs
d. 1723 lakhs

Ans - d
....

Find out the income to be recongnised at Good Bank Limited for the year ended 31.3.2013 in respect of Interest on advances (Rs in lakhs) as detailed below:-

Performing Assets - NPA
Interest earned - Interest received - Interest earned - Interest received

Term loan - 240 - 160 - 150 - 10
Cash credits and overdraft - 1500 - 1240 - 300 - 24
Bills purchased and discounted - 300 - 300 - 100 - 40

a. Intt on TL 240, Intt on CC & OD 1500, Intt on Bill Purch.& disc. 300
b. Intt on TL 160, Intt on CC & OD 1240, Intt on Bill Purch.& disc. 300
c. Intt on TL 250, Intt on CC & OD 1524, Intt on Bill Purch.& disc. 340
d. Intt on TL 310, Intt on CC & OD 1540, Intt on Bill Purch.& disc. 400

Ans - c
....

Derivatives can be used to hedge aggregate risks as reflected in the asset-liability mismatches. In this case a dynamic management of hedge is necessary not because ...... (i) The risks are dynamic, (ii) The composition of assets and liabilities is always changing, (iii) A close monitoring of hedge is an RBI requirement

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

Ans - b
....

The participants in the derivatives market generally exchange the following agreement ......

a. IFEMA
b. ICON
c. ISDA
d. A stamped agreement devised by respective banks

Ans - c
....

which of the following are free currency in the foreign exchange market? (i) USD, (ii) Rupee, (iii) EUR

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

Ans - b
....

Notice money refers to placement of funds for period not exceeding ......

a. over night
b. two days
c. 7 days
d. 14 days

Ans - d
....

Term money refers to placement of funds for period not exceeding ......

a. 01 yr
b. 02 yr
c. 03 yr
d. 05 yr

Ans - a
....

NEFT is an electronic fund transfer system that operates on a ...... basis which settles transactions in batches.

a. Domain Net Settlement (DNS)
b. Defined Net Settlement (DNS)
c. Declared Net Settlement (DNS)
d. Deferred Net Settlement (DNS)

Ans - d
....

RBI has launched new restructuring tool 'S4A' to raise banks' moral hazard risk. What is it?

a. Scheme for Systematic Structuring of Stressed Assets
b. Scheme for Sustainable Structuring of Stressed Assets
c. Scheme for Sustainable Structuring of Scholastic Assets
d. Scheme for Sustainable Strength of Stressed Assets

Ans - b
....

Consider the following statements in context with Treasury Bulls? (i)They are issued by Government of India on behalf of RBI (ii) They are mostly for short term borrowings (iii) Treasury Bills cannot be purchased by any person resident of India
Which among the above is/are correct?

a. All are correct
b. ii & iii are correct
c. Only ii is correct
d. Only iii is correct

Ans - c
....

With volatility, it is possible to estimate ...... of the target variable with a resonable accuracy.

a. upside potential
b. downside potential
c. both a and b
d. none of these

Ans - c
....

Absorption of liquidity, by RBI, is done through _____ from / to banks under a _____ transaction.

a. borrowing, repo
b. borrowing, reverse repo
c. lending, repo
d. lending, reverse repo

Ans - b
....

Derivates refer to _____ price.

a. past
b. present
c. future
d. none of these

Ans - c
....

A bank expects fall in price of a security if it sells it in the market. What is the risk that the bank is facing?

a. Market risk
b. Operational risk
c. Asset liquidation risk
d. Market liquidity risk

Ans - c
....

In case of a 90 days DA (Usance) bill in GBP tendered to the bank on 01.04.2015 , the NTP will be __ days and NDD will be ...... (date).

a. 21, 25.04.2015

b. 25, 25.04.2015
c. 25, 24.07.2015
d. 30, 30.04.2015

Ans - c
....

Concessional rate of interest for post-shipment finance is allowed for __ days in case of usance bills.

a. 25
b. 90
c. 180
d. None of these

Ans - d
....

Any person who wants to make a remittance for imports, exceeding USD ...... or its equivalent, should make an application in form A1 to AD.

a. 500
b. 1000
c. 50000
d. 100000

Ans - a
....

The remittance against import should be completed not later than __ months from the date of shipment.

a. 3
b. 6
c. 9
d. 12

Ans - b
....

Post shipment finance in foreign currency is called ......

a. EBRD
b. EEFC
c. PSEF

d. PCFC

Ans - a

....

ECGC classifies countries into __ categories according to the country risk.

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

Ans - c

....

Risk can be mitigate through ......

a. Crystilization
b. Diversification
c. Portfolio risk
d. b & c

Ans - b

....

If Daily Volatility is 1.5%, what will be the monthly Volatility ?

a. 8.33
b. 8.22
c. 9.22
d. 9.33

Ans - b

....

Credit Risk can't be mitigated by ......

a. Accepting Collaterals
b. Credit Derivatives
c. Entering into Forward Contracts
d. Diversification of Advances

Ans - c

....

The benefit accruing to traders who play in different markets, simultaneously - profits accrue, as markets are imperfect, is known as ......

a. leverage
b. arbitrage
c. derivative
d. swap

Ans - b
....

Treasury uses a variety of money market instruments to optimize return on funds. Which of the following is not a money market instrument?

a. Treasury bills
b. CBLO
c. Corporate debt paper
d. Certificate of deposit

Ans - a
....

Zero-risk investment implies

a. Investment in government securities
b. Investment in zero coupon bonds
c. Zero variation in cash flow from investment
d. Investment in bank fixed deposit

Ans - c
....

Which of the following is not included in pricing ?

a. Cost of Deploying funds
b. Operating Expenses
c. Profit Probabilities
d. Capital Charge

Ans - c
....

While the exposure limits are generally left to the banks discretion. RBI has imposed which ceiling of total business in a year with individual brokers.

a. 2%
b. 5%
c. 10%
d. 15%

Ans - b
....

Protection of risk in a transaction usually through derivatives product is called.

a. insurance
b. swap
c. hedge
d. arbitrage

Ans - c
....

The most important and well pronounced risk in treasury is

a. Credit risk
b. Liquidity risk
c. Market risk
d. Embedded option risk

Ans - c
....

The following limits in treasury are meant for controlling market risk

a. Counter party interbank exposure limits
b. Settlement and pre-settlement limits
c. Intra-day, overnight open position limit and stop loss limits
d. Overseas borrowing limit prescribed by RBI

Ans - c
....

As per Basel–II norms which of the following approach is adopted in India. Select wrong match

a. Credit risk - standard approach

b. Operational – basic indicator approach
c. Market risk - standard duration approach
d. None of these

Ans – d

....

An Asset is ......

a. Sources of funds
b. Use of funds
c. Inflow of funds
d. None of these

Ans – b

....

ABC Ltd Option Quotes.
Stock Price : Rs. 350

Calls		Puts				
Strike Price	Jan	Feb	March	Jan	Feb	March
300	50	55	-	-	-	-
320	36	40	43	3	5	7
340	18	20	21	8	11	-
360	6	9	16	18	21	23
380	4	5	6	-	43	-

- A blank means no quotation is available

1. List out the options which are out-of-the-money.

2. What are the relative pros and cons (i.e. risk and reward) of selling a call against the 5000 shares held, using (i)Feb/380 calls versus (ii) March 320/ calls ?

3. Show how to calculate the maximum profit, maximum loss and break-even associated with the strategy of simultaneously buying say March/340 call while selling March/ 360 call?

4. What are the implications for the firm, if for instance, it simultaneously writes March 360 call and buys March 320/put?

5. What should be value of the March/360 call as per the Black-Scholes Model?
Assume that t=3 months, risk-free rate is 8 percent and the standard deviation is 0.40

6. What should be the value of the March/360 put if the put-call parity is working?

Solution:
1) Calls with strike prices 360 and 380 are out –of –the- money.

2) (i) If the firm sells Feb/380 call on 5000 shares, it will earn a call premium of Rs.25,000 now. The risk however is that the firm will forfeit the gains that it would have enjoyed if the share price rises above Rs. 380.
(ii) If the firm sells March 320 calls on 5000 shares, it will earn a call premium of Rs.215,000 now. It should however be prepared to forfeit the gains if the share price remains above Rs.320.

3) Let s be the stock price, p1 and p2 the call premia for March/ 340 and March/ 360 calls respectively. When s is greater than 360, both the calls
will be exercised and the profit will be { s-340-p1} – { s-360- p2 } = Rs. 15
The maximum loss will be the initial investment , i.e. p1-p2 = Rs.5
The break even will occur when the gain on purchased call equals the net premium paid
i.e. s-340 = p1 – p2
=5 Therefore s= Rs. 345

4) If the stock price goes below Rs.320, the firm can execute the put option and ensure that its portfolio value does not go below Rs. 320 per share.
However, if stock price goes above Rs. 380, the call will be exercised and the stocks in the portfolio will have to be delivered/ sold to meet the obligation, thus limiting the upper value of the portfolio to Rs. 380 per share. So long as the share price hovers between R. 320 and Rs. 380, the firm will lose Rs. 1 (net premium received) per pair of call and put.

5) S0 = 350 E =360 t =0.25 r = 0.07 σ =0.40
350 (0.40)2
ln + 0.07 + x 0.25
360 2
d1 = 0.40 x Ö 0.25 = (-0.0282 + 0.0375) / 0.2 = 0. 0465
d2 = 0.0465 -0.40 √ 0.25 = -0.1535
Using normal distribution table
N (0.00) = 1- 0.5000 = 0.5000
N (0.05) = 1 – 0.4801 = 0.5199
Therefore N(0.0465) = 0.5000 + (0.0465/0.0500) x (0.5199 – 0.5000) = 0.5185
N (- 0.20) = 0.4207, N (-0.15) = 0.4404
Therefore N (-0.1535) = 0.4207 + (0.0465/0.0500) x(0.4404 – 0.4207)
= 0.4390
E / ert = 360 / e0.07 x 0. 25 = 360 / 1. 01765 = 353.75
C0 = 350 x 0.5185 – 353.75 x 0.4390 = 181.480 – 155.30 = Rs. 26.18

6) If put- call parity is working, we have P0 = C0 – S0 + E/ert
Value of the March/360 put = 26.18 -350 + 353.75
= Rs.29.93
....

What is the normal balance for contra asset accounts?

a. Debit
b. Credit
c. Either a or b
d. None of these

Ans – b

Client Jay pays ABC Co. 10,000 in December for ABC to perform services for Jay in 45 days. ABC uses the accrual basis of accounting. In December ABC will debit Cash for 10,000. What will be the other account involved in the December accounting entry prepared by ABC (and what type of account is it)?

a. Accounts Receivable (asset)
b. Prepaid Services (asset)
c. Service Revenues (revenue)
d. Unearned Revenues (liability)

Ans – a

Which of the following methods of calculating VaR needs a variance / covariance matrix?

a. historical simulation method
b. monte carlo simulation method
c. correlation method
d. none of these

Ans - c

Select the incorrect statement.

a. The currency carrying higher rate of interest is always at a discount.
b. Domestic interest rate of Rupee is generally lower than interest rate of USd. hence Rupee is at a discount to Dollar.
c. Forward rate of USD / INR is higher than spot rate, or Dollar on a forward date is worth more rupess than today.
d. Interest rate of EURO is higher than interest rate of USd. hence forward EURO is at a discount to USD.

Ans - b

What type of risk conceptualizes in a condition when you are leading a big branch with thousands of customers? The systems (connectivity) have been down for past 2 days?

a. operational Risk
b. Market Risk
c. Capital Risk
d. Strategic Risk

Ans - a

....

A bank has issued a guarantee to BSNL stating that Mr Ashish Mittal will complete his work in 2 years at the site. What type of guarantee the bank has given ......

a. Time Guarantee
b. Financial Guarantee
c. Performance Guarantee
d. Quality Guarantee

Ans - c

....

A debtor makes default in repayment of a bank loan and which type of risk is this for a lending bank?

a. Liquidity risk
b. Operational risk
c. Interest rate risk
d. Credit risk

Ans - d

....

Your client requests issuance of a credit requiring shipment from the seller's warehouse in Hong Kong to their warehouse in China. Documents required by the applicant are a) Signed tax invoice in 3 originals and b) Dispatch note in 2 fold.
Which of the following Incoterms best suit this type of credit?

a. DDP
b. EXW
c. FCA
d. CIP

Ans - b

....

....

ICAAP document of the bank may not contain ......

a. Anticipated capital expenditure
b. Monitoring system for compliance with internal policies
c. Strategic plan of the bank
d. All these may be included in ICAAP document

Ans - d
....

Select the correct statement:

a. The combination of forward and swap transactions is called a spot.
b. The combination of spot and swap transactions is called a forward.
c. The combination of spot and forward transactions is called a swap.
d. None of these

Ans - c
....

Treasury deals are normally done over phone or over a dealing screen. The deal terms are confirmed in writing by ......

a. Front office
b. back office
c. middle office
d. any of these

Ans - b
....

What is significant about MIBOR? (i) It is one day money market rate in the Inter-Bank market being announced by NSE daily ate 9.50 a.m., (ii) NSE Pool the rate from various participating Banks and averages out after extreme top and bottom rates, (iii) It is a base rate for short term and medium term lending also

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 one of the 3 main pillars of Basel III?

a. Capital for market risks
b. Supervisory review process
c. Market discipline
d. Minimum capital requirements

Ans - a
....

A Bank reports a one-week VaR of $1M at the 95% confidence level. Which of the following statements is most likely to be true?

a. The daily return on the company portfolio follows a normal distribution so that a one-week VaR could be computed.
b. The one week VaR at the 99% confidence level is $5M
c. With probability 95%, the company will not experience a loss greater than $95M in one week.
d. With probability 5%, the company will loose $1M or more in one week

Ans - d
....

Export Packing Credit is normally sanctioned for a period of ......

a. 90 days
b. 180 days
c. 270 days
d. 365 days

Ans - b
....

Which of the following statements is correct? (i) Under the Quanta swaps, payment of interest in home currency at rates applicable to foreign currency are allowed, (ii) In the coupon swaps floating rates in one currency are exchanged to fixed rate of another currency, (iii) Swaptions are swaps which collapse at a knock out level of market rates and swaps with built in options

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

Ans - d
....

The kinds of currency swaps are ......

a. Principal only swap
b. Interest only swap
c. Principal plus interest swap
d. Any of these

Ans - d

What is ISDA master agreement? (i) Is a standardized agreement formulated by international swap and derivatives association, (ii) The agreement has been approved by FEDAI, (iii) Master agreement coves all the transactions between two counterparties globally

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

Ans - d

"Marked to Market" means valuation of trading positions applying ......

a. Purchase price
b. current market value
c. current market value or purchase price whichever is lower
d. None of these

Ans - b

The rate quoted for inward remittances by TT/DD, where the cover fund has already been credited to our Nostro a/c is ......

a. TT buying rate
b. DD buying rate
c. Inter-Office rate
d. Cross rate

Ans - a

Mismatch refers to ......

a. Difference in interest rates paid and received
b. Difference in sale and purchase price
c. Difference in duration of assets and liabilities
d. all of these

Ans - c
....

The acronym FEDAI stands for ......

a. Foreign Exchange Dealers' Association of India
b. Federal Export Dealers' Association of India
c. Fixed Earners' Draft Agreement on Interest
d. None of the above

Ans - a
....

An authorised person under FEMA does not include ......

a. an authorised dealer
b. an authorised money changer
c. an off-shore banking unit
d. an exchange broker

Ans - d
....

The authorised dealers under FEMA are classified into ...... categories

a. Three
b. one
c. two
d. four

Ans - a
....

How many types of rates are quoted in respect of foreign exchange sales transactions?

a. 5
b. 4

c. 3
d. 2

Ans - b
....

How many types of rates are quoted in respect of foreign exchange purchase transactions?

a. 6
b. 5
c. 4
d. 3

Ans - a
....

Suppose 'A' company raises a loan of USD 100 million for 5 years at 4% p.a. (interest payment — semi-annual) with bullet payment and swaps the loan into rupee with the Banker 'B'. Thus 'A' pays 'B' USD 100 million and receive Rs. 450 crore from 'B'. What would be the further process? (i) B will service the interest on USD loan pays interest at 4% to A who pays interest to the lending Bank, (ii) A pays interest on rupee loan half yearly to B at swap rate of 6.5%, (iii) On maturity date A and B exchanges principal amount and reverse he exchange

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

Ans - d
....

What is a floating to floating rate swap? (i) It involves change of benchmark rate, (ii) If a corporate has opted for T-Bill linked rate and later prefers to have MIBOR, it can enter a swap and receive T-Bill rate and pay MIBOR linked equivalent rate

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d
....

Standard Transaction Reference Number (STRN) on export bill covering schedules consists of ...... digits

a. 8
b. 10
c. 12
d. 16

Ans - d
....

The provision on Standard Asset is kept in the Balance Sheet as part of ......

a. Schedule 11 advances
b. Deduct from Sch. 13 other assets
c. Deduct from Sch. 4 Deposit
d. Other liability and provision

Ans - d
....

Under FCNB scheme, Fixed Notional Rate (FNR) for the US $ for the purpose of accounting in branch books is ......

a. Rs.40/-
b. Rs.44/-
c. Rs.45/-
d. Prevailing TT buying rate

Ans - b
....

A financial contract that Credit spread option provides protection against?

a. Down gradation Risk
b. upper side risk
c. Both a and b
d. None of these

Ans - a
....

In case of money market operation fourteen day treasury bill will be auction on every week.

a. Thursday

b. Friday
c. Monday
d. Tuesday

Ans - b
....

How much gold can be brought in by NRIs ......

a. 5 kg
b. 20 kg
c. 10 kg
d. 30 kg

Ans - c
....

NRIs are permitted to invest on non-repatriation basis with the prior permission of RBI/SEBI in Money Market Mutual Funds (MMMFs) floated by ......

a. Domestic public/private sector companies
b. Commercial banks and Public/Private sector, financial institutions
c. Both by a and b
d. Not permitted to invest in MMMFs

Ans - c
....

What is the rate of customs duty payable by NRI on gold brought in by them ......

a. Rs.250 per 10gm
b. Rs.1000 per 10gm
c. Rs.500 per 10gm
d. None

Ans - a
....

A late night news report says the President of a local bank is about to be arrested for embezzling money from the bank he works at. This causes most of the depositors to line up in front of the bank the next morning wanting to withdraw their deposits. This is an example of ......

a. Liquidity risk
b. Operational risk

c. Interest rate risk
d. Credit risk

Ans - a

....

What is the approved method of sending remittance into India?

a. Through normal banking channel
b. Through foreign banks
c. Through authorised money changers
d. None of the above

Ans - a

....

Requests for cash payments against Foreign Currency Travellers Cheques and Foreign Currency Notes may be accepted up to the extent of USD ...... or its equivalent per transaction in the Metro centres

a. 10000
b. 5000
c. 1000
d. 500

Ans - c

....

When foreign currency notes are purchased by branches not designated to retain foreign currencies, the rate applied while debiting the Designated Branch through Branch Clearing General Account is ......

a. TT buying rate
b. Foreign currency note buying rate
c. Inter-Office rate
d. DD buying rate

Ans - c

....

The transactions of the Bank undertaken to sell the surplus and buy the required foreign currencies in order to keep its position 'square' are known as ......

a. cover operations
b. merchant transactions
c. exchange transactions

d. forward transactions

Ans - a

....

A swap transaction involves ......

a. purchase of currency
b. sale of currency
c. purchase of currency against sale or forward sale of the currency.
d. simultaneous purchase and sale of one currency against another for different settlement dates

Ans - d

....

Sale proceeds of immovable property acquired in India by an NRI out of repatriable funds ......

a. can be repatriated without any lock in period
b. cannot be repatriated
c. can be repatriated after 10 years from the date of purchase
d. NRI is not permitted to buy immovable property in India

Ans - a

....

With regard to charging of commission, quotation of rates, etc., the authorised dealer should also comply with the rules of ......

a. RBI
b. FEDAI
c. Central Government
d. Bank

Ans - b

....

The system under which maintenance of external value of the currency at a predetermined level is ......

a. fixed exchange rate
b. floating exchange rate
c. gold standard
d. par value system

Ans – a

When was the Export Credit Guarantee Corporation of India established?

a. 1938
b. 1957
c. 1973
d. 1971

Ans - c

....

On which rate bases, overnight money is needed by bank from RBI?

a. MSF
b. Repo rate
c. Reverse repo
d. Bank rate

Ans - a

....

Which one of the following is a financial ratio that gives a measure of a company's ability to meet its financial losses?

a. Cash Reverse Ratio
b. Leverage Ratio
c. Statutory Liquidity Ratio
d. Loan-to-Value Ratio

Ans - b

....

“Incoterm” CIP means ......

a. Inclusive of cost &freight
b. Inclusive of cost insurance & freight
c. Inclusive of carriage and insurance
d. Inclusive of carriage

Ans - c

....

The “Incoterms” FCA implies ......

a. Inclusive of main carriageb

b. Inclusive of main carriage and insurance
c. Excluding main carriage
d. None of these

Ans - a

....

Losses from failed transaction processing is classified under 'Event Type Classification as ......(Jun 2016)

a. Business Disruptions and System failure
b. Execution, Delivery and process Management
c. Clients, products and Business Practices
d. None of the above

Ans - b

....

Market risk in treasury can be controlled by ......

a. Overnight limit alone
b. Gap limit only
c. Counter party limit only
d. Both a and b

Ans - d

....

On a 5 point scale (very high, high, average, moderate & low),probability of occurrence of an activity has been estimated at an aver Potential financial impact is estimated at an high level, given that the impact of internal control is 40% what is the estimated level of operational level?

a. Very high to high
b. High to average
c. Average to moderate
d. Moderate to Low

Ans - d

....

A 91 day T-bill with remaining maturity of 73 days is priced at Rs 99. What is the yield?

a. 5%
b. 5.05%
c. 4.95%

d. 5.20%

Ans - b

Solution

(100-Price)*365*100 / (price * no of days to maturity)
Wherein;
P – Purchase price
D – Days to maturity
Day Count: For Treasury Bills, D = [actual number of days to maturity/365]
in this case price is 99 and days to maturity are 73
so answer would be
(100-99)*365*100 / (99*73)
=5.05
....

The stock of ABC Ltd sells for Rs. 240. The present value of exercise price and value of call option are Rs. 217.40 and Rs. 39.60 respectively. What is the value of put option?

a. Rs. 16.50
b. Rs. 22.00
c. Rs.17.00
d. Rs.18.00

Ans - c

Solution:
Value of put option = Value of Call option + PV of exercise price – Stock price
= 39.60+217.40-240.00
= Rs. 17.00
....

A 10 year 8.75% bond with semi-annual interest yielding 8% has 7 years remaining for maturity: Modified duration of the bond is 6.40 years. This would be equivalent to receiving by way of bullet payment.

a. Rs. 156.00 per bond after 2336 days
b. Rs. 161 25 per bond after 2246 days
c. Rs. 156.00 per bond after 2246 days
d. Rs 161 252 per bond after 2336 days

Ans - b

Solution
Modified Duration=(Mac D/1+y/n)
Bullet payment=Coupon rate*maturity period which is 8.75*7=61.25
Total payment= Face value+Bullet payment which is 100+61.25=161.25
Now we have to calculate Mac Duration
Mac Duration= 6.40*365
Hence Mod D= 6.40*365/1+y/n which is 233600/1.04* (*being semi annual bond @8%)
=2246 day
Hence Rs. 161.25 per bond after 2246 days
....

A bank's treasury portfolio is worth Rs. 9,500 Crs. Its 10 day VaR at 90% confidence level is Rs. 265 Crs. What is its weekly VaR at 90% confidence interval? (Assume 5 working days in a week)

a. Rs. 132.50 Crs
b. Rs. 187.41 Crs
c. Rs. 187.38 Crs
d. None of These

Ans - c

Solution
Here vT=vD*vT 'v' means variance
So v10=vD*v10 which is equal to 265Crs
So vD=265/v10 = 265/3.16 =83.80
Weekly VaR= v5*83.80=187.38 Crs
(Being 5 working days in a week)
....

Export packing Credit is normally computed on the basis of ...... (June 2016)

a. FOB value of Export
b. CIF value of export
c. CFR value of export
d. C & I value of export

Ans - a
....

YTM of a bond depends upon ......

a. Coupon rate and market value only
b. Market value and residual maturity only

c. Residual maturity and coupon rate only
d. Coupon rate market value and residual maturity

Ans - b
....

Who advices the weekly average rates for FCNR(B) deposits to the ADR ......

a. Forex Association of india
b. FEDAI
c. EXIM Bank
d. RBI

Ans - b
....

Loans against balances held in FCNR (B) account can be permitted up to ......

a. Rs 50 lakh with 35% margin
b. Rs 100 lakh with 35% margin
c. USD 1 MIO without any margin
d. Any amount subject to usual margin requirements.

Ans - d
....

Which one of the following ratios does not take into account risks in banking business?

a. ROC
b. Capital adequacy
c. RORAC
d. RAROC

Ans - a
....

Losses from failed transaction processing is classified under ‘Event Type Classification as ...... (June 2016)

a. Business Disruptions and System failure
b. Execution, Delivery and process Management
c. Clients, products and Business Practices
d. None of the above

Ans - b

As per the RBI guideline on ALM, capital and reserves are to be placed in over 5 years bucket, Saving and Current Deposits may be classified into volatile and core portions. Saving bank (10%) and Current (15%) deposit are generally withdrawable on demand.This portion may be treated as volatile. While volatile portion can be placed in the time bucket 14 days, the core portion may placed in 1-3 year bucket. The Term Deposits are to be placed in respective maturity bucket.

Capital - Rs. 1180 Cr
Reserve - Rs. 12000 Cr
Current account - Rs. 1000 Cr
Saving Bank - Rs. 4000 Cr
Term Deposits 1 month maturity bucket - Rs. 400 Cr
Term deposit 1 to less than 6 month maturity bucket - Rs. 800 Cr
Term deposit 3 month to less than 6 month Maturity bucket - Rs. 1200 Cr
Term Deposit 6 month to less than 12 month maturity Bucket - Rs. 2000 Cr
Term Deposit 1 year to less than 3 year maturity bucket - Rs. 1200 Cr
Term deposit 3 year to less than 5 year Maturity bucket - Rs. 600 Cr
Trm deposit above 5 year maturity bucket - Rs. 800 Cr
Borrowing from RBI - Rs. 400 Cr

Based on the above information answer the following questions

01. What is the amount of Current account deposit that can be placed in 14 days bucket?

a. RS.100 Cr
b. RS.150 Cr
c. RS.200 Cr
d. RS.250 Cr

02. What is the amount of Saving bank deposit that can be placed in 14 days bucket?

a. RS.100 Cr
b. RS.200 Cr
c. RS.400 Cr
d. RS.800 Cr

03. What is the amount of Current account deposit that can be placed in 1-3 year bucket?

a. RS.100 Cr
b. RS.400 Cr
c. RS.800 Cr
d. RS.850 Cr

04. What is the amount of Saving bank deposit that can be placed in 1-3 year bucket?

a. RS.4000 Cr
b. RS.3600 Cr
c. RS.3200 Cr
d. RS.3000 Cr

05. What is the amount of term deposit that will be placed in various maturity bucket upto less than 12 month?

a. RS.2400 Cr
b. RS.2800 Cr
c. RS.3200 Cr
d. RS.4400 Cr

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

Solution :

1. volitile portion of 15% to be placed in this bucket
= 1000*15/100
= 150

2. volitile portion of 10% to be placed in this bucket
= 4000*10/100
= 400

3. Non-volitile portion of 85% to be placed in this bucket
= 1000*85/100
= 850

4. No-volitile portion of 90% to be placed in this bucket
= 4000*90/100
= 3600

5. 400+800+1200+2000
= 4400
....

The advantages of convertible Bonds are ...... (i) If the stock price is higher than prefixed conversion price, the investor would convert debt into Equity, (ii) Company will have no debt repayment, (iii) The Equity of the company will be strengthened

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 combinations is important to meet funding needs of a Bank? (i) Increase short term Borrowings, (ii) Minimise holding of less liquid Assets, (iii) Increase Capital Funds

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

Ans - d

....

Under pillar 3 guidelines, banks with capital funds of 100 Crs or more are required to ...... (i) Make interim disclosures on the quantitative aspects on a standalone basis every half year, (ii) Disclose some capital related information on a quarterly basis

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - a

....

Which of the following accounts is a non-current liability?

a. Share capital
b. Trade payables
c. Retained earnings
d. Bank loan

Ans - d

....

Which of the followings is correct? (i) Interest is paid on face value of the bond at coupon rate, (ii) RBI arrives at a cut off price based on bids submitted by Banks and primary dealers, (iii) The price may be higher or lower than the face value

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

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

Ans - d

Duration gap analysis provides a measurement for ......

a. Variation in NII for changes in interest rates
b. Variation in Nil and equity value for changes in interest rates
c. Variation in economic equity for changes in interest rates
d. None of these

Ans - c

What is corporate debt paper? (i) It includes medium and long term bonds and debentures issued by corporates and financial institutions, (ii) Yield on Bonds is higher than the govt. securities, (iii) They are called non-SLR securities where banks can invest

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

Ans - d

The significance of Repo is ...... (i) It is a tool used by RBI for open market operations, (ii) It affects liquidity in the system

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d

Major demand for liquidity arises from ......

a. Deposit withdrawals and loan disbursements
b. Expenses and loan disbursements
c. Devolvement of LCs and guarantees

d. Loan assets becoming NPAs

Ans - a

....

Which of the following accounts is a current liability? (i) Taxes payable, (ii) Minority interests, (iii) Trade payables

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

Ans - b

....

In financial accounting, a record is made only of information that can be expressed in monetary terms. This is known as ......

a. Going concern convention
b. Business entity convention
c. Money measurement convention
d. Dual-aspect concept

Ans - c

....

Provisions to invest in Equities are ...... (i) Banks can invest in Equities upto 20% of their net owned funds, (ii) Stock prices are highly volatile, (iii) Banks prefer low risk investments

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 are True? (i) Forward rate reflects interest rate differential only in prefect markets, (ii) Perfect markets are where currency is fully convertible and highly liquid, (iii) When currency is not fully convertible the demand for forward contract influences the forward exchange rate

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

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

Ans - d

....

The tools in the hands of RBI for direct control of money supply are ...... (i) CRR, (ii) SLR

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d

....

Credit rating together with their respective default probabilities help us to estimate ...... (i) Expected losses, (ii) Unexpected losses

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d

....

Which of the following ratio is considered “better if lower”, in measuring liquidity under stock approach?

a. Volatile liabilities to total assets
b. Prime asset to total assets
c. Market liabilities to total assets
d. Core deposit to total asset

Ans - a

....

The margin for a currency future should be maintained with the clearing house by ...... (i) The buyer, (ii) The seller

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)

d. Both (i) and (ii)

Ans - c
....

What are two methods by which Credit Risk can be measured by? (i) Credit Rating, (ii) Quantifying of Risk through estimated loan losses

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d
....

The feature of Real Time Gross Settlement System are ...... (i) All Inter-Bank payments are settled instantly, (ii) Banks' Accounts with all the Branch offices of RBI are also integrated, (iii) Since it is instant payment system, Banks need to maintain adequate funds throughout the day

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

Ans - d
....

If the business's owner withdraws cash for his/her personal use what will be the effect on capital?

a. Increase in capital
b. Remain the same
c. Decrease in capital
d. No effect on capital

Ans - c
....

Which of the followings is significant regarding government securities? (i) They are issued by Public Debt Office of RBI, (ii) State govts. Issue state development Bonds, (iii) Govt. securities are sold through auction conducted by RBI

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

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

Ans - d
....

Payment of expenses will ...... the assets

a. Increase
b. Reduce
c. apportion
d. Overstate

Ans - b
....

Data pertaining to a bank Based on the date answer following

Net Worth = 1500.00
RSA = 22500.00 Cr RSL = 21000.00 Cr
DA = 1.80 DL = 1.10
Tier - I and Tier - II = 3500 Cr.

01. What is Weight (W) ?

a.0.77
b.0.93
c.1.07
d.0.16

Solution:
Calculate weight (W) = RSL/RSA
=21000/22500
= 0.93
....

02. What is DGAP ?

a.0.77
b.0.62
c.0.73
d.None of the above

Solution

DGAP (modified duration gap) = DA- W* DL
= 1.80-0.93*1.1
= 1.80-1.023
= 0.77
....

03. What is Leverage Ratio?

a. 15.00
b. 14.33
c. 6.43
d. 6.14

Solution
Leverage ratio= RSA/ TIER1+TIER2
=22500/3500
=6.43
....

04. What is Modified Duration of Equity?

a.4.95
b.3.99
c.3.68
d.9.56

Solution:
Modified duration of equity (MD)= DGAP* leverage ratio
= 0.77* 6.43
= 4.95 years
....

05. If there is 200 bp change in Rate what is drop in Equity Value?

a.16.90%
b.9.90%
c.6.43%
d.4%

Solution
Equity value=Change in rate (BP)*MD
=200*4.95/100
=9.90%
....

……

What are the features of Net Interest Income? (i) It is a tool for measuring the impact of volatility on the short term profit, (ii) This indicates difference between interest income and interest, (iii) Short term profits can be stabilised by minimising fluctuations in Net Interest Income

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 transactions would increase Cash and cash equivalents and increase Non-current liabilities?

a. Payment to a supplier
b. Purchasing goods on credit
c. A bank loan
d. Payment from a customer

Ans - c
……………………………………

Which of the following ratio is considered “better if more”, in measuring liquidity under stock approach?

a. Volatile liabilities to total assets
b. Short term liabilities to total assets
c. Short term liabilities to liquid assets
d. Prime asset to total assets

Ans - d
…………………………………

The features of certificate of Deposit are ...... (i) It is a debt instrument issued-by Bank against deposit of funds, (ii) It is a negotiable instrument, (iii) It bears interest rate higher than regular deposits of the Bank

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

Ans - d
……………………………………

……

Market risk in treasury can be controlled by ......

a. Overnight limit alone
b. Gap limit only
c. Counter party limit only
d. Both a and b

Ans - d
....

Quantitative disclosures in respect of capital requirements for market risk in trading book not include? (June 2016)

a. Foreign Exchange Risk
b. Interest rate risk
c. Securitization exposures
d. Equity position Risk

Ans - c
....

A bank holds stocks of a company 'A' and wants to protect the downside risk on it may ......(June 2016)

a. Take a long position in the stock futures
b. Take a short position in the stock futures
c. Purchase call option on the stock
d. Sell put option

Ans - d
....

Which approaches are used for measuring and managing funding requirement? (June 2016)

i. stock approach
ii. Slandered approached
iii. Flow approach
iv. Quantitative approach

a. i) and iii) only
b. ii) and iv) only
c. ii) and iii) only
d. i) and iv) only

Ans - a

Export packing Credit is normally computed on the basis of ......(June 2016)

a. FOB value of Export
b. CIF value of export
c. CFR value of export
d. C & I value of export

Ans - a

A bank in Mumbai quotes a FRA on 10th March 6*9 FRA at MIBOR 5.15-5.25. What is the settlement date maturity date of the FRA (June 2016)

a. 10th Dec : 10th Dec
b. 10th Sep : 10th Dec
c. 10Th Sep : 10th Sep
d. 10th Dec : 10th Sep

Ans - b

(6 against 9 FRA would lock in the 3-month interest rate that applies to deposits starting at the end of the 6th month after the contract was signed and ending at the end of the 9th month after it was signed. The FRA cash settlement would take place at the end of the 6th month)

YTM of a bond depends upon ......

a. Coupon rate and market value only
b. Market value and residual maturity only
c. Residual maturity and coupon rate only
d. Coupon rate market value and residual maturity

Ans - b

Who advices the weekly average rates for FCNR(B) deposits to the ADR ......

a. Forex Association of India
b. FEDAI
c. EXIM Bank
d. RBI

Ans - b

Working Capital Gap means:

a. Excess of Current Assets over Current Liabilities
b. Excess of Current Assets over Current Liabilities other than bank borrowings
c. Excess of Current Assets over Current Liabilities including working Capital term loan
d. None of these

Ans – b
....

A claim of Rs. 60 lacs has been settled by ECGC in favour of a bank against default of Rs. 80 lacs. Subsequently the bank realizes Rs. 20 lacs with the collaterals available to the loan. What is the loss suffered by the bank on this loan?

a. Rs. 25 lacs
b. Rs. 20 lacs
c. Rs. 15 lacs
d. Rs. 10 lacs

Ans – c

Explanation :

ECGC had settled Rs. 60 lacs on default of 80 Lacs (That is 75% of the default amount)

But Subsequent to that settlement, Rs. 20 lacs was realised through the security held. So, the claim amount from ECGC should be, 60 Lacs only from ECGC.
And the ECGC had settled only 75 % of the claim amount. So, the settlement amount will be,

75% of Rs. 60 lacs = 6000000 x 75/100 = 45 lacs
So, total realised value = 4500000 + 2000000 = 6500000 (out of 80 lacs)
So, the bank had suffered loss Rs. 15 lacs on this loan.
....

Balance sheet of a company indicated that its Current Ratio is 1.5:1. Company's net working capital is Rs. 1 crore. The current assets would amount to ......

a. Rs. 2 crores
b. Rs. 2.5 crores
c. Rs. 3 crores
d. Rs. 3.5 crores

Ans – c
....

Which of the following is not one of the 3 main pillars of Basel II ?

a. Capital for market risks
b. Supervisory review process
c. Market discipline
d. Minimum capital requirements

Ans – a

....

Which of the following is not covered under 'Market Discipline' pillar of Basel II ?

a. Ensure maintenance of minimum capital - with PCA for shortfall
b. Core disclosures
c. Enhance Disclosure
d. Supplementary disclosures

Ans – a

....

FEDAI rules provide that in case of unpaid usance bills, the period of crystalization is ......th day after the ...... at the prevailing ...... rate.

a. 21, NTP, TT buying
b. 30, NTP, TT selling
c. 30, NTP, TT buying
d. 30, NDD, TT selling

Ans - d

....

For foreign currency export bills, the NTP allowed is ...... days at present.

a. 21
b. 25
c. 28
d. 30

Ans - b

....

The NDD of the demand bill (foreign currency export bill) is ...... days from the date of handling.

a. 21

b. 25
c. 28
d. 30

Ans - b
....

Asset in doubtful-I category – Rs. 500000/-
Realization value of security – Rs. 400000/-
What will be the provision requirement?

a. Rs. 500000/-
b. Rs. 400000/-
c. Rs. 180000/-
d. Rs. 200000/-

Ans - d
....

Guidelines for export and import credit are governed by ......

a. RBI
b. DGFT
c. SEBI
d. FEDAI

Ans - B
....

CCIL (Clearing Corporation of India Lt., takes over the Settlement Risk, for which it creates a large pool of resources, called settlement Guarantee Fund, which is used to cover outstanding of any participant. The Clearing Corporation of India Ltd. (CCIL) was set up in April, 2001 for providing exclusive clearing and settlement for transactions in Money, GSecs and Foreign Exchange Six 'core promoters' for CCIL – find out odd one.

a. State Bank of India (SBI),
b. Industrial Development Bank of India (IDBI),
c. NABAD
d. ICICI Ltd.,

Ans - c
....

If Fixed interest rates are swapped with floating interest rates, it is called as ...... Swaps.

a. Financial
b. Coupon
c. Currency
d. Interest

Ans - b
....

Which of the following components not issued by CCIL?

a. Negotiated Dealing System (NDS)
b. settlement of Forex transactions
c. Collateralized Borrowing and Lending Obligation (CBLO), a money market product based on Gilts as collaterals
d. All of these

Ans - d
....

NRI, is a person resident outside India who is a citizen of India i.e.

a. Indian Citizen who proceed abroad for employment or for carrying on any business or vocation or for any other purpose in circumstances indicating indefinite period of stay outside India.
b. Indian Citizens working abroad on assignment with Foreign government, government agencies or International MNC
c. Officials of Central and State Governments and Public Sector Undertaking deputed abroad on assignments with Foreign Govt Agencies/ organization or posted to their own offices including Indian Diplomatic Missions abroad.
d. All of these

Ans - d
....

What are the Important documents called for under the Letter of Credit : Pick up odd one

a. Invoice
b. Bill of Lading
c. Letter of confirmation
d. Packing List, Weight List and other Documents

Ans - c
....

The bill of exchange or drafts are drawn with certain Usance period and are payable upon acceptance, at a future date, subject to receipt of documents conforming to the terms and condition of the LC.

a. A Deferred Payment Credit
b. Under the Acceptance Credit
c. In a Negotiation LC,
d. Under a Sight LC,

Ans - b
....

Registered Indian exporters endeavoring to export to.......countries are eligible for support under the PLI programme.

a. EXIM bank
b. RBI-FED
c. ECGC
d. OECD

Ans - d
....

Truck out sheet

a. Invoice
b. Bill of lading
c. Packing list
d. Transit receipt

Ans - c
....

..... stands for society for worldwide Interbank Financial Telecommunications has built in security system with an automatic authentication of financial messages, through

a. BIC
b. RMA
c. BKE
d. AMA numbers

Ans - c
....

SWIFT stands for society for worldwide Interbank Financial Telecommunications, this is an...

a. Statutory
b. Non-statutory
c. non-profit making body
d. co operative society

Ans - d
....

Through RTGS minimum and maximum money can be transferred

a. 01-10 lakh
b. 02-10 lakh
c. 02-maximum no limit
d. 02-20 lakh

Ans - c
....

European type option can be exercised ......

a. any time before the expiry period
b. any time after the expiry period
c. on the expiry date
d. none of these

Ans - c
....

If only interest rate is hedged. the type of currency swap would be ......

a. PoS (Principal only Swap)
b. CoS (Coupon only Swap)
c. P + I Swap
d. none of these

Ans - b
....

Losses due to natural calamities bank will get protection under article……

a. 34
b. 35

c. 36
d. 37

Ans - c
....

Which of the following regulations governs payments of imports of goods into India on the basis of FEMA 1999?

a. trade regulations
b. exchange control regulations
c. exim policy
d. None of these

Ans - b
....

The NDD of the demand bill (foreign currency export bill) is ...... days from the date of handling.

a. 21
b. 25
c. 28
d. 30

Ans - b
....

Nostro accounts are ......

a. accounts meant for reconciliation
b. accounts of foreign banks with Indian banks
c. current accounts dominated in foreign currency maintained by banks with their correspondent banks in the home country of the currency
d. short term investments with AAA rated foreign banks

Ans - c
....

Your non-resident customer presents a draft in foreign currency for which cover has already been provided in Nostro account. The rate of exchange to be applied to the transaction will be ...... (i) TT selling, (ii) Bills selling

a. Only (i)
b. Only (ii)

c. Either (i) or (ii)
d. Neither (i) nor (ii)

Ans - d
....

Basic Indicator Approach (BIA) is one of the methods for computation of capital charge for:

a. Interest rate risk
b. Market risk
c. Operational risk
d. Credit risk

Ans - c
....

For standard assets, the provision required is ...... of the outstanding amount.

a. 0.10%
b. 0.20%
c. 0.40%
d. 0.25%

Ans - c
....

In repo transaction, banks ____ from / to RBI.

a. lend
b. borrow
c. do nothing
d. none of these

Ans - b
....

Which of the following can be repatriated by NRI ......

a. rent
b. pension
c. interest
d. all the above

Ans - d

Select the correct statement:

a. Interest arbitrage exists only when one of the currencies exchanged is fully convertible.
b. No interest arbitrage exists between free currencies as the forward premium / discount equals interest rate differentials.
c. The swap is used to widen the mismatch between currency and interest rate.
d. both b and c

Ans - b
....

A treasury transaction with a customer is known as ......

a. Merchant banking business
b. Trading business
c. Investment business
d. Commercial banking

Ans - a
....

Liquidity risk is reflected as _____ which is the gap in ......

a. maturiy mismatch, cash inflow and outflow
b. total cash held. receipts and payments
c. committed lines, lines utilized and unutilized
d. NPAs, total assets and performing loans

Ans - a
....

Exchange Fluctuation Risk Cover Scheme is valid for a period beyond ...... up to a maximum period of ......

a. 6 months, 1 year
b. 12 months, 3 years
c. 15 months, 12 years
d. 12 months, 15 years

Ans - d
....

Interest Rate Parity (IRP) implies that ......

a. Interest rates should change by an equal amount but in the opposite direction to the difference in inflation rates between two countries
b. The difference in interest rates in different currencies for securities of similar risk and maturity should be consistent with the forward rate discount or premium for the foreign currency
c. The interest rates between two countries start in equilibrium, any change in the differential rate of inflation between the two countries tends to be offset over the long-term by an equal but opposite change in the spot exchange rate
d. In the long run real interest rate between two countries will be equal e) Nominal interest rates in each country are equal to the required real rate plus compensation for expected inflation

Ans - b
....

A forward currency transaction ......

a. Is always at a premium over the spot rate
b. Means that delivery and payment must be made within one business day (USA/Canada. or two business days after the transaction date
c. Calls for exchange in the future of currencies at an agreed rate of exchange
d. Sets the future date when delivery of a currency must be made at an unknown spot exchange rate e) None of the above is correct

Ans - c
....

If inflation is expected to be 5 per cent higher in the United Kingdom than in Switzerland ......

a. purchasing power parity would predict that the UK spot rate should decline by about 5 per cent
b. the theory of purchasing power parity would predict a drop in nominal interest rates in the United Kingdom of approximately 5 per cent
c. expectations theory would suggest that the spot exchange rates between the two countries should remain unchanged over the long run
d. the efficient market hypothesis suggests that no predictions can be made under a system of freely floating rates.

Ans - a
....

The date of settlement for a foreign exchange transaction is referred to as ......

a. Clearing date
b. Swap date

c. Maturity date
d. Value date

Ans - d
....

Hedging is used by companies to ......

a. Decrease the variability of tax paid
b. Decrease the spread between spot and forward market quotes
c. Increase the variability of expected cash flows
d. Decrease the variability of expected cash flows e) Increase the variability of tax paid

Ans - d
....

LORO account is:

a. My account with you,
b. Mirror of a nostro account
c. Your account with me
d. His account with a third bank.

Ans - d
....

SWIFT is a ......

a. National messaging system
b. System to transmit financial messages between banks globally
c. National RTGS system of India
d. System managed by a large corporate house in Belgium.

Ans - b
....

The components of broad money(M3) are ......

a. Cash in circulation with the public
b. Cash in currency chests with RBI and Banks
c. Credit availed by Central Government from RBI
d. Currency in circulation, demand and time deposits with banks

Ans - d

The difference between the value of a call option and a put option with the same exercise price is due primarily to ......

a. The greater liquidity of call options
b. The use of continuous as opposed to discrete discounting
c. The differential between the current stock price and the exercise price in present value terms
d. The effect of dividends on the two securities

Ans - c
....

The liquidity corridor that RBI uses to control short term interest rates is defined/dictated by ......

a. Repo and reverse repo rates
b. Call money market
c. Bank rate
d. SLR and CRR

Ans - a
....

RTGS has been fully activated by RBI from .... Where the settlements are on ...... basis rather than ...... day end settlement of cheques in clearing house.

a. August 2003, net, gross
b. October 2004, gross, net
c. October 2004, net, gross
d. August 2004, gross, net

Ans - b
....

The following institutions facilitate delivery vs. payment(DVP)for secondary market deals in equity and debt paper ......

a. IDRBT
b. NDS
c. NSDL and CSDL
d. NEFT

Ans - c
....

The exemptions from DTL include ......

a. Time deposits
b. Foreign outward remittances in transit
c. Transactions in CBLO with CCIL
d. Overseas borrowings

Ans - c
....

For ensuring effective risk control, RBI expects banks to facilitate functional segregation between ......

a. Their Head office branches
b. Treasury and Head office
c. Front office and IT department
d. Front office, Mid office and back office

Ans - d
....

The most important and well pronounced risk in treasury is ......

a. Credit risk
b. Liquidity risk
c. Market risk
d. Embedded option risk

Ans - c
....

Forward premium / differential depends upon ......

a. Currencies fluctuation
b. Interest rate differential between two countries
c. Demand & supply of two currencies
d. Stock market returns

Ans - b
....

Interest rate swaps are usually possible because international financial markets in different countries are

a. Efficient
b. Perfect

c. Imperfect
d. Both a & b

Ans - c
....

The exchange rate is the ......

a. total yearly amount of money changed from one country's currency to another country's currency
b. total monetary value of exports minus imports
c. amount of country's currency which can exchanged for one ounce of gold
d. price of one country's currency in terms of another country's currency

Ans - d
....

All the exchange rates quoted on the screen or in print are for mentioned unless otherwise

a. Forward transactions
b. Cash transactions
c. Spot transactions
d. Tom transactions

Ans - c
....

The buyer of the goods, opening an LC is also called an ......

a. Applicant
b. Beneficiary
c. Creditor
d. Drawer

Ans - a
....

RBI pays interest on the cash balances in excess of which of the following to bank, of their NDTL?

a. 2%
b. 3%
c. 5%
d. 6%

Ans - b

As per Basel III implementation in India, within total capital of 9%of risk weighted assets, the Tier 2 capital can be:

a. max equal to Tier I capital
b. min equal to Tier I capital
c. max equal to 2% of risk weighted assets
d. min equal to 2% of risk weighted assets

Ans - c

....

For ensuring effective risk control, RBI expects banks to facilitate functional segregation between

a. Their Head office branches
b. Treasury and Head office
c. Front office and IT department
d. Front office, Mid office and back office

Ans - d

....

A binding contract for purchase or sale at a future date is known as ...... contract.

a. Future
b. Swap
c. Forward
d. Legal

Ans - c

....

Foreign Exchange Management Act (FEMA) is administered by ...... (i) RBI, (ii) Govt. of India, (iii) SEBI

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

Ans - a

....

When Nostro account of the bank is credited later than the payment to the tenderer of foreign exchange, which of the following rates will not be applied? (i) TT Buying Rate, (ii) Bills Buying Rate, (iii) TT Selling Rate

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

Ans - b

....

Given the following, Probability of occurrence = 4, Potential financial impact = 4, Impact of internal controls = 0%. What is the estimated level of operational risk?

a. 3
b. 2
c. 0
d. 4

Ans – d

Estimate level
= √[probability of occurrence*potential financial impact (1-% of impact of internal controls)]
= 4*4(1-0)^0.5 = 4

....

Capital charge for credit risk requires input for PD, LGD, HAD and M. Under advanced IRB approach, who provide the input for LGD.

a. Bank
b. Supervisor
c. Function provided by BCBS
d. None of the above

Ans - a

....

Calculate standard deviation of business b

Cash flow	01 yr	02 yr	03 yr	04 yr	05 yr
Business b	3	8	1	6	4

a. 3.40
b. 4.40
c. 2.70
d. 4.61

Ans - b

Data relating to balance sheet of a Bank on 14 Mar 2015 reveals that its

Capital at Rs. 1110 cr
Reserve 2150 cr
demand deposit 6500 cr
SB deposit 20500 cr
term deposits from banks 1300 cr
term deposit from public 30800 cr
borrowing from RBI nil
borrowing from other institutions 200 cr
refinance from NABARD 150 cr
bills payable 50 Cr
accrued 20 cr
sub ordinatted debt 200 cr
credit balance in suspense a/c 30 cr

1. Total amt of liabilities not to be included in computing DTLs in RS

a. 3250 cr
b. 3300 cr
c. 4600 cr
d. 4700 cr

Ans - d

(1100+2150+150+1300=4700)

In time liabilities, capital + reserve + refinance from NABARD + term deposit of banks are not to be included
....

2. Total amount of DTL on which CRR is to be maintained

a. 58100 cr
b. 63000 cr
c. 58300 cr
d. 67100 cr

Ans - c

=6500+20500+30800+200+50+20+200+30
=58300
other than those not included while calculating DTL
....

As per Basel III, general provisions and loss reserves are included in Tier-2 capital maximum to the extent of:

a. 1.25% of total risk weighted assets under standardized approach and 0.6% of total risk weighted assets under IRB approach
b. 0.6% of total risk weighted assets under standardized approach and 0.6% of total risk weighted assets under IRB approach
c. 0.6% of total risk weighted assets under standardized approach and 1.25% of total risk weighted assets under IRB approach
d. 1.25% of total risk weighted assets under standardized approach and 1.25% of total risk weighted assets under IRB approach

Ans - a
....

An advance of Rs. 400000/- has been declared sub standard on 31/05/2016. It is covered by securities with realizable value of Rs. 250000/-. What will be the total provision in the account as on 31/03/2017?

a. 150000
b. 75000
c. 55000
d. 50000

Ans - b

Explanation :

Sub standard assets will attract provision of 15 % for secured portion and 25 % for unsecured portion. Please refer http://rbidocs.rbi.org.in/rdocs/notification/PDFs/62MCIRAC290613.pdf.
Page - 25, Para – 5.4. So,

= 15% of 250000 + 25% of of 150000
= 37500 + 37500
= 75000
....

Under Basel III the risk weight for capital charge for credit risk on the basis of standardized approach, match for claims on foreign governments (based on rating of international rating agencies such as S & P, Fitch, Moody's Rating), in respect of which of the following: (i) AAA to AA rating—0%, (ii) BBB rating—20% (iii) Below B rating—150%

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

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

Ans - b

....

If there is an assets of Rs. 120 only in the doubtful-II cat and the realization value of security is Rs. 100 only, what will be the provision requirement.

a. Rs. 40
b. Rs. 50
c. Rs. 60
d. Rs. 70

Ans - c

Since it a doubtful-II Cat asset, so 40% realization value of Rs. 100 i.e Rs.40 and 100% of short Fall that is 120-100=20.

So ans will be 40+20=60

....

Which of the following business lines include 'Debt Syndication' activity of banks in terms of Revised framework from BCBS?

a. Asset Management
b. Private Banking
c. Corporate Finance
d. None of These

Ans - c

....

An example of risk mitigation is ......

a. Using proven technology in the development of a product to lessen the probability that the product will not work
b. Purchasing insurance
c. Eliminating the cause of a risk
d. a and b

Ans - d

....

In a rising interest rate scenario, the risk of erosion of NII is on account of ......

a. advances with floating rate of interests and deposits with fixed ROI
b. advances with fixed ROI and deposits with floating ROI
c. advances with floating ROI and deposits with floating ROI
d. advances with fixed ROI and deposits with fixed ROI

Ans - b
....

To approve finance against exports on deferred payment basis, the sponsoring bank refers the proposal to EXIM bank for value not exceeding ......,

a. 50 crore
b. 100 crore
c. 150 crore
d. 200 crore

Ans - b
....

The beneficiary of an LC insists that another bank should give guarantee for payment to the opening bank. What type of LC will be opened?

a. Confirmed LC
b. Restricted LC
c. Standby LC
d. Transferable LC

Ans - a
....

When a bank in India binds itself to honor the drafts drawn by the beneficiary of the LC without recourse to it (i.e., the bank adds its confirmation to a foreign LC), this guarantee is known as ......

a. packing credit insurance
b. export finance guarantee
c. transfer guarantee
d. exchange fluctuation risk cover scheme

Ans - c
....

Answer the following questions are based on the below given information

a. USD-INR spot and forward rate
Spot USD - 65.60/62
O/N - 1/2
TOM - 2/3
2 weeks - 7/8
1 month - 15/17
2 months - 31/33
3 months - 47/50
6 months - 95/100

b. The AD loads margin of 10 paisa for purchase transactions and 12 paisa for sale transactions

1. What is the rate at which AD can buy spot dollars from market?

a. 65.59
b. 65.60
c. 65.61
d. 65.62

Ans - b

2. What is the rate at which AD may sell spot dollars in the market?

a. 65.59
b. 65.60
c. 65.61
d. 65.62

Ans - d

3. AD purchases USD 100,000 in a merchant transaction and sells them in the market at 65.63 per dollar. What is the profit that AD earns in the transaction?

a. 10,000
b. USD 10,000
c. 3,000
d. 1,000

Ans - a

4. AD sold 1 month forward USD 500,000 to a merchant and then covered up his position by buying in the market one month forward dollars at 45.82 per dollar. What is the profit/loss in the transaction?

a. Profit of 15,000
b. Profit of 35,000
c. Loss of 15,000
d. Loss of 35,000

Ans - b
....

5. What rate the AD will quote for bill buying for a bill maturing in 60 days drawn in USD?

a. 65.50
b. 65.74
c. 65.81
d. 65.84

Ans - d
....

Answer the following questions based on the fInancial results of an International Bank provided below as on Mar 31, 2017.

Interest earned Rs. 50000 cr
Interest paid — Rs. 25000 cr
Income on sale of Yd party products — Rs. 200 cr
Other non-interest income — Rs. 5000 cr
ProfIt on sale of fixed assets — Rs. 500 cr
Operating expense — Rs. 10000

1. What is the amount of capital charge for operational risk under basic indicator approach?

a. Rs.4500 cr
b. Rs.20700 cr
C. Rs.30000 cr
d. Rs.39130 cr

Ans - a
....

2. What is the amount of gross income as per Basic Indicator Approach for operational risk?

a. Rs.4500 cr
b. Rs.20700 cr
C. Rs.30000 cr
d. Rs.39130 cr

Ans - c

3. What is the amount of risk weighted assets for operational risk under basic indicator approach as per Basel III in India (RBI requirement)?

a. Rs.4500 cr
b. Rs.20700 cr
C. Rs.30000 cr
d. Rs.39130 cr

Ans - d

4. What is the amount of operating profit?

a. Rs.4500 cr
b. Rs.20700 cr
C. Rs.30000 cr
d. Rs.39130 cr

Ans - b

Explanation:

1. Capital charge for operational risk = Gross income x l5%
Gross income = Net interest income + net non-interest income
Net interest income = Interest earned - Interest paid
= 50000 — 25000 = 25000
Gross income = 25000 + 5000 = 30000
Capital charge for operational risk = 30000 x 15%
= 4500 cr

2. Gross income = Net interest income + net non-interest income
Net interest income = Interest earned - Interest paid
= 50000 — 25000 = 25000

Gross income = 25000 + 5000
= 30000

3. RWA = Capital charge / minimum Basel-3 CAR
RWA = 4500 / 11.5% = 39130 cr

4. Operating profit = Interest earned + other non-interest income + profit on sale of fixed assets + income on sale of 3 party products — interest paid — operating expense
= 50000 + 5000 + 500 + 200 - 25000 - 10000
= 20700
....

An exporter approaches the Popular Bank for pre-shipment and post-shipment loan with estimated sales of Rs. 100 lakh. The bank sanctions a limit of Rs. 50 lakh, with 25 % margin for pre-shipment loan on FOB value and margins on bills of 10 % on foreign demand bills and 20 % on foreign usance bills.

The firm gets an order for USD 50,000 (CIF) to Australia. On 1.1.2017 when the USD/INR rate was Rs.66.80 per USD, the firm approached the Bank for releasing pre-shipment loan (PCL), which is released.On 31.3.2017, the firm submitted export documents,
drawn on sight basis for USD 46,000 as full and final shipment.

The bank purchased the documents at Rs.67.25, adjusted the PCL outstanding and credited the balance amount to the firm's account, after recovering interest for Normal Transit Period (NTP).The documents were realized on 30.4.2017 after deduction of foreign bank charges of USD 450. The bank adjusted the outstanding post shipment advance against the bill.

Bank charged interest for pre-shipment loan @ 7 % up to 90 days and, @ 8% over 90 days up to 180 days. For Post shipment credit the Bank charged interest @ 7 % for demand bills and @ 7.5 % for usance (D/A) documents up to 90 days and @ 8.50 % thereafter and on all overdues, interest @ 10.5%.

01. What is the amount that the Bank can allow as PCL to the exporter against the given export order, considering the profit margin of 10% and insurance and freight cost of 10% ?

a. Rs.2029050
b. Rs.2705400
c. Rs.3093500
d. Rs.3340000

Ans - a

FOB value = 50000 x 66.80 = 3340000 — 334000 (10% of 3340000 (insurance and freight cost))
= 3006000 — 300600 (10% profit margin)
= 2705400 - 676350 (25% margin)
= 2029050

So, the Bank can allow Rs. 2029050 as PCL to the exporter against the given export order.

02. What is the amount of post shipment advance that can be allowed by the Bank under foreign bills purchased, for the bill submitted by the exporter?

a. Rs.2029050
b. Rs.2705400
c. Rs.3093500
d. Rs.3340000

Ans - c

46000 x 67.25 = 3093500

So, the Bank can allow Rs. 3093500 as post shipment advance under foreign bills purchased, for the bill submitted by the exporter.

03. What will be the period for which the Bank charges concessional interest on DP bills, from date of purchase of the bill?

a. 90 days
b. 25 days
c. 31 days
d. Up to date of realization

Ans - b

Concessional rate will be charged for normal transit period of 25 days and there after overdue interest will be charged.

04. In the above case, when should the bill be crystallized (latest date), if the bill remains unrealised for over two months, from the date of purchase (ignore holidays)?

a. On 30.4.2017
b. On 24.4.2017
c. On 24.5.2017
d. On 31.5.2017

Ans - b

Crystallisation will be done when the bill becomes overdue after 25 days of normal transit period. Date of overdue will be 25.4.2017. If bill remains overdue, it will be crystallised within 30 days i.e. up to 24.5.2017.

05. What rate of interest will be applicable for charging interest on the export bill at the time of realisation, for the days beyond Normal Due Date (NDD)?

a. 10 %
b. 10.5 %
c. 11 %
d. 11.5 %

Ans - b

Rate of interest will be 10.5% as the overdue interest is stated as 10.5%
....

Securitized instruments originated by banks and held by them to the extent of 5% would require capital allocation by way of ......

a. 100% deduction from Tier I capital
b. 100% deduction from Tier II capital
c. 50% deduction from Tier I capital and 50% deduction from Tier II capital
d. 9% of risk weighted asset equivalent of the holding

Ans - c
....

Under SRP ......

1. Supervisors should review and evaluate banks ICAAP
2. Banks must have capital for projected growth
3. Supervisors may advise banks to hold capital in excess of regulatory capital

a. 1 and 2 are true
b. 2 and 3 are true
c. 3 and 1 are true
d. All are true

Ans - c
....

Balance sheet of a bank provides the following information:

Fixed Assets - 1600cr
Investment in central Govt Securities - Rs 12000cr

In standard loan accounts

Housing Loans - RS 7500cr (Secured, below Rs 10 lac)
the Retail loan - Rs 6000cr
Other loans - Rs 5000cr

sub-standard secured loans - Rs 1200cr
sub-standard unsecured loans - Rs 600cr
Doubtful loans (D-1, secured) - Rs 900cr
Doubtful loans (D-1, unsecured) - Rs 800cr
Doubtful loans (D-2, secured) - Rs 600cr
Doubtful loans (D-2, unsecured) - Rs 1200cr
Doubtful loans (D-3, secured) - Rs 1400cr
Doubtful loans (D-3, unsecured) - Rs 750cr
Loss Assets - 100cr and
other assets - Rs 600cr

Answer the following questions, based on this information, by using standard Approach for credit risk.

1. What is the amount of RWAs for investment in govt securities?

a. Rs 5000cr
b. Rs 3500cr
c. Rs 2500cr
d. Nil

2. What is the amount of RWAs for sub-standard secured accounts?

a. Rs 500cr
b. Rs 1500cr
c. Rs 1800cr
d. Rs 2000cr

3. What is the amount of RWAs for sub-standard unsecured accounts?

a. Rs 500cr
b. Rs 600cr
c. Rs 1000cr
d. Rs 1500cr

4. What is the amount of RWAs for doubtful (D-1, Secured) accounts?

a. Rs 300cr
b. Rs 500cr
c. Rs 800cr
d. Rs 900cr

5. What is the amount of RWAs for doubtful (D-1, unSecured) accounts?

a. Rs 300cr
b. Rs 400cr
c. Rs 600cr
d. Rs 700cr

6. What is the amount of RWAs for doubtful (D-2, Secured) accounts?

a. Rs 300cr
b. Rs 400cr
c. Rs 600cr
d. Rs 700cr

7. What is the amount of RWAs for doubtful (D-2, unSecured) accounts?

a. Rs 300cr
b. Rs 400cr
c. Rs 600cr
d. Rs 700cr

8. What is the amount of RWAs for doubtful (D-3, Secured) accounts?

a. Rs 300cr
b. Rs 400cr
c. Rs 600cr
d. Rs 700cr

9. What is the amount of RWAs for doubtful (D-3, Secured) accounts?

a. Rs 300cr
b. Rs 375cr
c. Rs 450cr
d. Rs 600cr

10. What is the amount of RWAs for retail loans?

a. 3000cr
b. 3750cr
c. 4500cr
d. 6000cr

11. What is the amount of RWAs for housing loans?

a. 3000cr
b. 3750cr
c. 4500cr
d. 6000cr

Solution :

1. d
RW against Govt Securities = 0 %

So, RWA
= 12000 x 0%
= 0 Cr

2. c
If the provision is less than 20 %, then RW is 150%
If the provision is 20-50 %, then RW is 100%
If the provision is more than 50 %, then RW is 50%

Provision in Sub-Standard Secured - 15 %, and so, RW = 150 %

So, RWA
= 1200 x 150 %
= 1800 Cr

3. b
If the provision is less than 20 %, then RW is 150%
If the provision is 20-49 %, then RW is 100%
If the provision is 50% or more, then RW is 50%

Provision in Sub-Standard Un-Secured - 25 %, and so, RW = 100 %

So, RWA
= 600 x 100 %
= 600 Cr

4. d
If the provision is less than 20 %, then RW is 150%
If the provision is 20-49 %, then RW is 100%
If the provision is 50% or more, then RW is 50%

Provision in doubtful (D-1, Secured) - 25 %, and so, RW = 100 %

So, RWA
= 900 x 100 %
= 900 Cr

5. b
If the provision is less than 20 %, then RW is 150%
If the provision is 20-49 %, then RW is 100%
If the provision is 50% or more, then RW is 50%

Provision in doubtful (D-1, unsecured) - 100 %, and so, RW = 50 %
So, RWA
= 800 x 50 %
= 400 Cr

6. c
If the provision is less than 20 %, then RW is 150%
If the provision is 20-49 %, then RW is 100%
If the provision is 50% or more, then RW is 50%

Provision in doubtful (D-2, Secured) - 40 %, and so, RW = 100 %
So, RWA
= 600 x 100 %
= 600 Cr

7. c
If the provision is less than 20 %, then RW is 150%
If the provision is 20-49 %, then RW is 100%
If the provision is 50% or more, then RW is 50%

Provision in doubtful (D-2, unsecured) - 100 %, and so, RW = 50 %
So, RWA
= 1200 x 50 %
= 600 Cr

8. d
If the provision is less than 20 %, then RW is 150%
If the provision is 20-49 %, then RW is 100%
If the provision is 50% or more, then RW is 50%

Provision in doubtful (D-3, Secured) - 100 %, and so, RW = 50 %
So, RWA
= 1400 x 50 %
= 700 Cr

9. b
If the provision is less than 20 %, then RW is 150%
If the provision is 20-49 %, then RW is 100%
If the provision is 50% or more, then RW is 50%

Provision in doubtful (D-3, unsecured) - 100 %, and so, RW = 50 %

So, RWA
= 750 x 50 %
= 375 Cr

10. c
RW on retail loans = 75 %
So, RWA
= 6000 x 75%
= 4500 Cr

11. b
RW on housing loans = 50 %
So, RWA
= 7500 x 50%
= 3750 Cr
....

For the purpose of capital adequacy ......

a. Tier II capital is limited to the level of Tier I capital
b. Tier I capital is limited to the level of Tier II capital
c. Both a & b
d. None of these

Ans - a
....

IPDIs are ......

a. Free reserves and qualifies for Tier II capital
b. Debts and qualify for Tier I capital
c. Free reserves and qualifies for Tier I capital
d. Debts and qualify for Tier II capital

Ans - b
....

TT selling rate is calculated on the basis of ...... selling rate

a. interbank
b. merchant
c. spot
d. security

Ans - a

Which of the following is/are correct regarding open position in forex? (i) Position limits are prescribed currency wise as also for aggregate position in Rupees, (ii) There are separate limits for 'day light' and 'over night'

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d

What is the time limit within which the bank has to sanction a fresh / enhancement export credit proposal?

a. 30 days
b. 45 days
c. 15 days
d. 10 days

Ans - b

In which of the following currencies futures are traded in terms of US Dollar? (i) Euro, (ii) GBP and Japanese Yen, (iii) An Australian and Canadian Dollar

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

Ans - d

Exchange margin enters into the bills selling rate ......

a. one time only
b. twice
c. three times
d. none of the above

Ans - b
....

In India exchange rates for foreign currencies other than US dollar are calculated as ......

a. TT buying rate
b. Cross rates
c. TT sellling rate
d. Bill sellling rate

Ans - b
....

In case of banks, leverage is expressed by ......

a. Return on Assets
b. Net NPA ratio
c. Capital adequacy ratio
d. Capital to outside liabilities

Ans - c
....

A limit can be fixed for the following for managing liquidity Risk ......

a. Extent of dependence on individual customer
b. Flexible limits on average maturity of different liabilities
c. Minimum liquidity provision
d. Any or all of the above

Ans - d
....

Business Disruptions and system failures are classified under?

a. Event Based
b. Cause-Based

c. Effect Based
d. There is no correct option

Ans - a

....

In the following activities one activities is not to be considered under standardize approach for measurement of operational risk.

a. corporate finance
b. retail banking
c. asset management
d. non fund based finance

Ans - d

....

Which of the followings is correct? (i) LIBOR is a rate charged by US federal Reserve for lending to banks, (ii) MIBOR is announced by NSE, (iii) MIFOR is announced by Reuters

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

Ans - d

....

If a bank sells off all of its assets and pays all of its liabilities, the amount remaining would be ......

a. Net profit
b. Reserves
c. Net worth
d. Excess reserves

Ans - c

....

Under the Treasury operations the derivatives are used ...... (i) To manage Risk as including ALM Risk, (ii) To meet the requirements of corporate customers, (iii) For taking trading position in derivative products

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

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

Ans - d

....

Account when becomes NPA, if principal and interest not serviced beyond 90 days from which date ......

a. From end of month in which it become NPA
b. From the date of application during defaulting quarter
c. From 91st day of becoming NPA
d. None of these

Ans - b

....

If an account is doubtful for more than 3 years what is percentage of provision on secured portion?

a. 40% on secured & 100% on unsecured
b. 25% on secured & 100% on unsecured
c. 100% Provision both on secured and unsecured
d. 15% on secured & 100% on unsecured

Ans - c

....

The kinds of Derivatives are ...... (i) Cross currency derivatives, (ii) Rupee derivatives

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d

....

A foreign currency travellers cheque is valid for ......

a. 3 months
b. 6 months
c. 1 month
d. no time limit unless otherwise mentioned therein

Ans - d

....

To determine adjusted exposure under standardized approach total exposure on borrower includes which of the following?

a. Outstanding balances in fund based facilities
b. Outstanding non fund based facilities
c. Unavailed portion of the sanctioned fund - based facilities
d. All of the above

Ans - d

Financial instruments such as treasury bonds and notes have

a. lesser cost fluctuations
b. wider price fluctuations
c. less price fluctuations
d. wider cost fluctuations

Ans - b

The last trading day in case of foreign exchange future contract is ...... is prior to the final settlement date

a. one day
b. three days
c. four days
d. two days

Ans - d

Risk in trading securities may arise from the following activities ...... (i) Foreign exchange transactions, (ii) Equity holding, (iii) Lending and Repos

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 followings is not an agency service of the Bank?

a. Extending credit cards
b. Escrow
c. Depository Receipts
d. Securities fending

Ans - a
....

Under Basel III, the risk weight for capital charge for credit risk on the basis of standardized approach for long term loans, does not match for claims on domestic corporates, AFC and NBFC-IFC (based on rating of internal rating agencies such as CRISIL, CARE, ICRA etc.), in respect of which of the following?

a. AAA rating—20%
b. A rating—50%
c. BBB—100%
d. unrated—150%

Ans - d
....

Which of the following statements is not correct?

a. Credit Risk may arise on account of default of the Issuer/Borrower
b. Rating migration may not cause Credit Risk
c. Deterioration of the credit quality of the instrument have adverse impact on the price of financial instrument
d. None of these

Ans - b
....

Which of the followings Market Risk Management Division does not consist? (i) Risk Management Committee, (ii) Asset Liability Management Committee, (iii) The Asset Liability Management Support Group

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 are the responsibilities of Risk Management Committee? (i) Deciding prudential limits, (ii) Evaluating Risk measurement models, (iii) Setting guidelines for market risk management

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

Ans - d
....

Under Basel III, the risk weight for capital charge for credit risk on the basis of standardized approach for short term loans, does not match for claims on domestic corporates, AFC and NBFC-IFC (based on rating of internal rating agencies such as CRISIL, CARE, ICRA etc.), in respect of which of the following?

a. Al+ - 20%
b. A2 — 50%
c. A3 — 75%
d. A4 —150%

Ans - c
....

Scenario analysis should be used ...... (i) To assess the impact of deviations from the correlation assumptions, (ii) To evaluate potential losses arising from multiple simultaneous operational Risk loss events

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d
....

An investment will be more preferred and higher will be the reward to investors when ......

a. RAROC is higher
b. RAROC is lower
c. RAROC is one
d. none of these

Ans - a
....

Under Basel III, the risk weight is ...... % for capital charge for credit risk on the basis of standardized approach, for claims included in regulatory retail portfolio?

a. 20
b. 50
c. 75
d. 100

Ans - c

....

The banking book is generally exposed to ...... (i) liquidity risk, (ii) interest rate risk, (iii) credit risk

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

Ans - d

....

Under Basel III, by using the Basic Indicator Approach, banks must hold capital for operational risk equal to the ...... average over the previous years of a fixed percentage (denoted as alpha. of positive annual gross income

a. 2 years
b. 3 years
c. 5 years
d. at bank discretion

Ans - b

....

The risks that the banks are generally exposed to and are not captured or not fully captured in regulatory CRAR include which of the following?

a. settlement risk, liquidity risk
b. reputational risk, strategic risk
c. risk of under-estimation of credit risk under standardized approach
d. all the above.

Ans - d

....

As per Basel III, which of the following is part of operational risk?

a. legal risk
b. reputational risk
c. strategic risk
d. all the above

Ans - a

....

Estimated level of operational Risk will be calculated as ...... (i) Estimated probability of occurrence, (ii) Multiply (i) by estimated potential financial impact, (iii) Multiply (ii) by estimated impact of internal controls

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

Ans - d

....

The option period for a forward contract can be for a maximum period of ......

a. 21 days
b. One month
c. 10 days
d. Six months

Ans - b

....

What is scenario analysis? (i) It involves expert opinion in conjunction with external data, (ii) It evaluates exposure to high severity events, (iii) The Approach uses the knowledge and experience of Risk Management experts

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

Ans - d

....

The bank should verify the letter of credit / sale contract for booking a ......

a. Forward sale contract
b. Forward purchase contract
c. Cancelling a forward contract
d. None of the above

Ans - b

....

Under Basel III, which of the following is part of the regulatory retail portfolio? (1) mortgage loans which qualify as claim secured by residential property or commercial real estate (2) consumer credit or personal loans or credit card receivables (3) capital market exposure (4) venture capital exposure

a. 1 and 3 only
b. 2 and 4 only
c. 1 to 4 all
d. none of the above

Ans - d

....

Which of the following is/are market liquidity Risk? (i) Lack of liquidity of an instrument or Asset in time, (ii) The financial strength of an instrument, (iii) The loss may occur due to fluctuations in the market price at the times of liquidating

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 may affect the yield on Assets? (i) Commodity prices, (ii) Interest rates, (iii) Exchange rates

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

Ans - d

....

Under Basel III, the risk weight for capital charge for credit risk on the basis of standardized approach, does not match for claims on foreign banks (based on rating of international rating agencies such as S & P, Fitch, Moody's Rating), in respect of which of the following?

a. AAA to AA rating—20%
b. BBB rating—50%
c. Below B rating—150%
d. unrated —150%,

Ans - d

....

Payment and Settlement Risk may be on account of ...... (i) Payments and collections, (ii) Funds transfer, (iii) Clearing and settlement

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

Ans - d

....

Under Basel III, the risk weight for capital charge for credit risk on the basis of standardized approach for home loan up to Rs.20 lac where loan to value (LTV) ratio is 90% is ...... %

a. 20
b. 50
c. 75
d. 100

Ans - b

....

The capital requirement of a business would be lower when there is ......

a. lower variation in net cash flow
b. lower risk
c. lower possibility of loss
d. all of these

Ans - a

....

Under Basel III, to consider a claim as part of regulatory retail portfolio, which of the following condition is stated correctly? (i) orientation criteria i.e. the exposure to individual person or to small business, where total average annual turnover in small business is less than Rs.50, (ii) granularity criteria i.e. no aggregate exposure to one counterpart is more than 2% of overall regulatory retail portfolio, (iii) maximum retail exposure to one counterpart does not exceed the threshold limit of Rs. 1 cr

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

Ans - a

....

Derivatives are ...... (i) Over the counter instruments, (ii) They are not liquid as market instruments, (iii) Banks hold derivatives until maturity

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 derivative instrument?

a. Interest Rate Swap
b. T Bill
c. Currency Swap
d. Options

Ans - b

....

Uncertainties in cash inflows and / or outflows create uncertainties in ...... (i) net cash flow, (ii) profits

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d

....

Under Basel III, the risk weight for capital charge for credit risk as per standardized approach for home loan of above Rs.75 lac, where loan to value (LTV) ratio is 75% is ...... %

a. 20
b. 50
c. 75
d. 100

Ans - c
....

Risk is defined as uncertainties resulting in ...... (i) Adverse outcome, adverse in relation to planned objectives or expectations, (ii) Adverse variation of profitability or outright losses (financial risk)

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - a
....

Which of the following statements is correct regarding Derivative? (i) Mark to market value of a derivative depends on market movements, (ii) It is the present value of all future flows at market rates, (iii) Hold to maturity risk is also known as counterparty risk

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

Ans - d
....

18% IDBI infrastructure Bond with face value of Rs.100 and 10-year term to maturity is trading at Rs 120. The current yield on this bond is ......

a. 10%
b. 9.9%
c. 6.7%
d. 8%

Ans - c
....

100 day VaR of a given security is 5% with 90% confidence interval. In a year (250 working days), how many days VaR may be observed at more than 5%?

a. 12.5 days
b. 10 days
c. 25 days
d. None of these

Ans - c
....

The margin for a currency future should be maintained with the clearing house by ......

a. The buyer
b. The seller
c. Both the buyer and the seller
d. Either the buyer or the seller as per the agreement between them

Ans - c
....

The marking- to- market in respect of a currency future refers to ......

a. Putting up for sale specific lot of futures
b. Adjusting the margin money of buyer and seller to reflect the current value of futures
c. Quoting rates for different maturities
d. Allotting futures among different brokers

Ans - b
....

Which of the following is correct? (i) Lower risk implies lower variability in net cash flow, (ii) Higher variability in net cash flow may result in higher profits or higher losses, (iii) Higher risk would imply higher upside and downside potential

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

Ans - d
....

Return on zero risk investment would be ...... as compared to other opportunities available in the market

a. high
b. low
c. medium
d. higher or low depending upon type of investment

Ans - b
....

How operational Risk mitigation could be achieved? (i) Insurance cover may minimize the Risk, (ii) Capital Allowance under insurance is available, (iii) Qualitative approach in operational frame work would also be useful

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

Ans - d
....

Investment in RBI bonds at 6.5% interest rate with a maturity of 5 years is ...... investment

a. zero risk
b. lower risk
c. medium risk
d. high risk

Ans - a
....

Under Basel III, the risk weight is for capital charge for credit risk on the basis of standardized approach for commercial real estate—residential housing is ...... %

a. 20
b. 50
c. 75
d. 100

Ans - c
....

Bank's exposure for dwelling unit to an individual shall be treated as ...... exposure to commercial real estate, as per Basel III

a. 2nd
b. 3rd
c. 4th
d. 5th

Ans - b
....

The operating and liquidity risk may be on account of ...... (i) Failure of execute or settle a transaction, (ii) Adverse changes in the cash flows of transactions

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d
....

The major components of Risk management are ...... (i) Risk identification, (ii) Risk measurement, (iii) Risk control

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

Ans - d
....

Under Basel III, by using the Basic Indicator Approach, banks must hold capital for operational risk equal to the average over the prescribed no. of previous years, at ...... % (denoted as alpha. of positive annual gross income

a. 8
b. 9
c. 12
d. 15

Ans - d
....

For the purpose of calculation of capital charge for operational risk under basic indicator approach, the gross income means ......

a. net interest income
b. net non-interest income
c. net interest income + net non-interest income
d. net interest income minus net non-interest income

Ans - c

....

For the purpose of calculation of capital charge for operational risk under basic indicator approach, the gross income means ......

a. net profit + provisions and contingencies
b. net profit + provisions and contingencies + operating expenses
c. net profit + operating-expenses
d. provisions and contingencies + operating expenses.

Ans - b

....

As per Basel III implementation, the risk weight for unsecured portion of NPA for credit risk as per standardized approach is ...... % if the specific provision is less than 20% of the outstanding in NPA account

a. 150
b. 100
c. 75
d. 50

Ans - a

....

Credit enhancements under Securitization exposure, that are first loss positions, is to be risk weighted at ...... % under Basel III requirements

a. 125
b. 375
c. 625
d. 1111

Ans - d

....

The investment policy should contain .... (i) Permissible investments, (ii) SLR and non SLR investments, (iii) Private placement

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

Ans - d
....

The rate quoted for clean instruments returned unpaid is ......

a. TT selling rate
b. DD buying rate
c. Inter-Office rate
d. TT buying rate

Ans - a
....

A traveller returning from abroad should surrender his unused foreign exchange in excess of USD 2000 to an authorised dealer within ......

a. 90 days of his return to India, if he is holding foreign currency notes, and 180 days if he is holding travellers cheques
b. 60 days of his return to India
c. 30 days of his return to India
d. None of these

Ans - a
....

Maximum foreign exchange that can be released by an Authorised Dealer for medical treatment abroad is ......

a. USD 50,000.
b. USD 1,00,000
c. as per estimate from the Doctor in India / Hospital / Doctor abroad
d. Either b or c whichever is lessor

Ans - d
....

All the outward remittances such as DDs/TTs/Debit Authorisations issued by branches on our foreign offices should be issued under Double Signature System if ......

a. The amount of such remittance is greater than USD/GBP 3000 or equivalent of Rs.10000 in other currencies
b. The amount of such remittance is of the equivalent of Rs.50,000/- and above
c. The amount of such remittance is over the equivalent of Rs.1 lac
d. None of the above

Ans - b
....

For outward remittance other than imports, the applicant should submit ......

a. Form A2
b. Form A1
c. Form A4
d. Form A3

Ans - a
....

'R' returns are submitted to RBI as on every ......

a. month
b. 10th, 20th & 30th
c. 15th & last working day of the month
d. every week

Ans - c
....

Which of the following are essential requirements for formulation of policy guidelines? (i) It should be approved by the Board, (ii) It should comply with the guidelines of RBI and SEBI, (iii) It should follow current market practices

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

Ans - d
....

How many types of 'R' return are required to be submitted at present?

a. 5
b. 6
c. 7
d. 2

Ans - d

For every Rs.100 in assets, a bank has Rs.40 in interest rate sensitive assets, and the other Rs.60 in non-interest rate sensitive assets. The same bank has Rs.50 for every Rs.100 in liabilities in interest sensitive liabilities, the other Rs.50 are in liabilities that are not interest rate sensitive. If the interest rate on assets increases from 5 to 6 percent, and the interest rate on liabilities increases from 3 to 4, percent the impact on the bank's profits per Rs.100 of assets will be ......

a. An increase of Rs.0.10
b. A decrease of Rs.0.10
c. A reduction of Rs.1.00
d. Constant since the interest rates on assets and liabilities increased by the same amount

Ans - b

A bank that makes most of its long term loans at adjustable interest rates is ......

a. Reducing both interest rate and credit risk
b. Increasing credit risk and reducing interest rate risk
c. Reducing credit risk and increasing interest rate risk
d. Increasing both interest rate and credit risk

Ans - b

Counter party risk is embedded mainly in ......

a. Forex transactions
b. Credit transactions
c. Liquidity management systems
d. All of the above

Ans - b

Write downs are classified into ......

a. Event Based
b. Cause-Based
c. Effect Based
d. There is no correct option

Ans - c
....

Which of the followings is essential in a futures contract? (i) The contract must be executed by both the parties, (ii) The Trading is done through the members of the Exchange, (iii) The Exchange is the counterparty for each transaction

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

Ans - d
....

A bank's loan loss reserves are ......

a. The amount of loans that have defaulted in the past twelve months
b. The same as equity capital
c. An amount the bank sets aside to cover potential losses from defaulted loans
d. A liability of the bank since it is a source of funds

Ans - c
....

The feature of currency swap are ...... (i) It is a process of exchanging cash flows in one currency with that of another currency, (ii) The cash flows may be in connection with repayment of principal or interest of a loan, (iii) It can be either principal only or interest only swap

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

Ans - d
....

Choose the wrong pair from the following. The information given in the pair is pertaining to banking companies

a. Demand Deposits - Compulsory deposits under excise rules
b. rebate on bills discounted - unexpired discount
c. Operating Expenses - Schedule 14
d. Other Income - Profit on sale of investments less loss on sale of investments

Ans - c
....

For a bank, off balance sheet activities usually ......

a. Increase both assets and liabilities while reducing net income
b. Increase net income but do not change assets or liabilities
c. Increases a bank's liabilities but not their assets
d. Income earned from activities not associated with banking

Ans - b
....

Name the different types of 'R' returns.

a. Nostro & Vostro
b. Nostro
c. Vostro
d. Nostro & Vostro, Loro a/c

Ans - a
....

In documentary credit transactions ......

a. all parties deal with documents and not goods
b. all parties deal in documents and goods as well
c. buyer and seller deal in goods and banks in documents
d. all parties deal in goods only

Ans - a
....

A documentary letter of credit has normally ......

a. two parties

b. one party
c. four parties
d. no one

Ans - c

....

The buyer or importer who procures a letter of credit from his banker is called ......

a. opener of the credit
b. beneficiary of the credit
c. negotiator of the credit
d. none of these

Ans - a

....

The bank through whom the credit is advised and who confirms the letter of credit when required and negotiates the documents tendered is called ......

a. Opening Bank
b. Foreign Bank
c. Advising Bank
d. None of these

Ans - b

....

An L/C which can be amended or cancelled by the Issuing Bank at any time prior to its expiry without notice to the Beneficiary is called a / an ......

a. Confirmed L/C
b. Irrevocable L/C
c. Revolving L/C
d. Revocable L/C

Ans - d

....

The Exposure limits for counterparties are ......

a. Vary in relation to period of exposure
b. Remain same irrespective of period
c. Fixed only as per net worth irrespective of period

d. none of these

Ans - a
....

In which of the following areas trading limits are fixed by management? (i) limits on deal size, (ii) limits on open position, (iii) stop loss limits

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

Ans - d
....

A L/C that cannot be cancelled or amended without the consent of the parties concerned is known as a / an ......

a. Confirmed L/C
b. Irrevocable L/C
c. Transferable L/C
d. Back to back L/C

Ans - b
....

From the following one of the event is a credit event for credit default swap.

a. restructuring of advance
b. payment of advance in full
c. take over by other bank
d. none of these

Ans - a
....

From the following information calculate operational risk. Profit for last two years Year 1 Rs 300 cr, Year 2 Rs 380 cr. the bank has provided provisions for unpaid interest in the year 2 Rs 30 cr. In year 1 the bank has sold out certain securities in the banking book and booked the profit of Rs 10 cr.

a. Rs.30cr
b. Rs.49.50cr
c. Rs.33.99cr

d. Rs.52.50cr

Ans - d

Before launching new financial products who assesses the Operational risk inherent to them?

a. Risk management Committee
b. Board of Directors
c. ORM Department
d. There is no correct option

Ans - c

Suppose there is a contract of GBP 25000 traded at the Exchange for delivery on 30th June at 1.8650 as against spot exchange rate of 1.80. What does this contract imply? (i) The contract implies that seller would deliver to the holder of contract, GBP 25000 against payment of equivalent USD at 1.8650, (ii) On the settlement date, if market rate of GBP is more than 1.8650, the seller will pay to the holder the difference in contracted price and spot price, (iii) If the market price is less than the contracted price, the Buyer of the contract will bear the loss

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

Ans - d

Open Position refers to ......

a. Trading positions where the buy / sell positions are not matched
b. Trading positions where the securities are bought in the open market
c. Open market operations
d. none of these

Ans - a

Limit on open positions are fixed because ...... (i) There may be loss if there is adverse movement in rates, (ii) There is 'carry' cost

a. Only (i)

b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d
....

When the Advising Bank, at the request of the issuing Bank, adds its confirmation which would constitute a definite undertaking by the former the L/C is known as a / an ......

a. Irrevocable L/C
b. Transferable L/C
c. Confirmed L/C
d. Revolving L/C

Ans - c
....

Which of the following is a reason for importance of Treasury risk management? (i) Adverse market movements may result in instant losses, (ii) Treasury transactions are of high value needing relatively low capital, (iii) Large size of transactions done at the sole discretion of the Treasurer

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

Ans - d
....

High leverage means ......

a. Very low capital requirement
b. Very high capital requirement
c. Very high profits compared to capital
d. Very high productivity

Ans - a
....

An irrevocable LC which authorises the advising bank to extend preshipment/packing credit upto a certain amount to the beneficiary to enable him to meet preshipment expenses is known as a / an ......

a. Irrevocable LC

b. Transferable LC
c. Revolving LC
d. Red Clause LC

Ans - d
....

Delivery versus payment means one account is debited and another is credited ......

a. on the same day
b. by next day
c. at the same time
d. none of these

Ans - c
....

In Treasury Operations, the term 'carry' means ......

a. Interest cost of funds locked in a trading position
b. Carrying forward the contract to next trading period
c. Carrying forward the settlement to next day
d. none of these

Ans - a
....

An LC which authorises the Advising Bank, to transfer, at the request of the Beneficiary (First Beneficiary) the credit available in whole or in part to one or more other beneficiaries (Second Beneficiaries) is known as ......

a. Anticipatory LC
b. Revolving LC
c. Transferable LC
d. Back to back credit

Ans - c
....

Which of the following terms of the contract are covered under ISDA master agreement? (i) Valuation norms, (ii) Netting out, (iii) Cross default

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 feature of OTC product?

a. Cost of option is to be paid up front.
b. Cost is not loaded in the agreed rates.
c. Market is not liquid.
d. Cancellation of contract may become expensive.

Ans - b

....

The features of Exchange traded product are ...... (i) The contract is of standard size, (ii) Delivery dates are fixed, (iii) Price fluctuates according to market

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

Ans - d

....

An ancillary LC which arises when the seller(beneficiary) uses the LC opened in his favour to support another LC opened by the Seller's Bank, favouring his supplier is called ......

a. Transferable LC
b. Back to Back LC
c. Revolving LC
d. none of these

Ans - b

....

The exposure limits for counterparties are fixed on the basis of counterparty's ...... (i) net worth, (ii) market reputation, (iii) track record

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

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

Ans - d

....

Branches should submit return of overdue import bills ......

a. monthly
b. quarterly
c. half yearly
d. fortnightly as on 15th & last working day of each month

Ans - d

....

GR forms are submitted in respect of ......

a. Import transactions
b. FOCNA transactions
c. Export transactions
d. NRE transactions

Ans - c

....

The term 'loro account' means ......

a. our account with you
b. your account with us
c. their account with them
d. none of the above

Ans - c

....

Which of the following is/are not a conventional tool of management control on a treasury function ......

a. Back office which checks all transactions of dealers
b. Exposure limits for counterparties avoiding concentration risk
c. Intra day and overnight ceiling on open positions and stop loss limits
d. Value at risk and duration techniques

Ans - d

....

The investment policy need not contain ....

a. Derivative Trading
b. Trading in Securities and Repos
c. Valuation and Accounting policy
d. Classification of Investments

Ans - d
....

According to RBI, policy of Investment and Risk should be supplemented with .... (i) Prevention of money laundering policy, (ii) Hedging policy for customer Risk

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d
....

A Run of the Bank signifies ....

a. A situation where depositors lose confidence and start withdrawing their balances
b. A Bank running in continuous loss
c. A Bank where non-performing Assets level is high
d. All of these

Ans - a
....

What are the RBI guidelines for the development of interest rate swaps (IRS)? (i) Banks can use IRS for hedging and Trading both, (ii) MIFOR is a benchmark for IRS, (iii) Under ISDA agreement Banks can opt for dual jurisdiction i.e. Indian as well as common law

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

Ans - d
....

The market forces influencing the exchange rate are not fully operational under ......

a. floating exchange rate system
b. speculative attack on the market
c. fixed exchange rate system
d. current regulations of IMF

Ans - c
....

The following is the Benchmark Rate ...... (i) For US dollars, it is LIBOR, (ii) For Indian Rupee Market, it is MIBOR, (iii) MIFOR for foreign currency Borrowings swapped in to Rupee

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

Ans - d
....

The settlement of CDS in which protection by a delivers wants of reference entity is called as ......

a. cash settlement
b. credit settlement
c. default settlement
d. physical settlement

Ans - d
....

Employment practices and workplace safety is classified as a following type of operational risk?

a. Event Based
b. Cause-Based
c. Effect Based
d. There is no correct option

Ans - a
....

Acceptances, endorsements and guarantees are shown as ......

a. other assets

b. contingent liabilities
c. advances
d. other liabilities and provisions

Ans - b
....

Choose the wrong pair from the following. The information given in the pair is pertaining to banking companies

a. Reserves & surplus - Share premium
b. Time deposits - Matured time deposits
c. Borrowings in India - Refinance from NABARD
d. Other Liabilities & Provisions - Inter office/branch adjustments(net)

Ans - b
....

Which of the followings is a distinct feature of a futures contract? (i) The contract are marked to market daily, (ii) The members are required to pay margin equivalent to daily loss, (iii) In case of default by any member the Exchange will meet the payment obligation

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

Ans - d
....

According to classification by IMF, the currency system of India falls under ......

a. managed flating
b. independently floating
c. crawling peg
d. pegged to basked of currencies

Ans - a
....

Under fixed exchange rate system, the currency rate in the market is maintained through ......

a. official intervention
b. rationing of foreign exchange

c. centralising all foreign exchange operations with central bank of the country
d. none of the above

Ans - a

....

In a CC account the stock statement is not submitted for last 3 months and DP is allowed against old stock statement ......

a. Account will be NPA now.
b. Account will be NPA if drawings are permitted in such account for 90 days based on such old stock statement.
c. None of above
d. Both are true

Ans - b

....

The reduction in the value of a currency due to market forces is known as ......

a. revaluation
b. depreciation
c. appreciation
d. inflation

Ans - b

....

The composite Risk policy under Treasury operations should include the following .... (i) Norms for Merchant and Trading positions, (ii) Securities Trading, (iii) Exposure limits

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

Ans - d

....

The Exchange Traded products have the following features ...... (i) There is no counterparty Risk, (ii) Only members of Exchange can Trade, (iii) Minimum margin is maintained

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

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

Ans - d
....

Under FEMA, the RBI has been authorised to make ...... to carry out the provisions of the Act.

a. rules
b. regulations
c. both rules and regulations
d. notifications

Ans - b
....

Foreign exchange transactions involve monetary transactions ......

a. among residents of the same country
b. between residents of two countries only
c. between residents of two or more countries
d. among residents of at least three countries

Ans - b
....

Default risk in Treasury means...... (i) Failure of the borrowing bank in the call money market to repay the amount on due date to the lending bank, (ii) Possible failure of the counterparty to the transaction to deliver/settle their part of transaction

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - b
....

If any advance including bill purchased and discounted becomes NPA as at the end of any quarter/half year/year, interest accrued and credited to income account in the previous periods if not realized ......

a. Need not be reversed
b. To be reversed
c. None of above

d. Both of the above

Ans - b

....

Liquefiable securities are ....

a. Securities that can be readily sold in the secondary market.
b. Securities that have easy liquidity
c. Short term securities
d. All of these

Ans - a

....

The term 'Nostro account' means ......

a. our account with you
b. your account with us
c. their account with them
d. none of the above

Ans - a

....

Upon restricting of any NPA account it will be classified as ......

a. Standard assets
b. Doubtful asset
c. Sub-standard asset
d. loss assets

Ans - c

....

A foreign currency account maintained by a bank abroad is its ......

a. nostro account
b. vostro account
c. loro account
d. foreign bank account

Ans - a

....

Suppose a Bank is fundingmedium term loan of 3 years with deposits having average maturity of 3 months as short term deposits or borrowings are cheaper than 3 years deposits. what would be the consequences and what a bank should do?

a. Bank would resort to short term resources to increase the spread
b. The a above will have liquidity risk
c. This will also have interest Risk since every time the deposits would be priced
d. The Bank should swap 3 month interest rate into a fixed rate for 3 years

Ans - d
....

'Non-resident Bank Accounts' refer to

a. nostro account
b. vostro account
c. accounts opened in offshore centres
d. none of the above

Ans - b
....

What are the features of Benchmark rate? (i) it is a Risk free interest rate determined by the market, (ii) It is objective and transparent, (iii) The issuer of debt paper and the lending bank link interest rate to a benchmark rate

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

Ans - d
....

X Co. is consortium account. No credits came to account for last 90 days. But party remitted the money to consortium leader SBI in time, who in turns not shared with member bank.

a. Account will be NPA treating as non served in the books of this Bank.
b. Account will be PA as money received by SBI leader of consortium.
c. None of above
d. Both of above

Ans - a
....

Erosion in security value leaving value at 10% or less ......

a. Classify account as SA
b. Classify account as SSA
c. Classify account as DA
d. Classify account as LA

Ans - d
....

Which of the following statements is correct? (i) Futures are issued by Banks in Foreign Exchange Business, (ii) Exporters and Importers prefer forward contracts as they can cover risk in terms of size and duration, (iii) Futures are traded by traders and speculators with large volumes

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

Ans - d
....

The features of an option are ...... (i) The option can either be a put option or call-option, (ii) Call option gives a right to the Holder to buy on underlying product at a pre fixed rate and time, (iii) Put option gives a right to the holder to sell the Asset at a specified rate and date

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

Ans - d
....

Import bills may be received by the banker of the buyer directly from overseas sellers, if the bank is satisfied and if the value of such import bill does not exceed ......

a. Rs.10,000/-
b. Rs.2 lacs
c. US $ 10,000/-
d. US $ 25,000/-

Ans - d
....

Non-resident bank accounts are maintained in ......

a. the permitted currencies
b. the currency of the country of the bank maintaining the account
c. the currencies in which FCNR accounts are permitted to be maintained
d. Indian Rupee

Ans - d
....

The minimum fraction in which exchange rates are quoted by banks to their customers is ......

a. 0.0001
b. 0.005
c. 0.0025
d. 0.01

Ans - c
....

Non-resident Indian is defined for banking purpose in ......

a. FEMA
b. Income Tax Act 1961
c. Wealth Tax Act 1957
d. None of the above

Ans - a
....

Interest/income earned on investments made by NRIs in India on non-repatriation basis ......

a. cannot be repatriated at all
b. cannot be repatriated in full
c. only net Interest/income (after tax) can be repatriated
d. Can be repatriated after a lock in period of 5 years

Ans - c
....

The term 'Vostro account' means ......

a. our account with you
b. your account with us

c. their account with them
d. none of the above

Ans - b

....

Which of the followings are relevant to interest futures? (i) T.Bill futures are traded with US Treasury Bills and notes, (ii) Euro Dollar bonds are traded on the basis of LIBOR or Inter-Bank deposit Rate, (iii) The contract size, delivery terms and Trading practices differ from Exchange to Exchange

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

Ans - d

....

The difference between a Bond and loan is .... (i) The loan has normally fixed rate of interest, (ii) Bond price is dependent on Market interest rate movements, (iii) Yield to maturity value can be known easily in a bond

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

Ans - d

....

On occurrence of a credit event the protection seller shall pay difference between nominal value of the reference obligation and its market value at the time of credit event is called as

a. cash settlement
b. credit settlement
c. default settlement
d. physical settlement

Ans - a

....

Which of the following is not correct regarding Exchange Traded products?

a. Positions are marked to market daily

b. Market is illiquid
c. The prices are determined by the market
d. All Trades are exchange protected

Ans - b

....

A bank suffers loss due to adverse market movement of a security. The security was however held beyond the defeasance period. What is the type of the risk that the bank has suffered?

a. Market Risk
b. Operational Risk
c. Market Liquidation Risk
d. Credit Risk

Ans - b

....

Which of the followings is correct regarding option contract? (i) An option which can be exercised any time before the expiry date is known as American option, (ii) An option which can be exercised only on expiry of date is called European option.

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d

....

Which of the followings is correct? (i) Treasury operations are concerned with market risk, (ii) Treasury operations has no link with the credit risk, (iii) Credit risk in Treasury operations are contained by exposure limits

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 function of Back office of a treasury?

a. Generating deals i.e. purchase and sale of foreign exchange, securities etc
b. Settling the trade after verifying internal controls
c. Obtaining independent confirmation of deal from the counterparty
d. Verifying that rates / prices mentioned in the deal slip are conforming to the market rates at the time of the deal

Ans - a
....

Treasury profits are increasingly derived from market operations involving ...... (i) Buying and Selling of Securities, (ii) Borrowing and lending on securities, (iii) Investing in Loans

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

Ans - a
....

If a dollar-yen transaction takes place between Bank A and Bank B in Mumbai then ......

a. It will give NSE to settlement risk for only bank A
b. It will give rise to settlement risk for both the banks A&B
c. It will give NSE to settlement risk for bank A or bank B
d. It will not give NSE to settlement risk for either banks

Ans - b
....

Given interest rate of currency A is more than that of B and interest rate of currency B is more than that of C. Which of the following is true?

a. Forward rate of currency ‘A’ would be at premium to that of C
b. Forward rate of currency ‘A’ would be at discount to that of B
c. Forward rate of currency ‘C’ would be at discount to that of B
d. Forward rate of currency ‘B’ would be at premium to that of A

Ans - b
....

Which method is used to determine possible changes in the market value of a portfolio that could arise due to non - normal movement in one or more market parameters?

a. stress testing
b. back testing
c. volatility
d. simulation

Ans - a

....

Which of the following methods is the leading stress testing tecnique?

a. simple sensitivity test
b. scenario analysis
c. maximum analysis
d. EVT (Extreme Value Theory)

Ans - b

....

FEDAI rules provide that in case of unpaid usance bills, the period of crystalization is ......th day after the ...... at the prevailing ...... rate.

a. 21, NTP, TT buying
b. 30, NTP, TT selling
c. 30, NTP, TT buying
d. 30, NDD, TT selling

Ans - d

....

Which of the following regulations governs payments of imports of goods into India on the basis of FEMA 1999?

a. trade regulations
b. exchange control regulations
c. exim policy
d. None of these

Ans - b

....

Registered Indian exporters who endeavour to export to OECD countries are eligible for support from EXIM bank under ......

a. EMF (Export Marketing Fund)
b. PLI (Product Liability Insurance)
c. EVDLP (Export Vendor Development Lending Program)
d. None of these

Ans - b
....

The projects which involve supply of equipment along with related services like design, detailed engineering, civil construction, etc are known as ......

a. turnkey projects
b. construction projects
c. both a and b
d. none of these

Ans - a
....

If Mr Alex wants to send money to his brother Robin in US in Federal Reserve bank through FEDWIRE, banks use a code / number known as ......

a. Swift
b. RTGS
c. ECS
d. ABA

Ans - d
....

Export bills drawn in foreign currency, purchased/ Discounted/ negotiated, must be crystallized into rupee liability. The same would be done at ......

a. Market price
b. TT selling rate
c. TT buying rate
d. Forward rate

Ans - b
....

India switched to a floating exchange rate regime in ......

a. 1973
b. 1977
c. 1993
d. 1997

Ans - c
....

The validity period of packing credit insurance is ......

a. 3 months
b. 6 months
c. 1 year
d. 15 months

Ans - c
....

Which of the following is not a participant of foreign exchange markets participants?

a. Central Banks
b. Commercial Banks
c. Foreign banks
d. Forex Brokers

Ans - c
....

RBI may impose a penalty of Rs ...... for contravention of any direction under FEMA u/s 11(3) of FEMA 199This penalty is extended up to Rs ...... per day in case of continuing contravention.

a. 1000, 1000
b. 5000, 2000
c. 10000, 2000
d. 100000, 5000

Ans - c
....

Statement showing balances in nostro and vostro accounts are submitted to the RBI in ...... form.

a. R Return

b. BAL Statement
c. XOS
d. BES

Ans - b
....

From the table given here below, ans the following Qus

Business Lines B Factors last 3 years average income (in cr)
Trading sales 18% 2670
Corporate Finance 18% 3560
Commercial Banking 15% 1280
Retail banking 12% 1560
Payment & settlement 18% 620
Agency services 15% 300
Asset management 12% 450
Retail Brokerage 12% 370
Total 10810

The Capital required under standardised approach for Operational Risk is

a. 1632.50
b. 1755.61
c. 1692.50
d. none

Ans - b
....

The capital required under Basic indicators Approach (BIA) for operational Risk

a. 1566
b. 1534
c. 1621.5
d. 1592

Ans - c
....

Maximum variation in the Risk capital required is noticed in case of

a. Corporate Finance
b. Trading & sales

c. retail banking
d. Commercial Banking

Ans - a
....

Buyers' credit or suppliers' credit for ...... years or above come under the category of ECB.

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

Ans - c
....

ALM system is built on three pillars, which are among them? (i) Capital adequacy, (ii) Information system, (iii) organization

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

Ans - c
....

A branch sanctions Rs 1 crore loan to a borrower, which of the following risks the branch is taking?

1. Liquidity risk
2. Interest rate risk
3. Market risk
4. Credit risk
5. Operational risk

a. All of them
b. 1, 2 and 3 only
c. 1, 4 and 5 only
d. 1, 2, 4 and 5 only

Ans - d
....

When the Advising Bank, at the request of the issuing Bank, adds its confirmation which would constitute a definite undertaking by the former the L/C is known as a / an ......

a. Irrevocable L/C
b. Transferable L/C
c. Confirmed L/C
d. Revolving L/C

Ans - c
....

On 15th January Mr. Arvind Sethi bought a January USDINR futures contract which cost him Rs.43,000. Each USDINR futures contract is for delivery of USD1000. The RBI reference rate for final settlement was fixed as 43.10. How much profit/loss did he make?

a. (+) Rs. 1000
b. (+) Rs. 100
c. (–) Rs.100
d. (-) Rs. 1000

Ans - b
....

Mr. Kiran has taken up employment with DS corporation Pts London On 16th of May 1982. He got married with Kerry a UK resident in 1984. From them a son Joy took birth in 1986. Mr Kiran took divorce from Kerry in year 1990. Mr Joy has done an MBA and wants to settle in India. He wants to open up a bank account in joint with his mother. whether he can open an account? Which account he can open?

a. No he cannot open any account
b. He can open FCNR & NRE only
c. He can open NRO account only
d. He can open NRE account only

Ans - b
....

A 10 year 8.75% bond with semi-annual interest yielding 8% has 7 years remaining for maturity: Modified duration of the bond is 6.40 years. This would be equivalent to receiving by way of bullet payment.

a. Rs. 156.00 per bond after 2336 days
b. Rs. 161 25 per bond after 2246 days
c. Rs. 156.00 per bond after 2246 days

d. Rs 161 252 per bond after 2336 days

Ans - b

Which of following is property of Stress Testing?

a. Identification of market parameters
b. Stress quantum
c. Determining time horizon
d. All of these

Ans - d

Stress testing using 'Scenario Analysis' analyzies?

a. Assessing impact on a portfolio's value for a series of predefined changes in a particular market risk factor.
b. Assessing potential consequences on a portfolio for an extreme, but possible, State of the world
c. Assessing the risks of a portfolio by identifying the most potentially damaging combination of moves of market risk factors.
d. Assessing risks of a portfolio based on statistical behaviour of the 'tails' of probability distributions.

Ans - b

Which of the following are limitations in identifying the issues in integrated Risk management? (i) Cultural limitations, (ii) Business unit boundaries

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d

What is the utility of integrated Risk management for a Bank? (i) It helps a Bank to relate capital reserves more effectively, (ii) It helps in quantifying the amount of capital required to absorb unexpected losses, (iii) It contributes to better business performance

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

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

Ans - d
....

The aggregate capital charge for market risk is the sum total of capital charge for ...... (1) interest rate (2) equity investment (3) forex and gold open positions

a. 1 to 3 all
b. 1 and 3 only
c. 1 and 2 only
d. 2 and 3 only

Ans - a
....

A bank is having one day value at risk of Rs. 10 crore with 99 per cent confidence level. What does it signify? (i) There is only one change in 100 that daily loss will more than 100 core under normal trading conditions, (ii) There is one percent chance that the daily loss may exceed Rs. 10 crore, (iii) It does not estimate losses in abnormal situations

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

Ans - d
....

Liquidity is ensured by grouping assets and liabilities based on their ......

a. Pricing
b. Maturity
c. Risk Weight
d. None of the above

Ans - b
....

The model that combines five financial ratios using reported accounting information and equity values to produce on objective measure of borrower'sfinancial health is ......

a. Altman's Z score

b. 'Credit Metrics'
c. Credit Risk +
d. None of these

Ans - d

....

Collateralized loan obligations (CLOs) are securitized pools of ......

a. Debt obligation
b. Commercial loans
c. Housing Loans
d. Government bonds

Ans - b

....

The Net Interest Margin signifies ......

a. It is the result of Net Interest Income divided by average total Assets
b. It can be viewed as spread on earning Assets
c. The higher the spread. more will be the Net Interest Margin
d. All the above

Ans - d

....

Which of the following combinations is important to meet funding needs of a Bank?

a. Increase short term Borrowings
b. Minimise holding of less liquid Assets
c. Increase Capital Funds
d. All the above

Ans - d

....

The Risk Adjusted Rate of capital can also be used to ...... (i) Evaluate pricing decisions, (ii) Product profitability, (iii) Differential between relationships that makes money for an institution and for those do not

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

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

Ans - d

Risk Adjusted Rate of capital can be determined ...... (i) By dividing a unit's net income by its economic capital, (ii) It can be achieved by producing a profitability which is common across the Business units

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - a

What is the time limit for Loan reviews of high value accounts are usually to carried out?

a. Before sanction of credit
b. Within one year of sanction
c. Within three months of sanction
d. Within six months of sanction

Ans - c

Credit rating together with their respective default probabilities help us to estimate ......

a. Expected losses
b. Unexpected losses
c. Both a and b
d. Neither a nor b

Ans - c

Which of the followings are Components of portfolio risk are?

a. Default risk and systematic risk
b. Down - gradation and concentration risk
c. Concentration risk and intrinsic risk
d. Default risk and down -gradation risk

Ans - c

Which of the following risks is associated with the economy?

a. Default risk
b. intrinsic Risk
c. interest rate risk
d. Counterparty risk

Ans - b
....

What are two methods by which Credit Risk can be measured by?

a. Credit Rating
b. Quantifying of Risk through estimated loan losses
c. Both a and b
d. Neither a nor b

Ans - c
....

The extent of cumulative cash flow mismatches could be arrived as under ......

a. Taking a conservative view of marketability of liquid Assets
b. Provision for discount to cover price volatility
c. Expected outflows as a result of draw down of commitments
d. All the above

Ans - d
....

Market risk is also called ...... and ......

a. systematic risk, diversifiable risk
b. systematic risk, nondiversifiable risk
c. unique risk, nondiversifiable risk
d. unique risk, diversifiable risk

Ans - b
....

A measure of the riskiness of an asset held in isolation is ......

a. beta
b. standard deviation

c. covariance
d. semi-variance

Ans - b
....

The integrated Risk management process consists of ...... (i) Integration of Risk management strategy, (ii) Assigning Accountability to the concerned executive, (iii) Development of Risk management system

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

Ans - d
....

The capital charge (CAR) for open foreign exchange positions and open gold positions, under Basel HI, for market risk is ...... %

a. 6
b. 7
c. 8
d. 9

Ans - d
....

The risk of "insolvency" is basically the risk of ......

a. borrowers not paying off lenders in a timely fashion
b. machinery breakdowns
c. not being able to find a buyer for an asset
d. asset value falling below liability value

Ans - d
....

For securities issued across international borders, changes in the legal and governmental environment can make it difficult for the investor to collect. Such a risk would be termed ......

a. Credit risk
b. Sovereign risk
c. Off balance sheet risk

d. Insolvency risk

Ans - b

....

A portfolio of stocks fluctuates when the treasury yields change. Since this risk can not be eliminated through diversification, it is called ......

a. Firm specific risk
b. Systematic risk
c. Unique risk
d. None of the above

Ans - b

....

Arbitrage is based on the idea that ......

a. assets with identical risks must have the same expected rate of return
b. securities with similar risk should sell at different prices
c. the expected returns from equally risky assets are different
d. none of the above

Ans - a

....

The beta, of a security is equal to ......

a. the covariance between the security and market returns divided by the variance of the market's returns
b. the covariance between the security and market returns divided by the standard deviation of the market's returns
c. the variance of the security's returns divided by the covariance between the security and market returns
d. the variance of the security's returns divided by the variance of the market's returns

Ans - a

....

Type of risk in which payments are interrupted by intervention of foreign governments is considered as ......

a. channel risk
b. globalization risk

c. state risk
d. country risk

Ans - d
....

The portion of a security's average return that is not explained by market risk is usually called ......

a. alpha
b. beta
c. epsilon
d. None of the above

Ans - a
....

The difference between a security's actual return and the return predicted by the characteristic line associated with the security's past returns is ......

a. alpha
b. beta
c. gamma
d. residual

Ans - d
....

Suppose that machinery used by Bank-Twenty for sorting and clearing checks breaks down. This is a manifestation of ......

a. Credit risk
b. Insolvency risk
c. Operational risk
d. Liquidity risk

Ans - c
....

Which of the following impacts regulatory framework has on Risk management of Banks? (i) It devices constraints and guidelines which promote Risk management practices, (ii) The regulations stimulates development, (iii) It also enhances the Risk management process of Banks

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

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

Ans - d
....

The purpose of Back Testing is ......

a. To test a model
b. To compare model results and actual performance
c. To record performance
d. All these

Ans - b
....

Under Basel III, the risk weight for open foreign currency and open gold position is ...... %

a. 50
b. 75
c. 100
d. 125

Ans - c
....

A portfolio manager who diversifies his/her portfolio can reduce which of the following?

a. Technology risk
b. Systematic risk
c. Firm specific risk
d. Off balance sheet risk

Ans - c
....

Credit risk that is related to pervasive, economy-wide factors, would be termed ......

a. off balance sheet risk
b. country risk
c. systematic risk
d. firm specific risk

Ans - c

In the mid-2000s, a number of banks lost billions of dollars on failing mortgage loans. The risk of such occurrences would be categorized as ......

a. off balance sheet risk
b. operational risk
c. credit risk
d. technology risk

Ans - c
....

In 2007, it was discovered that millions of credit card numbers had been stolen from TJX Company, due to a breach in computer network security. This episode provides an example of ......

a. credit risk
b. operational risk
c. sovereign risk
d. interest rate risk

Ans - b
....

Suppose a bank is holding a portfolio of long-maturity assets, and has financed it with short-maturity liabilities. Which of the following risks is most obvious?

a. Refinancing risk
b. Operational risk
c. Default risk
d. Liquidity risk

Ans - a
....

Risk faced by financial institutions in which advancement of technology does not produce savings in cost is classified as ......

a. savings risk
b. advance risk
c. cost risk
d. technology risk

Ans - d
....

How many days are allowed to issuing bank and negotiating bank for checking that documents as per LC?

a. 5 banking days
b. 4 working days
c. 10 working days
d. 15 banking days

Ans - a
....

1988 Capital Accord Framework accounted for ...... (i) Credit Risk, (ii) Market Risk, (iii) Defined capital component

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

Ans - d
....

Systematic Risk is the Risk of ......

a. Failure of a Bank
b. Failure of entire Banking system
c. Failure of two Banks simultaneously
d. Where a group of Banks fail due to inter-relation effect.

Ans - b
....

The features of the value at Risk are ...... (i) It measures potential loss in market value of a portfolio, (ii) It uses estimated volatility and correlations with a given horizon, (iii) It is measured with a given confidence interval

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

Ans - d
....

Under Basel III, the risk of loss resultingfrom inadequate or failed internal processes, people and systems or from external events is called ......

a. credit risk
b. operational risk
c. market risk
d. reputation risk

Ans - b

Under Pillar-2 of Basel III, the banks are required to have a Board approved ICAAP and assess capital accordingly. ICAAP stands for ......

a. Internal Capital Adequacy Assessment Procedure
b. Internal Capital Approval Assessment Process
c. Internal Capital Adequacy Assessment Process
d. Internal Capital Assessment Approved Process

Ans - c

Derivative Risks are Off Balance Sheet and include the following ...... (i) Swaps, (ii) Futures, (iii) Forward contracts

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

Ans - d

Money market hedge involves ......

a. Borrowing / investing the concerned currency in the money market and squaring the position on the due date of receivable / payable
b. Borrowing / investing the concerned currency in the money market and covering the position immediately in the forward market
c. Covering an exposure in the domestic currency
d. Simultaneous borrowing and lending the money market

Ans - a

The cost of hedging through options includes ......

a. Option premium
b. Interest on option premium till due date of the contract
c. Both a. and b. above
d. a. above and difference between option price and spot price

Ans - c
....

The impact of Basel II recommendations on integrated Risk management would be ...... (i) Significant reduction in capital requirement, (ii) Lower capital charges, (iii) Compliance with expected standards of identifying measuring and controlling Risk

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

Ans - d
....

The advantages of integrated Risk framework are ......

a. It relates Capital and Reserves more effectively to their actual level of Risk exposure
b. To evaluate pricing decisions
c. To evaluate product profitability
d. To affect Risk Transfer decisions

Ans - a
....

A general approach for estimating the level of operational Risk can be based on ...... (i) Estimated profitability of concurrence, (ii) Estimated potential financial impact, (iii) Estimated impact of internal controls

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

Ans - d
....

Measurement of operational Risk for the purpose of capital allocation can be done through ......

a. Basic Indicator Approach
b. Standardised Approach
c. Advanced Measurement Approach
d. Any of these

Ans - d
....

A proper management of operational Risk would result in ...... (i) Lesser Risk Capital, (ii) Competitive edge

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - c
....

What kinds of Risks Off Balance Sheet exposure may have? (i) Liquidity Risk, (ii) Interest Risk, (iii) Market Risk

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

Ans - d
....

The features of Interest Rate Risk are ...... (i) It is an exposure of Bank's financial condition to adverse movements in interest rates, (ii) It has direct effect on Net Interest Margin, (iii) It may also affect the market value of Equity

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

Ans - d
....

Given the following information, what would be level of operational Risk? Probability of occurrence = 4, Potential financial impact =-4, Impact of internal controls = 0%

a. 4
b. 2
c. 0
d. 3

Ans - a

....

What is the Beta factor for corporate finance under standardized approach?

a. 15 percent
b. 18 percent
c. 12 percent
d. 10 percent

Ans - b

....

As per Basel III requirements, modified by RBI during Sept 2014, banks can issue Tier 2 capital instruments with a minimum original maturity of at least ...... years

a. two years
b. three years
c. five years
d. ten years

Ans - c

....

The steps involved in operating profiling are ...... (i) Identification and quantification of operational Risks, (ii) Identification of Risk concentration, (iii) Formulation of Bank's strategy for operational Risk management

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 followings is correct regarding Business Line Beta Factors? (i) Retail Banking and Asset Management 12%, (ii) Retail Brokerage 12%, (iii) Commercial Banking 15%

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 followings is not Operational Risk?

a. Fraud Risk
b. Adverse movement in Foreign Exchange Risk
c. Communication Risk
d. Documentation Risk

Ans - b

....

The true cost of hedging transaction exposure by using forward market is ......

a. The difference between agreed rate and the spot rate at the time of entering into the contract
b. The difference between agreed rate and the spot rate on the due date of the contract
c. The forward premium / discount annualized
d. None of the above

Ans - b

....

Which of the following is correct regarding integrated Risk? (i) Risks add to instability, (ii) Higher the Risk more is instability, (iii) Risk adjusted returns on capital assumes importance in integrated Risk management

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 better explains the meaning of risk?

a. loss arising on happening of some event
b. loss arising on non-happening of some event
c. probability of loss that could arise due to uncertainty
d. probability of risk that could arise due to uncertainty

Ans - c

....

As per Basel III, adjustments / deductions are required to be made from Tier I and Tier 2 capital, relating to which of the following? (1) goodwill and other intangible assets (2) deferred tax assets (3) Investment in own shares (treasury stock) (4) investment in capital of banking, financial or insurance entities

a. 1 to 4 all
b. 1 and 2 only
c. 1 and 3 only
d. 1 only

Ans - a

....

As per Basel III, the investment of a bank in the capital of a banking or financial or insurance entity is restricted to which of the following? (i) 10% of capital funds (after deductions) of the investing bank, (ii) 5% of the investee bank's equity capital, (iii) 30% of paid up capital and reserves of the bank or 30%, of paid up capital of the company, whichever is lower

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

Ans - d

....

The key driver in managing a business is seeking enhancement in ...... (i) Return on investment, (ii) Risk Management capability, (iii) Risk adjusted return on capital

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

Ans - d

Risk adjusted return on investment is ......

a. Netting risk in a business or investment against the return from this
b. Managing risk on investments
c. Managing-return on investment through risk management
d. Adjusting return on investment against the risk

Ans - c
....

Which of the following is / are characteristics of the assets held in Trading Book? (i) They are normally not held until maturity, (ii) They are normally held until maturity and accrual system of accounting is applied, (iii) Mark to market system is followed

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

Ans - b
....

The liquidity risk of banks arises from ......

a. Funding of long term assets by short term liabilities
b. Funding of short term assets by long term liabilities
c. Funding of long term liabilities by short term assets
d. None of these

Ans - a
....

Which of the following statements is correct? (i) Contingency exposure may become fund based exposure, (ii) It can be a part of Banking Trading Book, (iii) It may include credit Risk

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 correct? (i) The funding Risk may arise from the need to replace net outflows due to unanticipated withdrawals of deposit, (ii) Time risk arises when performing Assets turn into non-performing Assets, (iii) Call Risk arises due to crystallization of contingent liabilities

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

Ans - d
....

The net stable funding ratio (NSFR) under Basel-III will be implemented in India from ......

a 01.01.2017
b 01.04.2017
c 01.01.2018
d 01.04.2018

Ans - c
....

Which of the followings is relevant for estimation of level of operational Risk? (i) Probability of occurrence, (ii) Potential financial impact, (iii) Impact of internal controls

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

Ans - d
....

The external methods of hedging transaction exposure do not include ......

a. Forward contract hedge
b. Money market hedge
c. Cross hedging
d. Futures hedging

Ans - c
....

Hedging with options is best recommended for ......

a. Hedging receivables
b. Hedging payables
c. Hedging contingency exposures
d. Hedging foreign currency loans

Ans - c
....

Which of the following is relevant to integrated Risk? (i) Total Risks of an organization are also the net effect of all Risks associated with an organization, (ii) Net effect of all Risks may not be the same due to diversification effect of Risks, (iii) Integrated Risk implies coordinated approach across various Risks

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

Ans - d
....

Under Basel III, the risk weight for capital charge for credit risk on the basis of standardized approach, does not match in respect of which of the following?

a. Fund & non-fund based claims on Central Govt - 0%
b. Fund and non-fund based Central Govt. guaranteed claims — 0%
c. Fund and non-fund based State Govt. guaranteed claims - 0%
d. Fund and non-fund based claims on State Govt - 0%

Ans - c
....

In a Bank integrated Risk includes ...... (i) Liquidity Risk, (ii) Interest Rate Risk, (iii) Market and Credit Risk

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

Ans - d
....

Under Basel III, the risk weight is ...... % for capital charge for credit risk on the basis of standardized approach, for claims on banks incorporated in India and foreign bank branches in India, where they meet the level of common equity Tier I capital and applicable CCB

a. 0
b. 10
c. 20
d. 50

Ans - c

....

The issuing bank wants to cancel a letter of credit before it has been advised to the beneficiary by the advising bank. What is the option available to the issuing bank?

a. The issuing bank may cancel the LC anytime
b. The issuing bank must obtain the consent of the beneficiary
c. The issuing bank must recall the LC from the advising bank
d. The issuing bank should seek permission from the advising bank

Ans - b

....

The Currency Derivatives Segment trading system indicates the ...... for each contract.

a. client names
b. basis
c. arbitrage gain
d. cost of carry

Ans - d

....

In the Currency Derivatives Segment Clients' positions are arrived at by summing together ...... positions of each individual client.

a. gross (buy + sell)
b. net (buy - sell)
c. net or gross
d. client’s positions are not taken into account in the Currency Derivatives Segment

Ans - b

....

Proprietary position : Buy 20*1000*40.0000 indicates :

a. A Buy position of 20 contracts with contract size of 1000 and a price of Rs. 40.0000
b. A Buy position of 1000 contracts with contract size of 20 and a price of Rs. 40.0000
c. A Buy position of 2000 contracts with contract size of 1000 and a price of Rs. 40.0000
d. A Buy position of 20000 contracts a price of Rs. 40.0000

Ans - a
....

If you are bullish about the Indian Rupee you would ......

a. Short USDINR currency futures
b. Go long USDINR currency futures
c. Buy Dollars
d. Say neutral since markets may turn volatile

Ans - a
....

The transactions of the Bank undertaken to sell the surplus and buy the required foreign currencies in order to keep its position ‘square’ are known as ......

a. cover operations
b. merchant transactions
c. exchange transactions
d. forward transactions

Ans - a
....

In a LC transaction, which Bank is authorized to honour the payment claim in settlement of negotiation/acceptance/payment lodged with it by the negotiating bank?

a. Reimbursing Bank
b. Opening Bank
c. Advising Bank
d. Foreign Bank

Ans - a
....

The rate applicable for an export bill tendered for negotiation is ......

a. bill buying rate
b. bill selling rate
c. composite rate
d. TT buying rate

Ans - a
....

If on an LC alongwith date of shipment "on or about" is written, shipment can be made up to what time?

a. 5 days before or 5 days after the date mentioned in LC
b. 2 days before or 2 days after the date mentioned in LC
c. 15 days before or 15 days after the date mentioned in LC
d. At the time given on Bill of Lading

Ans - a
....

Post-shipment finance can be provided upto how much value of the goods covered?

a. 75 %
b. 50 %
c. 100 %
d. 30 %

Ans - a
....

Presume Mr. A is expecting a remittance for USD 5000 on 29 August. Wants to lock in the foreign exchange rate today so that the value of inflow in Indian Rupee terms is safeguarded. Mr. A can do so by ......

a. Buying five contracts of USD-INR futures
b. Selling five contracts of USD-INR futures
c. Selling five thousand contracts of USD-INR futures
d. Buying five thousand contracts of USD-INR futures

Ans - b
....

On 15th January Mr. Arvind Sethi bought a January USDINR futures contract which cost him Rs.73,000. Each USDINR futures contract is for delivery of USD1000. The RBI reference rate for final settlement was fixed as 72.90. How much profit/loss did he make?

a. (+) Rs. 1000
b. (+) Rs. 100
c. (-) Rs. 100
d. (-) Rs. 1000

Ans - c

....

The market value weighted average beta of firms included in the market index will always be ......

a. 0
b. between 0 and 1
c. 1
d. There is no particular rule concerning the average beta of firms included in the market index

Ans - c

....

A Letter of Credit was issued in favor of SM International on 12th December 2018. The LC shows the latest shipment date as "on or before 15th January". Which of the following is the shipment date under this LC?

a. 10th to 20th January
b. 11th to 19th January
c. Anytime before 15th January
d. None of these

Ans - c

....

The best buy order in the trading system is the order with the ......?

a. Lowest quantity
b. Highest quantiy
c. Lowest price
d. Highest pric e

Ans - d

....

The security characteristic line is ......

a. the trend line representing the security's tendency to advance or decline in the market over some period of time
b. the "best fit" line representing the regression of the security's excess returns on market excess returns over some period of time
c. another term for the capital allocation line representing the set of complete portfolios that can be constructed by combining the security with T-bill holdings
d. None of the above

Ans - b
....

Under Basel III, the risk weight for capital charge for credit risk on the basis of standardized approach, does not match in respect of which of the following?

a. Claims on RBI or DICGC - 0%
b. Claims on Credit Guarantee Fund Trust for MSE — 0%
c. Claims on Credit RiskGuarantee Fund Trust for Low Income Housing — 0%
d. Claims on ECGC — 0%.

Ans - d
....

The consequences of Credit Risk are ...... (i) When Rating of a financial instruments is lowered, the spread over the Risk Free Rate increases, (ii) The price of the instruments is declined, (iii) Where a default in payment of either the principal or interest occurs, market price of financial instruments deteriorates

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

Ans - d
....

What is sensitivity? (i) It indicates deviation of market price due to unit movement of a single market parameter, (ii) If the liquidity in the market increases it would result in increased demand, (iii) The increased demand may increase market price

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

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

Ans - d

....

Transaction exposure can be hedged ......

a. By internal methods only
b. By external methods only
c. Either by internal methods or by external methods, but not by both
d. Either by internal methods or by external methods or a combination of both

Ans - d

....

A firm operating in India cannot hedge its foreign currency exposure through ......

a. Forwards
b. Futures
c. Options
d. None of the above

Ans - d

....

Under Basel III, the risk weight for capital charge for credit risk on the basis of standardized approach, does not match for claims on foreign governments (based on rating of international rating agencies such as S & P, Fitch, Moody's Rating), in respect of which of the following?

a. AAA to AA rating — 0%
b. BBB rating — 20%
c. Below B rating — 150%
d. unrated — 100%

Ans - b

....

Estimated impact of internal control depends on ...... (i) Historical effectiveness of internal controls, (ii) Estimated impact of internal controls on Risks, (iii) The above is estimated as fraction in relation to total control which is valued at 100%

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

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

Ans - d

....

The rate quoted for inward remittances by TT/DD, where the cover fund has already been credited to our Nostro a/c is ......

a. TT buying rate
b. DD buying rate
c. Inter-Office rate
d. Cross rate

Ans - a

....

An irrevocable LC which authorises the advising bank to extend preshipment /packing credit upto a certain amount to the beneficiary to enable him to meet preshipment expenses is known as a / an ......

a. Irrevocable LC
b. Transferable LC
c. Revolving LC
d. Red Clause LC

Ans - d

....

All demand bills in foreign currency drawn under and import LC will be crystalised into Rupee liability on …… th day from the date of receipt of document.

a. 10
b. 7
c. 15
d. 30

Ans - c

....

A Trading member Corporate Manager can set up ...... level and ...... level trading limits for any branch/ dealer of the trading member

a. Can set limits only for himself
b. Cannot set up limits
c. c learing member, trading member

d. branch, dealer

Ans - d

....

Integrated Risk Management is ......

a. To manage all risks that are associated with all the activities in an organization
b. The ultimate impact of all the activities lies on Revenue generation
c. The sum total of all risk impacts is a crucial factor
d. All these

Ans - a

....

If an order does not find a match in the trading system, it is ......

a. removed from the trading system after seven days
b. removed from the trading system at the end of the day
c. removed from the trading system on the expiry day
d. removed from the trading system when the buyer / seller wishes

Ans - b

....

Import letter of credits should be opened :

a. 0% of FOB
b. 110 % of CIF value
c. 100% of CIF
d. Value given by customer

Ans - b

....

The systematic risk of a security ......

a. is likely to be higher in a rising market
b. results from its own unique factors
c. depends upon market volatility
d. cannot be diversified away

Ans - d

....

LC says "Shipment must be made in two lots. 2nd shipment must be made within 30 days after the first shipment." If the first shipment is made on 1st January, which of the following is correct?

a. 2nd shipment must be made on 30th January
b. 2nd shipment must be made on 31st January
c. Latest date for 2nd shipment is 30th January
d. Latest date for 2nd shipment is 31st January

Ans - d
....

Consider the single factor APT. Portfolio A has a beta of 0.2 and an expected return of 13%. Portfolio B has a beta of 0.4 and an expected return of 15%. The risk-free rate of return is 10%. If you wanted to take advantage of an arbitrage opportunity, you should take a short position in portfolio ...... and a long position in portfolio ......

a. A, A
b. A, B
c. B, A
d. B, B

Ans - c
....

Risk arises from trading of assets because of change in asset prices and exchange rates is classified as ......

a. asset risk
b. trade risk
c. market risk
d. exchange risk

Ans - C
....

The variability of the rate of return on a security depends on ......

a. uncertainty common to the entire market
b. uncertainty due to firm specific factors
c. Both a and b above
d. None of the above answers is correct

Ans - c
....

Anatol Bank manages a portfolio of bonds. It actively trades, seeking to enhance the portfolio's profitability. Which of the following is Anatol Bank most obviously exposed to?

a. Market risk
b. Operational risk
c. Technology risk
d. Insolvency risk

Ans - a
....

Bank-X's outstanding loans all have fixed interest rates, with maturities in excess of two years. The bank's deposit liabilities all have maturities of no more than six months. Bank-X most obviously is facing ......

a. Credit risk
b. Insolvency risk
c. Liquidity risk
d. Interest rate risk

Ans - d
....

Which of the following statements is/are correct? (i) Where Bank provides payment they are known as contingencies given, (ii) Off Balance Sheet exposure may not have Interest Risk, (iii) Where Bank is the Beneficiary, it is known as receivable contingencies

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

Ans - b
....

The exchange loss / gain due to transaction exposure is reckoned on ......

a. Entering into a transaction in foreign exchange
b. Quoting a price for a foreign currency transaction
c. Conversion of foreign currency into domestic currency
d. Entry in the books of accounts

Ans - c

Internal hedge for transaction exposure does not include ......

a. Exposure netting
b. Choosing currency of invoicing
c. Cross hedging
d. None of the above

Ans - b

....

The feature of liquidity risk are ...... (i) It may arise from funding of long term assets by short term liabilities, (ii) The liabilities are subject to Refinance Risk, (iii) Funding liquidity is inability to obtain funds to meet cash flow obligations

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

Ans - d

....

Under Basel III, the risk weight for capital charge for credit risk on the basis of standardized approach, does not match for claims on foreign public sector enterprises (based on rating of S & P, Fitch, Moody's Rating), in respect of which of the following?

a. AAA to AA rating—20%
b. A rating—20%
c. BBB to BB rating—100%
d. unrated—100%.

Ans - b

....

Under Basel III, what is the risk weight for capital charge for credit risk on the basis of standardized approach, for claims on Bank for International Settlements, International Monetary Fund, Multi lateral Development Banks?

a. 0 percent
b. 10 percent
c. 20 percent
d. 50 percent

Ans - c

Trading book is mainly exposed to ...... (i) Market Risk, (ii) Market Liquidity Risk, (iii) Credit Risk

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

Ans - d
....

The net potential gain or loss likely to arise from exchange rate changes is ......

a. Exchange exposure
b. Exchange risk
c. Profit / loss on foreign exchange
d. Exchange difference

Ans - b
....

Foreign currency exposure can be avoided by ......

a. Entering into forward contracts
b. Denominating the transaction in domestic currency
c. Exposure netting
d. Maintaining foreign currency account

Ans - b
....

The transactions relating to guarantees, letters of credit, committed or back up credit lines form part of ......

a. Banking Book
b. Trading Book
c. Off Balance Sheet Exposures
d. All of these

Ans - c
....

Asset in doubtful category for 4 years – Rs. 500000/-
Realization value of security – Rs. 300000/-
What will be the provision requirement?

a. Rs. 500000/-
b. Rs. 290000/-
c. Rs. 180000/-
d. Rs. 150000/-

Ans - a

....

12% government of India security is quoted at RS 120. If interest rates go down by 1%, the market price of the security will be?

a. 120
b. 133.3
c. 109
d. 140

Ans – b

Explanation :

Current Yield = Coupon Rate x 100/CMP
Current Yield = 12 x 100/120 = 10%

Now, Interest rate goes down by 1% (That is 9%). By applying the same formula, we get :
9 = 12 x 100/CMP
CMP = 1200/9 = 133.3

....

Which of the following risk is managed at Portfolio level?

a. Credit Risk
b. Market Risk
c. Liquidity Risk
d. Operational Risk

Ans - c

....

Downside potential has 2 components. These are ......

a. Potential Losses and Profit Potential
b. Potential Losses and probability of occurrence
c. Profit Potential and probability of occurrence
d. None of the above

Ans - b

....

Which is not to be taken into account for risk pricing?

a. Operating Expenses
b. Loss Probabilities
c. Profit Probabilities
d. Capital Charges

Ans - c

....

The transactions of treasury with customers are known as ...... business.

a. investment
b. trading
c. merchant
d. retail

Ans - c

....

Which of the following is not an activity of treasury?

a. forex operations
b. trading and risk management
c. investment and fund management
d. none of these

Ans - d

....

In respect of the three distinct roles the treasury is expected to play, which of the following is managed by the treasury for its internal risk management?

a. ALM book

b. Trading book
c. Merchant book
d. Investment book

Ans - a
....

In respect of the three distinct roles the treasury is expected to play, which of the following is managed by the treasury for its client - related currency and derivative transactions?

a. ALM book
b. Trading book
c. Merchant book
d. Investment book

Ans - c
....

In respect of the three distinct roles the treasury is expected to play, which of the following is managed by the treasury for managing its proprietary positions?

a. ALM book
b. Trading book
c. Merchant book
d. Investment book

Ans - b
....

All the exchange rates quoted on the screen or in print are for mentioned unless otherwise ......

a. Forward transactions
b. Cash transactions
c. Spot transactions
d. Tom transactions

Ans - c
....

For the purpose of foreign exchange transactions, foreign banks maintain accounts with ADs in India in Indian rupees. In their mutual communications, ADs in India refer to such accounts as accounts.

a. Loro
b. FCNR

c. Vostro
d. Nostro

Ans - c

....

LC in which a second set of fresh LC opened in favour of second beneficiary on the strength of original LC is ...... LC (i) Back to Back, (ii) Green Clause

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - a

....

While the exposure limits are generally left to the banks discretion, RBI has imposed which ceiling of total business in a year with individual brokers.

a. 2%
b. 5%
c. 10%
d. 15%

Ans - b

....

Principle of proportionality in ICAAP implies ......

a. Increasing capital as business level increases
b. Apportioning of capital across various risk categories proportionally
c. Additional capital for risks not covered under pillar I guidelines in proportion to capital requirement assessed
d. Higher degree of sophistication in risk assessment methodologies as complexity of banking operation increases

Ans - d

....

Protection of risk in a transaction usually through derivatives product is called ......

a. insurance
b. swap

c. hedge
d. arbitrage

Ans - c
....

Which type of risk arises When banks have more earnings assets than paying liabilities ?

a. Liquidity
b. Operational
c. Interest rate
d. Market

Ans - c
....

Which of the following methods to measure market risk is based on downside potential?

a. BPV (Basis Point Value)
b. Duration
c. VaR
d. none of these

Ans - c
....

Physical movements of goods into India is regulated by ......formulated by the ......

a. DGFT, exim policy
b. exim policy, DGFT
c. exim policy, RBI
d. RBI, trade policy

Ans - b
....

What kind of risk on settlements is covered by 'Herstatt Risk' for which BCBS was formed?

a. Exchange rate risk
b. Time difference risk
c. Interest rate risk
d. None

Ans - b

In the event of default credit risk (potential changes in the credit quality of the borrower), a fraction of the obligations is paid. This is known as ...... rate.

a. market
b. credit
c. recovery
d. NPA

Ans - c
....

Financial Risk is defined as ......

a. Uncertainties resulting in adverse variation of profitability or outright losses
b. Uncertainties that result in outright losses
c. Uncertainties in cash flow
d. Variations in net cash flows

Ans - d
....

What is the most critical function of Risk Management?

a. Measurement of risk
b. Identification of risks
c. Estimating the costs of risk
d. Controlling the level of risk to an organization's capacity

Ans - d
....

Worsening in credit quality of a borrower creates ...... risk.

1. default
2. credit spread
3. downgrade
4. portfolio

a. 1
b. 2 and 3
c. 4
d. 1 or 4

Ans - b

Factoring was introduced in India after the recommendations of ...... committe.

a. Narasimhan
b. Kalyanasundaram
c. Tandon
d. None of these

Ans - b
....

The number of parties involved in factoring is ...... and that in forfaiting ......

a. 5, 3
b. 2, 3
c. 3, 5
d. 5, 3

Ans - c
....

What is the normal balance for stockholders' equity and owner's equity accounts?

a. Debit
b. Credit
c. Either a or b
d. None of these

Ans - b
....

ABC Co. follows the accrual basis of accounting and performs a service on account (on credit) in December. The service was billed at the agreed upon amount of 35,000. ABC Co. debited Accounts Receivable for 35,000 and credited Service Revenue for 35,000. The effect of this entry on the balance sheet of ABC is to increase assets by 35,00000 and to

a. Decrease Assets By 35,000
b. Increase Owner's (Stockholders') Equity By 35,000
c. Decrease Owner's (Stockholders') Equity By 35,000
d. None of these

Ans - b
....

Which of the following would not be a current asset?

a. Accounts Receivable
b. Land
c. Prepaid Insurance
d. Supplies

Ans - b
....

Which of the following would normally be a current liability?

a. Note Payable Due In Two Years
b. Unearned Revenue
c. Both a and b
d. None of the above

Ans - b
....

When an owner draws 50,000 from a sole proprietorship or when a corporation declares and pays a 50,000 dividend, the asset Cash decreases by 50,000. What is the other effect on the balance sheet?

a. Owner's/Stockholders' Equity Increases
b. Owner's/Stockholders' Equity Decreases
c. Either a or b
d. None of the above

Ans - b
....

RBI has permitted banks to borrow and invest through their overseas correspondents in foreign currency subject to ......

a. 25% of there Tier-I Capital
b. 25% of there Tier-I Capital or USD 10 million
c. 25% of there Tier-I Capital or USD 10 million whichever is higher
d. 25% of there Tier-I Capital or USD 10 million whichever is lower

Ans - c
....

The treasury is run by a few specialist staff engaged in high value transaction per trn size generally not being ......

a. Rs 10 Million
b. Rs 20 Million
c. Rs 50 Million
d. None of these

Ans - c
....

The exposure arising due to normal business operations consequent to which the value of transactions will be affected is called ...... exposure.

a. Translation
b. Transaction
c. Operational
d. None of the above

Ans - b
....

The participants in the derivatives market generally exchange the following agreement:

a. IFEMA
b. ICON
c. ISDA
d. a stamped agreement devised by respective banks

Ans - c
....

The payments made in same day, so that no gain or loss of interest accrues to either party is called ......

a. Valuer Compense
b. Simply here and there
c. Either of a or b
d. None of these

Ans – c
....

Derivatives are so called because ......

a. They are subsidiary products in the market
b. They are derived from combination of different assets
c. Their value is dependent on the value of some other fundamental variable
d. They are traded on derivative exchanges

Ans - c
....

What would be the issue price of a CP (Face value of Rs. 100) carrying an interest rate of 10 % and maturity of 1 year expressed as % of notional value?

a. 100
b. 96.15
c. 90.90
d. 92.50

Ans - c

Explanation :

Interest rate = 10 % annual

CPs are issued at discount prices. .
So if face value is 100, then

Issue price × (1+10%) = 100
Issue price × 1.10 = 100
Issue price = 100/1.10
= 90.9090
= 90.90
....

Asset in doubtful category for 2 years – Rs. 500000/-
Realization value of security – Rs. 300000/-
What will be the provision requirement?

a. Rs. 500000/-
b. Rs. 320000/-
c. Rs. 200000/-
d. Rs. 175000/-

Ans - b

Explanation

Provision for secured portion of Doubtful Cat for 2 years = 40%
Provision for unsecured portion of Doubtful Cat for 2 years = 100%

Here,
Secured portion = Rs. 300000
Unsecured portion = Rs. 200000

Provision
= (300000 * 40/100) + 200000
= 120000 + 200000
= 320000
....

All the exchange rates quoted on the screen or in print are for mentioned unless otherwise

a. Forward transactions
b. Cash transactions
c. Spot transactions
d. Tom transactions

Ans - c
....

The difference between buying and selling rate is called ......

a. spread
b. profit
c. a only
d. a & b

Ans - d
....

Placement of funds for overnight is called ......

a. notice money
b. call money
c. term money
d. all the above

Ans - b
....

Select the incorrect statement(s).

The holder of a GDR gets voting right only when s/he converts them (GDR) into shares.
GDR does not entitle the holder any voting rights.
A holder of a GDR cannot convert it into the shares that it represents.
Forex risk is associated with a GDR.

a. both 1 and 2
b. both 1 and 3
c. both 2 and 4
d. both 3 and 4

Ans - d

....

An RFC account can be opened by ...... with an AD.

a. returning Indians who were non residents earlier and are now returning to India for permanent settlement to keep their foreign currency assets held outside India.
b. resident Indians, companies or firms to transact forex business.
c. a person resident in India to keep his/her foreign currency assets (notes / traveller cheques, etc)
d. diamond exporters

Ans - a

....

How many Diamond Dollar Accounts can an exporter maintain?

a. Only one
b. Two accounts
c. It is matter of discretion for the bank
d. Five

Ans - d

....

The quotation of 1 Rs = $ 0.01667 in Indian Rupee is an example of ________

a. Direct quotation
b. Indirect quotation
c. Competitive quotation
d. Aggressive quotation

Ans - b

The number of nostro accounts that can be maintained by a bank in a particular currency is ......

a. One
b. not exceeding three
c. minimum two
d. no such limit

Ans - d

The translation exposure is also known as 'Notional' due to the following reasons ...... (i) As there is no cash flows, (ii) Since these are related to one transaction

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - a

Exchange rates of currencies depend on the following factors ...... (i) Demand and supply, (ii) Inflation iinterest rates, (iii) Political environment

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

Ans - d

Derivatives can be used to hedge aggregate risks as reflected in the asset-liability mismatches. In this case a dynamic management of hedge is necessary' because

a. The risks are dynamic
b. New hedging tools arrive in the market
c. The composition of assets and liabilities is always changing
d. A close monitoring of hedge is an RBI requirement

Ans - c

Answer the following questions, based on the below given information

1st year (Rs. In crores)
Net profits - 600.00
Provisions - 800.00
Staff expenses - 900.00
Other operating expenses - 1000.00
Other income - 600.00

2nd year (Rs. In crores)
Net profits - 700.00
Provisions - 800.00
Staff expenses - 1000.00
Other operating expenses - 1200.00
Other income - 800.00

1. What is the amount of capital charge for operational risk, on the basis of 1st year results alone as per Basic indicator approach?

a. 495 cr
b. 525 cr
c. 555 cr
d. 615 cr

Ans – a

2. What is the amount of capital charge for operational risk, on the basis of 2rd year results alone as per Basic indicator approach?

a. 495 cr
b. 525 cr
c. 555 cr
d. 615 cr

Ans – c

3. What is the amount of capital charge for operational risk, on the basis of 1st and 2nd year results as per Basic indicator approach?

a. 495 cr
b. 525 cr
c. 555 cr
d. 615 cr

Ans – b

4. What is the amount of risk weighted assets for operational risks in India as per Basel III recommendations, on the basis of 1st year results alone?

a. 3913 cr
b. 4034 cr
c. 4565 cr
d. 4826 cr

Ans – b

5. What is the amount of risk weighted assets for operational risks in India as per Basel III recommendations, on the basis of 2nd year results alone?

a. 3913 cr
b. 4034 cr
c. 4565 cr
d. 4826 cr

Ans – d

6. What is the amount of risk weighted assets for operational risks in India as per Basel III recommendations, on the basis of 1st year and 2nd year results?

a. 3913 cr
b. 4034 cr
c. 4565 cr
d. 4826 cr

Ans - c

Explanations:

1. Capital charge = Gross income X 15%
Gross income 1st year = net profit + provisions + staff expenses + other operating expenses.
= 600 + 800 + 900 + 1000
= 3300
Capital charge = 3300 x 15% = 495 cr

2. Capital charge = Gross income X 15%
Gross income 2nd year = net profit+ provisions + staff expenses + other operating expenses
= 700 + 800 + 1000 + 1200
= 3700 cr

Capital Charge = 3700 x 15% = 555cr

3. Capital charge = Gross income X l5%.
Gross income for 1st year = 3300 cr
Gross income for 2nd year = 3700 cr
Average gross income = (3300 + 3700)/2
= 7000/2
= 3500 cr
Capital charge = 3500 x 15% = 525 cr

4. Capital charge / 11.5 % = 495 / 11.5 % = Rs. 4304 cr

5. Capital charge / 11.5 % = 555 / 11.5 % = Rs. 4826 cr

6. Capital charge / 11.5 % = 525 / 11.5 % = Rs. 4565 cr
....

As per Basel III implementation in India, within total capital of 9%of risk weighted assets, the Tier 2 capital can be:

a. max equal to Tier I capital
b. min equal to Tier I capital
c. max equal to 2% of risk weighted assets
d. min equal to 2% of risk weighted assets

Ans - c
....

Asset in doubtful category for 2 years – Rs. 500000/-
Realization value of security – Rs. 300000/-
What will be the provision requirement?

a. Rs. 500000/-
b. Rs. 320000/-
c. Rs. 200000/-
d. Rs. 175000/-

Ans - b

Explanation

Provision for secured portion of Doubtful Cat for 2 years = 40%
Provision for unsecured portion of Doubtful Cat for 2 years = 100%

Here,
Secured portion = Rs. 300000
Unsecured portion = Rs. 200000

Provision
= (300000 * 40/100) + 200000
= 120000 + 200000
= 320000
....

Client Jay pays ABC Co. 10,000 in December for ABC to perform services for Jay in 45 days. ABC uses the accrual basis of accounting. In December ABC will debit Cash for 10,000. What will be the other account involved in the December accounting entry prepared by ABC (and what type of account is it)?

a. Accounts Receivable (asset)
b. Prepaid Services (asset)
c. Service Revenues (revenue)
d. Unearned Revenues (liability)

Ans - a
....

Which of the following is not covered under 'Market Discipline' pillar of Basel II ?

a. Ensure maintenance of minimum capital - with PCA for shortfall
b. Core disclosures
c. Enhance Disclosure
d. Supplementary disclosures

Ans - a
....

Asset in doubtful-I category – Rs. 500000/-
Realization value of security – Rs. 400000/-
What will be the provision requirement?

a. Rs. 500000/-
b. Rs. 400000/-
c. Rs. 180000/-
d. Rs. 200000/-

Ans - d
....

The participants in call/notice money market are ......

a. The major players are Banks and primary dealers
b. Non-Banking financial companies can only lend the surplus funds upto specified limit
c. NBFC can not participate in this market
d. Both a and c

Ans - a
....

Under liberalized remittances by resident individuals upto ...... for any permitted current or capital account transaction or a combination of both.

a. $ 150000 per financial year
b. $ 250000 per financial year
c. $ 150000 per calendar year
d. $ 250000 per calendar year

Ans - b
....

A company issuing CP must satisfy the conditions ...... (i) Tangible Net worth of the company should not be less than Rs. 4 crore, (ii) The company should be enjoying working capital limit with Bank/financial institution, (iii) The Borrowal Account should be classified as standard Asset

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

Ans - d
....

The advantage to the lending Bank is ...... (i) The surplus funds are invested at term money rate, (ii) Credit Risk is low as lending Bank has recourse to the discounting Bank

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d
....

Under the forward exchange contract ......

a. the exchange rate is determined on the future date
b. the parties agree to meet at a future date for finalisation
c. delivery of foreign exchange is done on a predetermined future date
d. none of the above

Ans - c

....

In regard to balances in NRE/FCNB accounts of Returning Non-Resident Indians,

a. ADs would redesignate such accounts as resident accounts immediately on their return to India but continue to pay the interest at the rate originally fixed for the full term.
b. Eligible persons can transfer the balance to RFC a/c without penalty for premature payment
c. Has to be closed before maturity and converted into Indian rupees
d. a & b

Ans - d

....

The portfolio when diversified fully (which reduces portfolio risk), gets ...... risk.

1. systematic
2. concentration
3. intrinsic
4. default

a. 1 or 2
b. 2
c. 1 or 3
d. 3 and 4

Ans - c

....

A resident individual can remit upto ...... per financial year towards maintenance of close relatives.

a. $100000
b. $200000
c. $250000
d. None of the above

Ans - c

Which of the following can freely participate in futures market? (i) Banks and financial institutions, (ii) Individuals, (iii) Corporates

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

Ans - d
....

The benefits to borrowing Bank is ...... (i) It is able to infuse liquidity from out of existing Assets, (ii) Its capital adequacy ratio is improved or rediscounted bills are added to Inter-Bank liability

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d
....

A Student going abroad for studies is eligible for all facilities available to NRI. Therefore ......

a. he has to close educational loan if any already availed by him
b. he has to close other loans, if any, availed by him
c. need not close educational loan
d. he may continue all the loans

Ans - d
....

In post-shipment advance, the concessional rate of interest cannot exceed ...... days from the date of shipment.

a. 90
b. 120
c. 180
d. 360

Ans - c
....

Bank's activities under standardised approach are divided into ...... business lines.

a. 4
b. 6
c. 8
d. 10

Ans - c
....

Which capital is called supplementary capital?

a. Tier-I
b. Tier-II
c. Tier-III
d. none of these

Ans - b
....

Pillar – III Market Discipline does not consist of ......

a. Enhance disclosures
b. Core disclosures and Supplementary disclosures
c. Review Market ups and down
d. Timely at least semi annual disclosures

Ans - c
....

From the operational risk management point of view banking business lines have been grouped in how many major heads?

a. 4
b. 8
c. 5
d. 2

Ans - b
....

The exemptions from DTL include:

a. time deposits

b. foreign outward remittances in transit
c. transactions in CBLO with CCIL
d. overseas borrowings

Ans - c
....

Which of the following feature(s) apply to a 'Transferable Credit'? (i) Transfer of such Credit by second beneficiary back to first beneficiary is not permitted, (ii) Transferable L/C is one which is expressly written to be 'Transferable', (iii) Transferable L/C can be transferred only once but can be transferred to more than one parties.

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 institutions facilitate DVP (delivery v/s payment) for secondary market deals in equity and debt paper?

a. IDRBT
b. NDS
c. NSDL and CSDL
d. NEFT

Ans - c
....

In risk measurement, the parameter that is used to capture deviation of a target variable due to unit movement of a single market parameter, say 1% change in interest rate is called ......

a. Downside potential
b. Volatility
c. Sensitivity
d. Mitigation

Ans - c
....

The risk arises due to crystallization of contingent liabilities.

a. funding risk
b. time risk
c. call risk
d. gap or mismatch risk

Ans - c

....

As per the Reserve Bank of India in the draft guidelines for implementation of the new capital adequacy framework has modified the Gross Income definition slightly. The Net Interest Income has been replaced by

a. Net Profit
b. Operating Profit
c. No Changes made
d. Interest Expended

Ans - a

....

Which of following documents does not contains Zero risk ?

a. Investments in shares
b. Investment in bonds and debentures
c. Investment in term deposit
d. Investment in government bonds

Ans - a

....

From the operational risk management point of view banking business lines have been grouped in how many major heads?

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

Ans - b

....

....

Return on Zero-Risk investment would be ...... as compared to other oppurtunities available in the market.

a. High
b. Low
c. Equal
d. Either Low or High

Ans - b
....

When return on business is worked out by netting the risk in business, it is called as?

a. Return on investment
b. Risk netted return on equity
c. Risk adjusted return on investment
d. Risk based system

Ans - c
....

Treasury essentially deals with ...... term funds flow.

a. short
b. mid
c. long
d. none of these

Ans - a
....

Purchase or sale of a currency on a future date is known as ......

a. swap
b. forward
c. spot
d. repo

Ans - b
....

Market Risk involves ......

a. Risk Identification

....

b. Risk Measurement
c. Risk monitoring and control
d. All of them

Ans - d
....

Pre-payment of Loan Amount or Withdrawal of deposit amount will add ...... risk.

a. Credit Risk
b. Funding Risk
c. Embedded Option Risk
d. Liquidity Risk

Ans - c
....

Due to vastness of the market, operating in different time zones, most of the Forex deals in general are done on ....

a. TOM basis
b. SPOT basis
c. Ready or cash
d. Forward

Ans - b
....

The forward premium and discount are generally based on the ....of the two currencies involved.

a. Market rate
b. Future rate
c. Interest rate differentials
d. Ready or cash

Ans - b
....

In case banks have surplus liquidity, i.e., funds in excess of demand in the money market, they can ...... securities from / to RBI in exchange of cash deposit.

a. buy
b. sell
c. do nothing with it

d. none of these

Ans - a

....

CBLO is a ...... market instrument issued by ......

a. foreign exchange, RBI
b. money, CCIL
c. securities, GOI
d. domestic. SEBI

Ans - b

....

Infusion of liquidity, by RBI, is done through …… from / to banks under a …… transaction.

a. borrowing, repo
b. borrowing, reverse repo
c. lending, repo
d. lending, reverse repo

Ans - c

....

The deal size limit restrict the ...... risk on large deals.

a. legal
b. operational
c. credit
d. liquidity

Ans - b

....

When the strike price is below the spot price for the put option, the option is ......

a. at the money
b. out of money
c. in the money
d. any of the above

Ans – b

....

XYZ Bank's foreign correspondent maintaining a Nostro Rupee account with XYZ bank, wants to fund his account by purchase of Rs. 10.00 million, against US dollars. Assuming that the USD/INR interbank market is at 56.2380/2420, what rate would be quoted to the correspondent, ignoring exchange margin? Calculate amount of USD XYZ Bank would receive in its USD Nostro account, if the deal is struck.

a. 175438.60
b. 177803.07
c. 177815.71
d. 178571.43

Ans - c

Explanation :

The transaction is to sell Rs 10.00 million, against US dollars.
Hence the XYZ Bank would quote the lower of the two rates, i.e. 56.2380.
If the deal is struck, the foreign bank would pay Rs. 10000000/56.2380 = USD 177815.71 to XYZ Bank USD Nostro account.
....

If the strike price is less than the forward rate in case of a call option, the option is known to be ......

a. ATM
b. ITM
c. OTM
d. none of these

Ans - b
....

The liquidity corridor that RBI uses to control short-term interest rates is defined / dictated by ......

a. repo and reverse repo rates
b. call money market
c. bank rate
d. SLR and CRR

Ans - a
....

The benchmark rates for overnight lending for USD are generally ......

a. LIBOR
b. MIBOR

c. Fed Rate
d. MIFOR

Ans - c

A Bank received an LC for USD 2 Mio issued by MT 700 and opened on Jan 25, 2013. The credit calls for shipment of 200 tonnes of good quality wheat cultivated in Punjab. By default, whether the provisions of UCP 600 apply to this credit?

a. Yes, UCP 600 applies to this credit
b. No, UCP 600 does not apply
c. Only certain articles of UCP 600 apply to the credit
d. Yes, UCP 600 applies with permission from ICC

Ans - b

TARGET is a payment system in ......

a. UK
b. US
c. Europe
d. China

Ans - c

When the strike price is above the spot price for the put option, the option is ......

a. at the money
b. out of money
c. in the money
d. any of the above

Ans - c

SBI maintains USD account with Bank of America, New York. When it conducts transactions through this account, it passes entries in its books at Mumbai through the ...... account

a. Nostro account
b. Vostro account
c. Loro account

d. Mirror account

Ans - a

....

The quotation of 1 Rs = $ 0.01667 in Indian Rupee is an example of ......

a. Direct quotation
b. Indirect quotation
c. Competitive quotation
d. Aggressive quotation

Ans - b

....

Who is eligible to take Export turnover policy from ECGC?

a. Exporters with turnover not exceeding Rs 10 lakhs per year
b. Exporters who contribute not less than Rs. 10 lakhs towards premium
c. Exporters with turnover exceeding Rs 10 lakhs per year
d. Exporters who contribute not more than Rs. 10 lakhs towards premium

Ans - b

....

What is the maximum amount that can be availed under automatic route for

a. USD 20 million (with a minimum average maturity of 3 years)
b. above USD 20 million and up to USD 500 million (with average maturity of 5 years)
c. both a and b
d. None of these

Ans - c

....

GDRs are normally traded on ...... exchange and traded at two other places besides the place of listing - OTC market in London and private placement market in USA.

a. Shanghai
b. Luxembourg
c. Mumbai
d. Dubai

Ans - b

A bank funds its loans through composite liabilities. In a scenario where interest rate changes across the board the bank immediately stands exposed to

a. Yield curve risk
b. Basis risk
c. Both a and b
d. Neither a nor b

Ans - b

……………………………………

Asset in doubtful category for 2 years – Rs. 500000/-
Realization value of security – Rs. 300000/-
What will be the provision requirement?

a. Rs. 500000/-
b. Rs. 320000/-
c. Rs. 200000/-
d. Rs. 175000/-

Ans - b

Explanation

Provision for secured portion of Doubtful Cat for 2 years = 40%
Provision for unsecured portion of Doubtful Cat for 2 years = 100%

Here,
Secured portion = Rs. 300000
Unsecured portion = Rs. 200000

Provision
= (300000 * 40/100) + 200000
= 120000 + 200000
= 320000

……………………………………

Client Jay pays ABC Co. 10,000 in December for ABC to perform services for Jay in 45 days. ABC uses the accrual basis of accounting. In December ABC will debit Cash for 10,000. What will be the other account involved in the December accounting entry prepared by ABC (and what type of account is it)?

a. Accounts Receivable (asset)
b. Prepaid Services (asset)

c. Service Revenues (revenue)
d. Unearned Revenues (liability)

Ans - a

Risk aggregation in ICAAP implies ......

a. Sum total of risks measured across various risks
b. Sum total of risks measured in terms of pillar I guidelines
c. Sum total of risks measured after accounting for risk diversification
d. Assessment of bank's internal capital, capital adequacy assessment and strategy

Ans - c

IPDIs are ......

a. Free reserves and qualifies for Tier II capital
b. Debts and qualify for Tier I capital
c. Free reserves and qualifies for Tier I capital
d. Debts and qualify for Tier II capital

Ans - b

Intrinsic risk is ......

a. Associated with credit portfolio
b. Associated with each credit transaction
c. Associated with the economy
d. None of these

Ans - c

Which of the following may not be one of the goals of regulatory framework for banks in an economy?

a. Ensuring a level playing field for all the banks operating in the economy
b. Ensuring that depositor's interest is protected
c. Ensuring that the banking system is free from possible systemic risk
d. Ensuring that all banks earn sufficient surplus

Ans - d

Basel III capital regulations are based on 3 mutually reinforcing pillar. These pillars are (1) Pillar-1 minimum capital standards (2) supervisory review of capital adequacy (3) risk management.

a. all the 3 are correct
b. only 1 and 2 are correct
c. only 1 and 3 are correct
d. only 2 and 3 are correct

Ans - b
....

'Systemic Risk' may arise because of ......

a. Market volatility
b. Contagion effect
c. High fiscal deficit
d. Mce than usual monetary growth

Ans - b
....

Yield volatility is degree of variance in yield. This depends upon ......

a. Time
b. Duration
c. Both, time and duration
d. It does not depend upon time or duration

Ans - b
....

Suppose a project has many hazards that could easily injure one or more persons and there is no method of avoiding the potential for damages. The project manager should consider ...... as a means of deflecting the risk.

a. abandoning the project
b. buying insurance for personal bodily injury
c. establishing a contingency fund
d. establishing a management reserve

Ans - b
....

If the U.S. dollar appreciates relative to the British pound, ...

a. it will take fewer dollars to purchase a pound
b. it will take more dollars to purchase a pound
c. it is called a weakening of the dollar
d. both a & c

Ans - a
....

Where an option is out of the money ......

a. The premium will be refunded to the buyer
b. The buyer is unable to take up the contract
c. The seller gains to the extent of the premium received
d. No further purchase by the buyer is permitted

Ans - c
....

The true cost of hedging transaction exposure by using forward market is ......

a. Difference between agreed rate and spot rate at the time of entering into contract
b. Difference between agreed rate and spot rate on the due date of contract
c. Forward premium / discount annualized
d. None of the above

Ans - b
....

Covered interest rate parity occurs as the result of ......

a. the actions of market-makers
b. interest rate arbitrage
c. purchasing power parity
d. stabilising speculation

Ans - b
....

A forward contract to deliver British pounds for US dollars could be described either as ...... or ......

a. buying dollars forward; buying pounds forward
b. selling pounds forward; selling dollars forward

c. selling pounds forward; buying dollars forward
d. selling dollars forward; buying pounds forward

Ans - c
....

The Bretton Woods accord ......

a. of 1879 created the gold standard as the basis of international finance
b. of 1914 formulated a new international monetary system after the collapse of the gold standard
c. of 1944 formulated a new international monetary system after the collapse of the gold standard
d. None of the above

Ans - c
....

The maxim 'buy low; sell high' is applicable for ......

a. Quotation of Pound-Sterling
b. Indirect rates
c. Direct rates
d. US DOLLARS

Ans - c
....

Basis risk is a type of ......

a. Interest Rate Risk
b. Operational Risk
c. Market Risk
d. Credit Risk

Ans - a
....

If purchasing power parity were to hold even in the short run, then ......

a. real exchange rates should tend to decrease over time
b. quoted nominal exchange rates should be stable over time
c. real exchange rates should tend to increase over time
d. real exchange rates should be stable over time

Ans - d

On 20th January, M/s ABC Exporter tenders for purchase a Bill payable 60 Days from Sight and Drawn on New York for USD 25,000. The Dollar / Rupee rates in the interbank exchange market were as under:

Spot USD 1 = Rs. 65.4000 / 4550
Spot / February 1600/1500
Spot / March 3000/2900
Spot / April 5000/4900
Spot / May 6000/5900

Exchange Margin of 0.10% is to be loaded. Rate of Interest is 11% p.a.

1. What will be the Exchange Rate to be quoted to the customer?

a. 64.6525
b. 64.8350
c. 64.9000
d. 65.4000

Ans - b

2. What will be the Rupee Amount payable to him?

a. Rs. 15,62,129
b. Rs. 15,79,354
c. Rs. 16,20,875
d. Rs. 16,35,000

Ans - b

3. What will be the Exchange Rate to be quoted to the customer if the Bill is payable 30 Days from Sight?

a. 65.0150
b. 65.0350
c. 65.0550
d. 65.0750

Ans - b

4. What will be the Rupee Amount payable to him if the Bill is payable 30 Days from Sight?

a. Rs. 15,79,354
b. Rs. 15,82,536
c. Rs. 15,98,926
d. Rs. 16,32,638

Ans - c

5. What will be the Exchange Rate to be quoted to the customer if the Bill is payable 90 Days from Sight?

a. 64.3750
b. 64.5250
c. 64.6750
d. 64.7350

Ans - d

6. What will be the Rupee Amount payable to him if the Bill is payable 90 Days from Sight?

a. Rs. 15,62,286
b. Rs. 15,68,564
c. Rs. 15,74,862
d. Rs. 15,83,426

Ans - a

Solution :

1. The notional due date is (60 + 25) days from 20th January, i.e., 15th April. (Note that transit period of 25 days is to be taken even if the question is silent). Since the dollar is at discount (forward margin is in descending order), this period will be rounded off to higher month, i.e., end November, and the rate quoted will be based on Spot / November rate for US dollar in the interbank market.

Dollar / Rupee market spot buying rate = Rs. 65.40000
Less: Discount for Spot / February – Rs. 0.50000
65.40000 - 0.50000 = Rs. 64.90000
Less: Exchange margin at 0.10% on Rs. 64.90000 = Rs. 0.06490
64.90000 - 0.06490 = 64.8351
Rounded off to the nearest multiple of 0.0025, the rate quoted would be Rs. 64.8350 per dollar.

2. Rupee amount payable on the bill for USD 25,000
At Rs. 64.8350 per dollar = Rs. 16,20,875
Less: Interest for 85 days at 11% on Rs. 16,20,875 = Rs. 41,521
= 16,20,875 - 41,521
= 15,79,354

3. The notional due date is (30 + 25) days from 20th January, i.e., 16th March. (Note that transit period of 25 days is to be taken even if the question is silent). Since the dollar is at discount (forward margin is in descending order), this period will be rounded off to higher month, i.e., end November, and the rate quoted will be based on Spot / November rate for US dollar in the interbank market.

Dollar / Rupee market spot buying rate = Rs. 64.40000
Less: Discount for Spot / March – Rs. 0.30000
65.40000 - 0.30000 = Rs. 65.10000
Less: Exchange margin at 0.10% on Rs. 65.10000 = Rs. 0.06510
65.10000 - 0.06510 = 65.0349
Rounded off to the nearest multiple of 0.0025, the rate quoted would be Rs. 65.0350 per dollar.

4. Rupee amount payable on the bill for USD 25,000
At Rs. 65.0350 per dollar = Rs. 16,25,875
Less: Interest for 55 days at 11% on Rs. 16,25,875 = Rs. 26,949
= 16,25,875 - 26,949
= 15,98,926

5. The notional due date is (90 + 25) days from 20th January, i.e., 15th May. (Note that transit period of 25 days is to be taken even if the question is silent). Since the dollar is at discount (forward margin is in descending order), this period will be rounded off to higher month, i.e., end November, and the rate quoted will be based on Spot / November rate for US dollar in the interbank market.

Dollar / Rupee market spot buying rate = Rs. 64.65250
Less: Discount for Spot / May – Rs. 0.60000
65.40000 - 0.60000 = Rs. 64.80000
Less: Exchange margin at 0.10% on Rs. 64.80000 = Rs. 0.06480
64.80000 - 0.06480 = 64.7352
Rounded off to the nearest multiple of 0.0025, the rate quoted would be Rs. 64.7350 per dollar.

6. Rupee amount payable on the bill for USD 25,000
At Rs. 64.7350 per dollar = Rs. 16,18,375
Less: Interest for 115 days at 11% on Rs. 16,18,375 = Rs. 56,089
= 16,18,375 - 56,089
= 15,62,286
....

On a 5 point scale (very high, high average, moderate & low), probability of occurrence of an activity has been estimated at an average level. Potential financial impact is estimated at high level. Given that the impact of internal control is 40%, what is estimated level of operational risk?

a. Very high to high
b. High to average
c. Average to moderate
d. Moderate to low

Ans - c
....

Hedging with options is best recommended for ......

a. Hedging receivables
b. Hedging payables
c. Hedging contingency exposures
d. Hedging foreign currency loans

Ans - c

....

The total value of the products and services marketed by a nation is called ......

a. Gross Domestic Product
b. Gross National Product
c. National Income
d. Per capita income

Ans - d

....

Economic exposure does not deal with ......

a. Changes in real exchange rates
b. Future cash flow of the firm
c. Expected exchange rate changes
d. None of the above

Ans - c

....

The forward exchange rate ......

a. is the rate today for exchanging one currency for another for immediate delivery
b. is the rate today for exchanging one currency for another at a specific future date
c. is the rate today for exchanging one currency for another at a specific location on a specific future date
d. is the rate today for exchanging one currency for another at a specific location for immediate delivery

Ans - b

....

The euro is the name for ......

a. a currency deposited outside its country of origin

b. a bond sold internationally outside of the country in whose currency
c. the bond is denominated
d. a common European currency

Ans - b
....

Financial products of IFC does not include ......

a. loans
b. equity participation
c. risk management products
d. none of the above

Ans - d
....

Strategies in which funds are moved from one MNE operation to another are called ......

a. funds positioning techniques
b. arm's length techniques
c. fronting techniques
d. subsidiary flows

Ans - a
....

It is very difficult to interpret news in foreign exchange markets because ......

a. very little information is publicly available
b. most of the news is foreign
c. it is difficult to know which news is relevant to future exchange rates
d. it is difficult to know whether the news has been obtained legally

Ans - c
....

India is facing continuous deficit in its balance of payments. In the foreign exchange market rupee is expected to ......

a. Depreciate
b. Appreciate
c. Show no specific tendency

d. Depreciate against currencies of the countries with positive balance of payment and appreciate against countries with negative balance of payment

Ans - a

....

What are the forms of assistance that the World Bank provides to its members?

a. Technical and financial
b. Political and financial
c. Political and economic
d. Technical and military

Ans - a

....

The market where long term securities (shares, bonds, etc) are bought and sold is called as ......

a. money market
b. capital market
c. primary market
d. secondary market

Ans - b

....

Under Standard Approach retail and SME exposures attract a uniform Risk weightage of ......

a. 50%
b. 75%
c. 80%
d. 85%

Ans - b

....

Stress testing involves ......

a. Identification of market parameters
b. Stress quantum
c. Determining time horizon
d. All of these

Ans - d

The price which one subsidiary or one unit of business charges from another for selling goods or providing services is ......

a. Transfer price
b. Strike price
c. Spot price
d. Forward rate

Ans - a

....

The bond that does not pay any interest and issued at a price lower than its reimbursement value is called as ......

a. Zero coupon bond
b. Coupon bond
c. Euro bond
d. Domestic bond

Ans - a

....

MIGA stands for ......

a. Multilateral Investment Guarantee Agency
b. Multilateral Institutional and Government Agencies
c. Mutual Interest Guaranteeing Agencies
d. Mutual Institutional and Government Agencies

Ans - a

....

A bank has disbursed 6 months loan at a fixed rate of 11% out of funds raised through 6 month CDs of same amount. The bank stands exposed to ......

a. No risk
b. Default risk and operational risk
c. Operational risk and call risk
d. Default risk, operational risk and embedded option risk

Ans - d

....

A firm operating in India cannot hedge its foreign currency exposure through ......

a. Forwards
b. Futures
c. Options
d. None of the above

Ans - b
....

A positive exposure will lead to ...... when the currency of the subsidiary company appreciates.

a. Translation gain
b. Translation loss
c. Exchange gain
d. Exchange loss

Ans - a
....

Which of the following are international financial considerations faced by both small and large MNEs?

a. Currency systems
b. Tax systems
c. Interest rates
d. Exchange rate

Ans - c
....

The spot exchange rate ......

a. is the rate today for exchanging one currency for another for immediate delivery
b. is the rate today for exchanging one currency for another at a specific future date
c. is the rate today for exchanging one currency for another at a specific location on a specific future date
d. is the rate today for exchanging one currency for another at a specific location for immediate delivery

Ans - a
....

ABC co has following data as on 31-03-2018 Value in cr

Paid up capital (for 2 crore share with face value of Rs 10) - 20
Reserve - 60
Long term Loans - 80
PBIDT - 50
Paid interest - 12
Depreciation - 10
Tax - 08
Price earning ratio - 10

On this basis, ans the following qtns

1. Its net profit would be ......

a. Rs. 38 Cr
b. Rs. 40 Cr
c. Rs. 42 Cr
d. Rs. 20 Cr

Ans – d

PBIDT-I-D-T
= 50-12-10-8
= 20 cr
....

2. Book value of shares of the company as on 31-03-2018

a. Rs. 10 cr
b. Rs. 30 cr
c. Rs. 40 cr
d. Rs. 80 cr

Ans – c

Book value of shares = (paid up capital + reserve)/no of shares
= (20+60)/2
= 40
....

3. The earning per share would be ......

a. Rs. 40 cr

a. Rs. 30 cr
a. Rs. 20 cr
a. Rs. 10 cr

Ans – d

EPS=NPAT/paid up capital* face value
= 20/20*10
= 10
....

4. Market price of the share of the co......

a. Rs. 50 cr
a. Rs. 100 cr
a. Rs. 200 cr
a. Rs. 300 cr

Ans – b

Market price = PER * EPS
= 10*10
= 100
....

The apex body of the Foreign Trade is ......

a. The Central Government
b. The State Government
c. The Ministry of Commerce
d. All the above

Ans - c
....

Identify which of the following sentences is incorrect.

a. When rating of a bond is lowered, its price declines
b. When rating of a bond is lowered, its price increases
c. When rating of a bond is upgraded, its price declines
d. Unless rating of a bond changes, there is no change in its price

Ans - a
....

A claim of Rs. 60 lacs has been settled by ECGC in favour of a bank against default of Rs. 80 lacs. Subsequently the bank realizes Rs. 20 lacs with the collateral available to the loan. What is the loss suffered by the bank on this loan?

a. Rs. 25 lacs
b. Rs. 20 lacs
c. Rs. 15 lacs
d. Rs. 10 lacs

Ans – c

Explanation :

ECGC had settled Rs. 60 lacs on default of 80 Lacs (That is 75% of the default amount)

But Subsequent to that settlement, Rs. 20 lacs was realised through the security held. So, the claim amount from ECGC should be, 60 Lacs only from ECGC.

And the ECGC had settled only 75 % of the claim amount. So, the settlement amount will be,
75% of Rs. 60 lacs = 6000000 x 75/100 = 45 lacs

So, total realised value = 4500000 + 2000000 = 6500000 (out of 80 lacs)
So, the bank had suffered loss Rs. 15 lacs on this loan.
....

Asset in doubtful-I category – Rs. 500000/-
Realization value of security – Rs. 400000/-
What will be the provision requirement?

a. Rs. 500000/-
b. Rs. 400000/-
c. Rs. 180000/-
d. Rs. 200000/-

Ans - d

Solution

Asset in doubtful-I category – Rs. 500000/-
Secured portion = Rs. 400000/-
So, unsecured portion = Rs. 500000 - 400000 = 100000/-

Provision for Secured portion in D-1 = 25 %
Provision for unSecured portion in D-1 = 100 %

So, the total provision requirement
= (400000 x 25%) + (100000 x 100%)
= 100000 + 100000
= 200000
....

As per Basel III, the value of revaluation reserve is to be taken at ...... % discount to include in Tier 2 capital

a. 60%
b. 55%
c. 50%
d. 45%

Ans - b
....

As per Basel III, adjustments / deductions are required to be made from Tier I and Tier 2 capital, relating to which of the following (i) goodwill and other intangible assets (ii) deferred tax assets (iii) Investment in own shares (treasury stock)

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

Ans - d
....

Basel-II prescribes that the housing loan portfolio shall be given the risk weight of...

a. 100%
b. 35%
c. 75%
d. None of the above

Ans - c
....

An FCNR deposit received from NRI in US $ can be viewed by the bank as...

a. Euro-rupee deposit
b. Petro-dolllar deposit
c. Rupee-dollar deposit

d. Euro-dollar deposit

Ans - d

....

A claim of Rs. 49 lacs has been settled by ECGC in favour of a bank against default of Rs. 70 lacs. Subsequently the bank realizes Rs. 15 lacs with the collaterals available to the loan. What will be actual amount settled by ECGC after realization of security by the bank?

a. Rs. 49 lacs
b. Rs. 42.5 lacs
c. Rs. 38.5 lacs
d. Rs. 34 lacs

Ans - c

Explanation :

ECGC had settled Rs. 49 lacs on default of 70 Lacs (That is 70% of the default amount)

But Subsequent to that settlement, Rs. 15 lacs was realised through the security held. So, the claim amount from ECGC should be, 55 Lacs only from ECGC.
And the ECGC had settled only 70 % of the claim amount. So, the settlement amount will be,

70% of Rs. 55 lacs = 5500000 x 70/100 = 38.5 lacs
So, actual amount settled by ECGC = Rs. 38.5 lacs

....

For Substandard Secured Assets, the provision required is ...... of the outstanding amount.

a. 15%
b. 20%
c. 10% of the realizable value of security (RVS)
d. None of these

Ans - a

....

In a loan a/c, the balance outstanding is Rs. 5 lacs and a cover of 75% is available from CGTMSE. The a/c has been doubtful since 01.10.2011 and the value of security held is Rs. 2 lacs. What will be the total provision to be made for this account as on 31.03.2015?

a. Rs. 500000
b. Rs. 275000

c. Rs. 225000
d. Rs. 75000

Ans - b

Friends, actually in case the advance covered by CGTMSE guarantee becomes non-performing, no provision need be made towards the guaranteed portion. The amount outstanding in excess of the guaranteed portion should be provided for as per the extant guidelines on provisioning for non-performing advances. Please refer "http://rbi.org.in/scripts/BS_ViewMasCirculardetails.aspx?id=7357#pron". Visit - 5.9.5 Advance covered by Credit Guarantee Fund Trust For Micro And Small Enterprises (CGTMSE) guarantee.

So,

Explanation :

Outstanding balance = Rs. 5 lacs, Security available = Rs. 2 lacs

CGTMSE cover of 75% available on the remaining amount
= (500000 – 200000) x 75/100
= 300000 x 75/100 = 225000

We will take the uncovered amount for taking provision, which will be,
300000 - 225000 = 75000

Since loan is in doubtful category for more than 3 years, we will take 100 % Provision for security value.
=200000

So total provision will be,
75000+200000
= 275000
....

As per Basel III, adjustments / deductions are required to be made from Tier I and Tier 2 capital, relating to which of the following (i) goodwill and other intangible assets (ii) deferred tax assets (iii) Investment in own shares (treasury stock)

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

Ans - d
....

Potential loss in loan assets is known as ______ risk.

a. credit
b. market
c. liquidity
d. operational

Ans - a
....

Which is not an approach to measure Operational Risk?

a. Basic Indicator Approach
b. Standardized approach
c. IRB Foundation approach
d. Advanced Measurement approach

Ans - c
....

Pre-payment of loan amount or withdrawal of deposit amount will add ...... risk.

a. Credit Risk
b. Funding Risk
c. Embedded Option Risk
d. Liquidity Risk

Ans - c
....

When return on business is worked out by netting the risk in business, it is called ......

a. Return on investment
b. Risk netted return on equity
c. Risk adjusted return on investment
d. Risk based system

Ans - c
....

PCFC can be allowed initially for a maximum period of ...... days.

a. 90
b. 120

c. 180
d. 360

Ans - c
....

VaR is most commonly used to measure risk over _____ periods.

a. short
b. medium
c. long
d. none of these

Ans - a
....

Which of these is not a product of financial markets?

a. foreign exchange
b. bonds
c. equities
d. none of these

Ans - d
....

The trading book does not include ......

a. foreign exchange holdings
b. fixed income securities
c. deposits
d. all of these

Ans - c
....

Which of the following is not an exposure to off-balance sheet?

a. capital
b. swaps
c. futures
d. options

Ans - a

Treasury bills are issued by _____ through _____ for maturities of 91 days, 182 days and 364 days for pre-determined amounts.

a. RBI, GOI
b. GOI, RBI
c. RBI, Exim bank
d. GOI, Exim bank

Ans - b
....

A 'Red Clause' LC is one in which ...... (i) the beneficiary can avail pre-shipment finance up to the amount specified in LC, (ii) there are certain restrictive clauses as to period of shipment negotiation of bills etc

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - a
....

Which of the following components is exempted from DTL calculation?

a. Foreign outward remittances in transit
b. Net inter-bank borrowings / deposits with maturity not exceeding 14 days (call/notice money liability)
c. demand and time deposits
d. overseas borrowings

Ans - b
....

LAF (Liquid Adjustment Facility) is used to monitor ____ liquidity in the market.

a. day-to-day
b. weekly
c. monthly
d. none of these

Ans - a
....

Forward rates fully reflect interest rate differentials only in ......

a. controlled economies
b. developing economies
c. economies where interest rates are free
d. in perfect markets where the currencies are fully convertible and the markets are highly liquid

Ans - d
....

Which test is not applied in Stress Testing ?

a. Simple sensitivity test
b. Scenario test
c. Minimum loss
d. Maximum loss

Ans - c
....

If the strike price is more than the forward rate in case of a put option, the option is known to be ......

a. ATM
b. ITM
c. OTM
d. none of these

Ans - b
....

An exchange of cash flow is ......

a. forward contracts
b. futures
c. options
d. swaps

Ans - d
....

Swaps (IRS - Interest Rate Swap) which collapse at a knock-out level of market rates and swap with built-in options are known as _____ swaps.

a. Quanto

b. Coupon
c. Swaptions
d. Plain vanilla

Ans - c
....

If only currency is hedged. the type of currency swap would be ......

a. PoS (Principal only Swap)
b. CoS (Coupon only Swap)
c. P + I Swap
d. none of these

Ans - a
....

In a loan a/c, the balance outstanding is Rs. 5 lacs and a cover of 75% is available from CGTMSE. The a/c has been doubtful since 01.10.2011 and the value of security held is Rs. 2 lacs. What will be the total provision to be made for this account as on 31.03.2015?

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c. Rs. 225000
d. Rs. 75000

Ans - b

Friends, actually in case the advance covered by CGTMSE guarantee becomes non-performing, no provision need be made towards the guaranteed portion.

The amount outstanding in excess of the guaranteed portion should be provided for as per the extant guidelines on provisioning for non-performing advances.

Please refer "http://rbi.org.in/scripts/BS_ViewMasCirculardetails.aspx?id=7357#pron".
Visit - 5.9.5 Advance covered by Credit Guarantee
Fund Trust For Micro And Small Enterprises (CGTMSE) guarantee.

So,

Explanation :

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We will take the uncovered amount for taking provision, which will be,
300000 - 225000 = 75000
Since loan is in doubtful category for more than 3 years, we will take 100 % Provision for security value.
=200000

So total provision will be,
75000+200000
= 275000
....

Risk is managed by the following except ......

a. Limits and Triggers
b. Risk Monitoring
c. Models of Analyses
d. None of these

Ans - d
....

In a floating interest scenario, bank may price their assets and liabilities based on different benchmarks, pick up the odd one.

a. Treasury bills yield
b. Fixed deposit rates
c. Call money rates
d. Forward rates

Ans - d
....

Which one is not included in Banking books?

a. all deposit and loans
b. all borrowings
c. capital
d. all of these

Ans - c
....

Risk weighted assets for credit of a bank is basically a five stage process, which one is the third stage.

a. Determining Adjusted Exposure
b. determining applicable risk weight
c. determining RWA for the exposure
d. determining allowable reduction

Ans - b

....

A 'Revolving Credit' doesn't means a letter of credit ...... (i) which is available for use in any country, (ii) covering many shipments up to a particular period of time or a particular amount or both, (iii) which can be easily transferred by the beneficiary to his suppliers

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

Ans - b

....

Market value of a portfolio varies with stress testing techniques. Stress testing covers many different techniques, find out which one specifies the shocks that might plausibly affect a number of market risk factor simultaneously if an extreme, but possible, event occurs.

a. simple sensitivity test
b. scenario analysis
c. Maximum loss
d. extreme value theory

ans - b

....

Credit events are ISDA defined credit event and includes events. Pick up odd one

a. Bankruptcy
b. Obligation acceleration
c. Obligation default
d. Non performing assets

Ans - d

....

Short term funds flow have maturity ......

a. more than 6 months but less than 1 year
b. less than 1 year
c. more than 1 year but less than 2 years
d. none of these

Ans - b
....

The salient feature of convertible bond is ......

a. Conversion of physical bonds into demat form
b. Option to convert the bond in to equity on a fixed date or during a fixed period and the price is pre-determined
c. Automatic reinvestment in another bond on maturity
d. Absence of coupon

Ans - b
....

The exchange rates for forward sale or forward purchase are quoted ......

a. today
b. tomorrow
c. third day from today
d. none of these

Ans - a
....

Rupee is convertible on current account as well as capital account owing to the relaxations allowed by RBI in the area of ......

1. FDI
2. ECB
3. ODI
a. both 1 and 2
b. both 2 and 3
c. both 3 and 1
d. all of these

Ans - d
....

Counter party Risk is a type of ......

a. Interest Rate Risk
b. Market Risk
c. Credit Risk
d. Operational Risk

Ans - c

....

Change in interest rates will not affect ...... (i) Net interest income, (ii) Other income, (iii) Staff expenses

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

Ans - c

....

Match the correct pair.

1) buyers / importers / applicant a. on whose behalf LC is opened
2) negotiating bank b. sellers bank or nominated by the opening bank
3) advising bank c. agent of issuing bank and authenticates LC
4) confirming bank d. pay on behalf of issuing bank

a. 1 - B
b. 2 - C
c. 3 - D
d. All are correct pairs

Ans - d

....

Back testing is done to

a. Test a model
b. Compare model results and actual performance
c. Record performance
d. None of the above

Ans - b

....

Human error creates ...... risk.

a. Credit risk
b. Operational risk
c. Market risk
d. System risk

Ans - b

The International Chamber of Commerce (ICC)was established in 1919 headquartered at ......

a. New York
b. Paris
c. Brussels
d. Switzerland

Ans - b

...... risk is the risk of failure of the counter party, due to bankruptcy, closure or any other reason, before maturity of the contract.

a. Pre - settlement
b. Settlement
c. Counter party
d. None of the above

Ans - a

When an enterprise has an unhedged receivable or payable denominated in a foreign currency and settlement of the obligation has not yet taken place, that firm is said to have ......

a. Tax exposure
b. Operating exposure
c. Infinite exposure
d. Transaction exposure

Ans - d

Flow the interest rates are calculated?

a. Interest rates are calculated on notional amount which is equal to face value of debt instrument.
b. The notional amount is not exchanged.
c. The actual payment of interest is netted out on interest payment date
d. All these

Ans - a

....

What are the Interest Rate Futures?

a. These are the contracts written on fixed Income securities of a specified size
b. The interest rates can be of a short term, medium term and long term
c. They are used to hedge interest rate risk
d. All these

Ans - a

....

Which of the following is not a characteristics of forward contracts?

a. Forward contracts are zero risk contracts
b. Forward contracts are OTC contracts
c. Forward contract have opportunity costs associated with it
d. Forward contracts eliminates currency risk

Ans - a

....

Given loan by your Bank against Govt Guarantee to Govt company. Loan is over due for more than 90 days

a. Will be treated as NPA.
b. Will be treated as NPA only if guaranteed is invoked and guarantee is not honoured.
c. Both are true
d. None are true

Ans - b

....

Erosion in security value to 50% or more and it was sanctioned just 3 months back ......

a. Classify account as SA

b. Classify account as SSA
c. Classify account as DA
d. Classify account as LA

Ans - c

....

The derivative Policy should consist .... (i) Capital Allocation, (ii) Restrictions on Derivative Trading, (iii) Exposure limits

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

Ans - d

....

ADs may allow advance remittance for import of goods upto a ceiling of ......

a. US $ 5,000
b. US $ 10,000
c. US $ 20,000
d. If advance remittance exceeds US @ 100000 an unconditional irrevocable standby letter of credit or guarantee from an International Bank

Ans - d

....

Import licenses are valid for shipment ......

a. 12 months from the date of issuance of licence
b. 1 week after the arrival of goods into the country
c. upto last day of the month in which they expire
d. 18 months from the date of arrival of goods.

Ans - c

....

The face value of an Import Licence should take care of ......

a. Cost of goods only
b. Cost, Insurance and Freight (i.e) CIF
c. CIF plus interest

d. CIF, Interest and Agency Commission, if any.

Ans - d

....

Usance bills drawn under Import LC should be retired ......

a. 10 days from the date of receipt of the bill
b. on due date
c. last day of the month in which the licence expires
d. None of the above

Ans - b

....

For making payment towards imports into India, application from importers is obtained on ......

a. Form A1
b. Form A4
c. Stat 4
d. R 6

Ans - a

....

The exchange rates quoted by an authorised dealer to its customers are known as ......

a. authorised rates
b. commercial rates
c. merchant rates
d. indirect rates

Ans - c

....

TT buying rate is not applicable for the following transaction ......

a. encashment of a DD for which cover has already been received
b. encashment of an MT for which paying bank has to make reimbursement claim with the issuing bank
c. realisation of a foreign bill sent for collection
d. payment of a cable transfer

Ans - b

....

The parameters for fixing price by a Treasury are .... (i) Market interest rate, (ii) Cost of hedging market Risk, (iii) Cost of maintaining reserve assets of the Bank

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 correct regarding transfer pricing under Treasury operations? (i) If Bank procures deposit at 7% but the Treasury buys at a lower cost, the difference being the cost would be borne by the Bank, (ii) If the Bank lends at higher rate and sells the loan to Treasury at lower rate, the Balance being risk premium would be the income for the Bank

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d
....

Which of the followings is not correct?

a. Banks mostly use OTC products
b. Volume of Trade in OTC products is much lesser
c. Options and futures are Exchange Traded Products
d. All these

Ans - b
....

What is Sensitivity Ratio? (i) Extent of interest sensitive Assets, (ii) Ratio of interest rate sensitive Assets to interest rate sensitive Liabilities

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - b
....

The contract of an option is ...... (i) Where the Buyer of an option has a right but no obligations to exercise a contract, (ii) The price fixed in advance is called strike price, (iii) Specified time is known expiry date

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

Ans - d
....

Bill buying rates are applicable to ......

a. all export transactions
b. any transaction to which TT buying rate is not applicable
c. realisation of a foreign bill sent for collection
d. only for puchase/negotiation of export bills

Ans - d
....

As per FEDAI Rules, the rupee value of all foreign exchange transactions should be rounded off to ......

a. nearest rupee
b. nearest ten rupees
c. nearest paise
d. nearest ten paise

Ans - a
....

The limitations of Derivatives are .... (i) If interest rate on deposits and loans are not based on benchmark rates interest rate swaps may not be that useful, (ii) The product prices may not move in line with market rates, (iii) The Treasury operations may not provide perfect hedge

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

Ans - d
....

State Govt guaranteed loans and investment in State Govt guaranteed bonds will ......

a. Attract loan provisions and asset classification if over due for 90 days
b. Only loan provisioning required
c. Only asset classification required
d. No need to classify as NPA

Ans - a
....

Provision on standard assets ......

a. 0.25%
b. 0.25% for SME and agricultural advances and .40% for others.
c. 0.40 for all
d. None of above

Ans - b
....

Non-resident bank accounts are maintained in ......

a. the permitted currencies
b. the currency of the country of the bank maintaining the account
c. the currencies in which FCNR accounts are permitted to be maintained
d. Indian Rupee

Ans - d
....

Any resident individual may remit upto .... in one Financial Year as gift to a person residing outside India

a. $ 250000
b. $ 200000
c. $ 150000
d. None of the above

Ans - a
....

Interest earned on which of the following accounts is exempted from tax?

a. NRO

b. NRE
c. FCNR
d. Both b and c

Ans - d
....

For medical treatment, Authorised dealer may release foreing exchange upto an amount of ...... per Financial Year without insisting on any estimate from a hospital/doctor.

a. $ 100000
b. $ 250000
c. $ 300000
d. none of the above

Ans - b
....

Risk appetite is .... (i) The capacity and willingness to absorb losses on account of market Risk, (ii) The extent of Risk involved in securities

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - a
....

What does B stands for in FCNR (B) Account?

a. Bid
b. Bond
c. Bank
d. Book

Ans - c
....

The features of MIFOR are ...... (i) It combines LIBOR and forward premium, (ii) It is based on active forex market dealings, (iii) It is linked to domestic and global markets

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 correct? (i) Exporters and importers can use forward contracts for the trade transactions, (iii) Contracts can be booked on declaration basis, (iii) Options and forwards booked to hedge loans, once cancelled can not be rebooked

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

Ans - d
....

Investment Fluctuation Reserve is part of which type of capital ......

a. Common Equity Tier 1
b. Additional Tier 1
c. Tier 2
d. None of these

Ans - a
....

Which of the following does not come under Tier 2 capital?

a. General Provisions & Loss reserves
b. Debt capital instuments
c. revaluation reserves
d. b and c

Ans - d
....

Composite Risk policy should also contain the following .... (i) Intra-day and overnight positions, (ii) Stop loss limits, (iii) Valuation of Trading positions

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

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

Ans - d

....

Sundry Assets attracts ...... % risk weight for Capital Adequacy Ratio

a. 25
b. 50
c. 75
d. 100

Ans - d

....

Suppose a Bank borrows US dollars at 3% and lends in domestic market at 8.5%. The Bank pays forward premium of 1.5% to cover exchange Risk. What is the overall impact? (i) The Bank earns a spread of 2% without any exchange Risk, (ii) A bank through Treasury operations can supplement domestic liquidity, (iii) The above process is known as arbitrage

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

Ans - d

....

The statutory basis for administration of foreign exchange in India is ......

a. Foreign Exchange Regulation Act, 1973
b. Conservation of foreign Exchange and Prevention of Smuggling Act.
c. Foreign Exchange Management Act, 1999
d. Exchange Control Manual

Ans - c

....

The foreign currency account maintained by our Foreign Department with our foreign ranches/correspondents in different countries is known as ......

a. Special account
b. Vostro account
c. Nostro account

d. FCNR account

Ans - c
....

Our Branches report their foreign currency transactions to ......

a. International Banking Department, Mumbai
b. Treasury, Mumbai
c. International Banking Division, LHO
d. RBI

Ans - b
....

Transactions having international financial implications are regulated in our country by ......

a. External Affairs Ministry, New Delhi
b. The Foreign Exchange Dept., RBI, Mumbai
c. Institute of Foreign Trade, New Delhi
d. International Division, SBI, Bombay

Ans - b
....

Which of the following is correct? (i) Margin is like a security for credit Risk, (ii) Plain vanilla swaps are currency and interest rate swaps with basic structure without inbuilt options, (iii) Managing market Risk inherent in the Assets and Liabilities of a Bank is called Balance Sheet Management

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

Ans - d
....

A dealer has a $200 million open position. He finds that his VaR for a one day period with a one percent probability is $1000,000. Which of the following is true?

a. This means that the dealer can expect to lose at least $1000,000 in any given day about one percent of the time, or in other words, 2.5 times in a year (assuming 250 trading days)
b. This means that the dealer can expect to lose at least $1000,000 in any given day about 99 percent of the time, or in other words, 247.5 times in a year (assuming 250 trading days)

c. This means that the dealer can expect to lose at least $2,000,000 in any given day about one percent of the time, or in other words, 2.5 times in a year (assuming 250 trading days)
d. This means that the dealer can expect to lose at least $ 4000,000 in any given day about one percent of the time, or in other words, 2.5 times in a year (assuming 250 trading days)

Ans - a

What is transfer pricing under Treasury operations? (i) It is the process of fixing the cost of resources and return on Assets of a Bank in rational manner, (ii) The Treasury buys and sells deposits and loans of Bank, (iii) The price fixed by the treasury becomes the basis for assessing profitability of a Bank

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

Ans - d

What is securitization? (i) A process which converts conventional credit into tradable Treasury Assets. (ii) Credit receivabl es of the Bank can be converted into Bonds i.e. pass through certificates, (iii) These certificates can be traded in the market

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

Ans - d

Suppose a Bank prices the 3 month deposit at 91 day T-Bill + 1% and swap rate of the loan yield T-Bill+3%. What is the impact? (i) Fixed interest of the loan is swapped into floating rate, (ii) Bank has a spread of 2%, (iii) The Risk is protected during the period of loan

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

Ans - d

Revaluation Reserves are taken as part of Tier 1 capital at a discount of ......

a. 50 percent
b. 45 percent
c. 55 percent
d. No discount

Ans - c
....

Under BASEL-III, what is the Risk Weightage on the Loans and advances given to Staff of the bank ......

a. 75 percent
b. 30 percent
c. 45 percent
d. 20 percent

Ans - d
....

All the forex transactions are reported to Treasury through ......

a. Special account
b. Branch Clearing General Account Schedules 3 and 7
c. Foreign Currency General Account
d. FCNR account

Ans - c
....

A customer wants to know the provisions for importing a motor vehicle. Which book should he refer to?

a. Exchange Control Manual
b. Codified Foreign Dept. Circulars
c. Handbook of Import-Export Procedures
d. Customs Manual

Ans - c
....

An import licence is valid for ......

a. 12 months from the date of issue
b. 18 months

c. upto the validity of import licence and if no period is specified until 31st March of the licensing year.
d. no time limit

Ans - b

....

Financial market consists of ...... (i) Foreign Exchange, (ii) Debt Instruments, (iii) Equities

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

Ans - d

....

If the default probability for an "A"-rated company over a three year period is 0.30%, then the most likely probability of default for the same company over a six year period is ......

a. 0.30%
b. Between 0.30% and 0.60%
c. 0.60%
d. Greater than 0.60%

Ans - d

....

The advantages of credit Derivatives are .... (i) It helps the issuer to diversity the credit risk, (ii) The capital can be used more efficiently, (iii) Credit Derivative is a transferable instrument

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

Ans - d

....

The exchange control copy of import licence submitted by the importer for opening LC/making remittance should, after full utilisation, be ......

a. forwarded to RBI along with `R' Return
b. retained by AD for scrutiny by inspecting officials
c. handed over to the importer

d. forwarded to the Trade Control authorities

Ans - b

....

Under standardized approach for measurement of operational risk, beta factor for retail banking is ......

a. 2%
b. 15%
c. 18%
d. 20%

Ans - a

....

Which is the only approach using for Export Credit Agencies?

a. Scandalized Approach
b. Basic Indicator
c. Simplified Standard approach
d. None

Ans - c

....

Importers should retire the demand bills drawn under LC on ......

a. the day on which the bill is received at the branch
b. before the expiry date of license
c. within 10 days from the date of receipt of the bill.
d. no specific period

Ans - c

....

In case of Domestic banks risk weights are assigned depends on?

a. CRAR
b. ECA
c. CSU
d. None

Ans - a

....

The account maintained by an our Foreign Branches / Correspondents with our domestic branch (in India) is known as ......

a. Loro a/c
b. Vostro a/c
c. Special a/c
d. Nostro a/c

Ans - b
....

Which of the followings are over the counter product? (i) Forwards, (ii) Currency and interest rate options, (iii) Swaps

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

Ans - d
....

A Capital debt instrument which is part of Tier II capital has a remaining maturity of more than 1 year but less than 2 years. At what rate of discount it will be taken for Tier II capital:

a. 50% discount
b. 80% discount
c. 75% discount
d. 55% discount

Ans - b
....

The features of over the counter product are ...... (i) Contracts of any size and maturity can be structured, (ii) The product has counterparty risk, (iii) Banks are the major players in the OTC market

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?

a. In India we have European type of option
b. Options do not cover hedge against price fluctuations
c. A person who sells USD put option to the exporter and a USD call option to the importer would be mitigating mutual Risk
d. Option is like a insurance against adverse movement of prices

Ans - b

....

The features of a forward contract are ...... (i) Settlement of a contract on maturity is essential, (ii) Holder of a forward contract can not benefit if market rate is better on day of settlement, (iii) There is no price for a forward contract — interest differentials of two currencies is loaded into the forward rate

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 loans cannot be securitized?

a. Long term loans
b. Short term loans
c. Medium term loans
d. Retail loans

Ans - b

....

Which of the followings is true? (i) Surplus funds with the banks can be invested in pass through certificates, (ii) This will be indirect expansion of credit portfolio

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d

....

The maximum amount of General provisions and loss reserves should be taken for Tier II ......

a. 1.50 % of RWA
b. 2.75% of RWA
c. 5% of RWA
d. 1.25% of RWA

Ans - d

Under transitional arrangements Additional tier 1 ratio on 31st March, 2014 should be ......

a. 2 percent
b. 1.5 percent
c. 7 percent
d. 2.50 percent

Ans - b

The features of credit derivatives are .... (i) It segregates credit Risk from loan, (ii) The Risk is transferred from the owner of the Asset to another person for a fee, (iii) The instrument is known as credit linked certificates

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

Ans - d

What is an embedded option? (i) When a call option gives issuer the right to repay the debt before specified date, (ii) A convertible option may give bond holder option of converting debt into equity on specified terms

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d

Capital conservation buffer means capital buffers build up in ......

a. Stress period
b. Normal times
c. Contagion times
d. Catasphoric times

Ans - b
....

Leverage means ability of a business concern ......

a. To with stand pressures in the times of crisis
b. To meet its liabilities in time
c. To borrow or build up assets on the basis of given capital
d. none of these

Ans - c
....

The features of futures contract are ...... (i) It is a forward contract where Seller agrees to deliver to the Buyer a specified security on a specified date, (ii) Futures contracts are of standard size with pre-fixed settlement date, (iii) The contracts are traded in a futures exchange

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 will be Loss given default (LGD) for capital charge computation under IRB if the total exposure is 1,000,000 $ and proportion of loss is 15%?

a. 1,000,000.00
b. 80,000.00
c. 150,000.00
d. Depends on probability of default (PD)

Ans - c
....

Which of the following is a part of Additional Tier 1 capital?

a. Floating provisions
b. Provision for Standard asset
c. disclosed free reserves
d. Perpetual Non-Cumulative Preference Shares (PNCPS)

Ans - d
....

Which of the followings are Exchange Traded Products? (i) Currency, (ii) Stock/Index options, (iii) Futures

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

Ans - d
....

At portfolio level what are Techniques used to mitigate credit risk?

a. Asset Securitization
b. Credit Derivatives
c. Both a and b
d. None of these

Ans - c
....

Which of the following is a key difference under foundation IRB and advanced IRB?

a. PD
b. EAD
c. Maturity
d. Data requirements

Ans - d
....

Which of the followings are financial futures? (i) Currency futures, (ii) Interest Rate Futures, (iii) Stock/Index futures

a. Only (i) and (ii)

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

Ans - d

....

What is an interest rate swap?

a. It is a process where interest flows on an underlying assets or liability are exchanged
b. The value is the notional amount of swap
c. The interest is changed according to requirement of a lender or borrower
d. All these

Ans - a

....

An integrated Riskmanagement policy under Asset Liabilitymanagement should focus on ....

a. Riskmeasurement andmonitoring
b. Risk Neutralisation
c. Product pricing
d. All of these

Ans - c

....

Liquidity policy survival prescribe .... (i) Minimum liquidity to be maintained, (ii) Funding of Reserve Assets, (iii) Exposure limit to money market

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

Ans - d

....

Liquidity policy of a Bank should contain .... (i) Contingent funding, (ii) Inter-Bank committed credit lines

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)

d. Both (i) and (ii)

Ans - d

....

Which of the followings is correct?

a. Special purpose vehicle is formed exclusively to handle securities paper on behalf of sponsoring Bank
b. Hedging policy is a document which specifies extent of coverage of foreign currency obligations
c. Self regulatory organizations formulate market related code of conduct
d. All of the above

Ans - b

....

Interest rate swap are shifted as under ......

a. Floating rate to fixed rate
b. Fixed rate to floating rate
c. Floating rate to floating rate
d. Any of these

Ans - d

....

The rate quoted for issue of Drafts/TTs is ......

a. Bill Selling rate
b. Inter-Office rate
c. Forward rate
d. TT Selling rate

Ans - d

....

Going concern capital means ......

a. Capital to protect bank without triggering bankruptcy of the bank
b. Special capital build up for absorbing abnormal losses to bank
c. Capital which RBI has to build by issuing bonds
d. Capital to absorb losses only in a situation of liquidation of the bank

Ans - a

....

How the Treasury operations are useful in minimizing Asset Liability mismatch? (i) Through uses of derivatives, (ii) Use of new products, (iii) Through Bridging the liquidity and rate sensitivity gaps

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

Ans - d

....

The Hedging of interest rates Risk depends on ...... (i) It is based on inverse relationship between interest rates and bond prices, (ii) If the interest rate goes up the bond price comes down, (iii) Bond price would move up if interest rates decline

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

Ans - d

....

“Netting” is a method of aggregating two or more obligations to achieving a reduced net obligation. The benefits accrues from “Netting” is:

a. Reduced Credit Risk
b. Liquidity Risk
c. Systemic Risk
d. All of the above

Ans - a

....

Under Standardized Approach for the measurement of operational risk, beta factor for Payment and settlement ......

a. 20%
b. 18%
c. 15%
d. 12%

Ans - b

....

While complying with minimum Tier 1 of 7% of risk weighted assets, a bank cannot admit, Perpetual Non-Cumulative Preference Shares (PNCPS) together with Perpetual Debt Instruments (PDI) in Additional Tier 1 Capital more than ...... % of RWA

a. 2 percent
b. 3 percent
c. 4.5 percent
d. 1.5 percent

Ans - d

....

Which of the following statements is correct? (i) Trading in securities is exposed to market risk, (ii) At times the Risks are compensatory in nature and help to minimize the mismatches, (iii) Options can be economic only in marketable size

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

Ans - d

....

The rate applicable for an export bill tendered for negotiation is ......

a. bill buying rate
b. bill selling rate
c. composite rate
d. TT buying rate

Ans - a

....

A person going abroad for employment may draw foreing exchange upto ...... in one Financial Year

a. $ 100000
b. $ 250000
c. $ 300000
d. None of the above

Ans - c

....

Expand NRO Account ......

a. Non Residential Ordinary Account
b. Non Residential Operated Account
c. Non Residential Operation Account
d. None of the above

Ans - a

....

Which of the followings are not derivatives?

a. Forward Contract
b. Corporate Bonds
c. Swaps
d. Options

Ans - b

....

Which of the following is responsible for ensuring compliance with various risk limits imposed by the Management and RBI as well as accuracy and objectivity of the transaction? (i) front office, (ii) back office, (iii) middle office

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

Ans - a

....

As per principle of credit pricing based on credit rating, a borrower rated B shall be charged more interest compared to another borrower rated A is due to ......

a. Regulatory requirement
b. Industry practice
c. Higher probability of default
d. All of the above

Ans - c

....

Asset Liability mismatches can be reduced through use of derivatives in Treasury operations because ...... (i) Derivatives can be used to hedge high value transactions, (ii) It can also minimize aggregate risk in Asset liability mismatches

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d

....

The probability of a company entering bankruptcy within next 12 months period is measured by the following technique ......

a. Credit metrics
b. Credit risks
c. Credit maps
d. All man's Z score

Ans - d

....

The debt instruments (bonds/debenture) issued by bank for inclusion in Tier II should be issued without ......

a. Call option
b. Put option
c. Setup option
d. None of these

Ans - b

....

Under transitional arrangements for Basel III implementation, the regulatory deductions to the extent of ...... % is required to be taken for CRAR calculation on 31st March, 2014

a. 100
b. 60
c. 20
d. 40

Ans - d

....

On 26th August, M/s ABC Exporter tenders for purchase a Bill payable 60 Days from Sight and Drawn on New York for USD 30,000. The Dollar / Rupee rates in the interbank exchange market were as under:

Spot USD 1 = Rs. 64.6525 / 6850
Spot / September 1500/1400
Spot / October 2800/2700
Spot / November 4200/4100
Spot / December 5600/5500

Exchange Margin of 0.10% is to be loaded.
Rate of Interest is 10% p.a.

1. What will be the Exchange Rate to be quoted to the customer?

a. 64.6525
b. 64.2325
c. 64.1675
d. 64.0750

Ans - c

2. What will be the Rupee Amount payable to him?

a. Rs. 18,80,196
b. Rs. 19,25,100
c. Rs. 19,26,975
d. Rs. 19,39,575

Ans - a

3. What will be the Exchange Rate to be quoted to the customer if the Bill is payable 30 Days from Sight?

a. 64.5210
b. 64.3100
c. 64.2400
d. 64.1750

Ans - b

4. What will be the Rupee Amount payable to him if the Bill is payable 30 Days from Sight?

a. Rs. 18,62,520
b. Rs. 18,97,321
c. Rs. 19,01,230

d. Rs. 19,20,346

Ans - b

5. What will be the Exchange Rate to be quoted to the customer if the Bill is payable 90 Days from Sight?

a. 64.0025
b. 64.0175
c. 64.0275
d. 64.1275

Ans - c

6. What will be the Rupee Amount payable to him if the Bill is payable 90 Days from Sight?

a. Rs. 18,50,356
b. Rs. 18,54,254
c. Rs. 19,01,524
d. Rs. 19,14,364

Ans - b

Solution :

1. The notional due date is (60 + 25) days from 26th August, i.e., 19th November. (Note that transit period of 25 days is to be taken even if the question is silent). Since the dollar is at discount (forward margin is in descending order), this period will be rounded off to higher month, i.e., end November, and the rate quoted will be based on Spot / November rate for US dollar in the interbank market.

Dollar / Rupee market spot buying rate = Rs. 64.65250
Less: Discount for Spot / November – Rs. 0.42000
64.65250 - 0.42000 = Rs. 64.23250

Less: Exchange margin at 0.10% on Rs. 64.2325 = Rs. 0.06423
64.23250 - 0.06423 = 64.16827

Rounded off to the nearest multiple of 0.0025, the rate quoted would be Rs. 64.1675 per dollar.

2. Rupee amount payable on the bill for USD 30,000
At Rs. 64.1675 per dollar = Rs. 19,25,025
Less: Interest for 85 days at 10% on Rs. 19,25,025 = Rs. 44,829
= 19,25,025 - 44,829
= 18,80,196

3. The notional due date is (30 + 25) days from 26th August, i.e., 19th October. (Note that transit period of 25 days is to be taken even if the question is silent). Since the dollar is at discount (forward margin is in descending order), this period will be rounded off to higher month, i.e., end November, and the rate quoted will be based on Spot / November rate for US dollar in the interbank market.

Dollar / Rupee market spot buying rate = Rs. 64.65250

Less: Discount for Spot / October – Rs. 0.28000
64.65250 - 0.28000 = Rs. 64.37250

Less: Exchange margin at 0.10% on Rs. 64.37250 = Rs. 0.06437
64.37250 - 0.06437 = 64.30813

Rounded off to the nearest multiple of 0.0025, the rate quoted would be Rs. 64.3100 per dollar.

4. Rupee amount payable on the bill for USD 30,000
At Rs. 64.3100 per dollar = Rs. 19,29,300

Less: Interest for 55 days at 10% on Rs. 19,29,300 = Rs. 31,979
= 19,29,300 - 31,979
= 18,97,321

5. The notional due date is (90 + 25) days from 26th August, i.e., 19th December. (Note that transit period of 25 days is to be taken even if the question is silent). Since the dollar is at discount (forward margin is in descending order), this period will be rounded off to higher month, i.e., end November, and the rate quoted will be based on Spot / November rate for US dollar in the interbank market.

Dollar / Rupee market spot buying rate = Rs. 64.65250
Less: Discount for Spot / December – Rs. 0.56000
64.65250 - 0.56000 = Rs. 64.09250

Less: Exchange margin at 0.10% on Rs. 64.09250 = Rs. 0.06409
64.09250 - 0.06409 = 64.02841

Rounded off to the nearest multiple of 0.0025, the rate quoted would be Rs. 64.0275 per dollar.

6. Rupee amount payable on the bill for USD 30,000
At Rs. 64.0275 per dollar = Rs. 19,20,825

Less: Interest for 115 days at 10% on Rs. 19,20,825 = Rs. 66,571
= 19,20,825 - 66,571
= 18,54,254
....

How much foreign currency can be carried in cash for travel abroad in the following cases?

1. Travellers going to all countries other than (a) travellers proceeding to Iraq and Libya and (ii) Islamic Republic of Iran, Russian Federation and other Republics of Commonwealth of Independent States

a. USD 2000
b. USD 3000
c. USD 5000
d. USD 250,000

Ans - b

2. Travellers going to Iraq and Libya

a. USD 2000
b. USD 3000
c. USD 5000
d. USD 250,000

Ans - c

3. Travellers going to Islamic Republic of Iran, Russian Federation and other Republics of Commonwealth of Independent States

a. USD 2000
b. USD 3000
c. USD 5000
d. USD 250,000

Ans - d

4. Travellers proceeding for Haj/Umrah pilgrimage

a. USD 2000
b. USD 3000
c. USD 5000
d. USD 250,000

Ans - d

5. A traveller who has returned to India is free to retain foreign exchange up to ......, in the form of foreign currency notes or TCs for future use

a. USD 2000
b. USD 3000
c. USD 5000
d. USD 250,000

Ans - a

....

As per a call option, You can buy USD 60000 at a strike price of Rs. 64 per USD with expiry at the end of 2 months. In this case,

1. If the spot price of USD is Rs. 65 on the expiry day, it is an :

a. in-the-money option
b. out-of-money option
c. at-the-money option
d. american option

Ans - a

....

2. If the spot price of USD is Rs. 63 on the expiry day, it is an :

a. in-the-money option
b. out-of-money option
c. at-the-money option
d. american option

Ans - b

....

3. If the spot price of USD is Rs. 64 on the expiry day, it is an :

a. in-the-money option
b. out-of-money option
c. at-the-money option
d. american option

Ans - c

....

Answer the following questions based on the fInancial results of an International Bank provided below as on Mar 31, 2017.

Interest earned - Rs. 50000 cr
Interest paid — Rs. 25000 cr
Income on sale of Yd party products — Rs. 200 cr
Other non-interest income — Rs. 5000 cr
ProfIt on sale of fixed assets — Rs. 500 cr
Operating expense — Rs. 10000

1. What is the amount of gross income as per Basic Indicator Approach for operational risk?

a. Rs.4500 cr
b. Rs.20700 cr
C. Rs.30000 cr
d. Rs.39130 cr

Ans - c
....

2. What is the amount of capital charge for operational risk under basic indicator approach?

a. Rs.4500 cr
b. Rs.20700 cr
C. Rs.30000 cr
d. Rs.39130 cr

Ans - a
....

3. What is the amount of risk weighted assets for operational risk under basic indicator approach as per Basel III in India (RBI requirement)?

a. Rs.4500 cr
b. Rs.20700 cr
C. Rs.30000 cr
d. Rs.39130 cr

Ans - d
....

4. What is the amount of operating profit?

a. Rs.4500 cr

b. Rs.20700 cr
C. Rs.30000 cr
d. Rs.39130 cr

Ans - b

....

Explanation:

1. Gross income = Net interest income + net non-interest income
Net interest income = Interest earned - Interest paid
= 50000 — 25000 = 25000
Gross income = 25000 + 5000
= 30000

2. Capital charge for operational risk = Gross income x l5%
= 30000 x 15%
= 4500 cr

3. RWA = Capital charge / Minimum Basel-3 CAR
RWA = 4500 / 11.5% = 39130 cr

4. Operating profit = Interest earned + other non-interest income + profit on sale of fixed assets + income on sale of 3 party products — interest paid — operating expense
= 50000 + 5000 + 500 + 200 - 25000 - 10000
= 20700

....

A 10 year 7% semi-annual bond @ market yield of 8% has a price of 97.80, which rises to 98.60 at a yield of 7.92%, What is the BPV of the bond?\

a. 10000 per million of book value
b. 1000 per million of face value
c. 10000 per million of market value
d. 1000 per million of face value

Ans - d

....

Verification and settlement of the deals concluded by the dealers is not performed by ...... (i) front office, (ii) Treasury administration, (iii) Risk management

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

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

Ans - b
....

In a rising interest rate scenario, which of them following are least preferred? (i) Deposits with fixed rates and advances with fixed rates, (ii) Advances with floating rate of interest and Deposits with fixed rate of interest, (iii) Deposits with floating rates and advances with fixed rates

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

Ans - b
....

Exchange rates of currencies depend on the following factors ...... (i) Demand and supply, (ii) Inflation iinterest rates, (iii) Political environment

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

Ans - d
....

Test of the quality of a rating model is assessed based on whether

1. Rating model takes in to account all relevant risk factors
2. Rating given on accounts match rating given by other market players such as rating agencies
3. Rating migration developed based on the model maps fairly well with market standards

Which of the following is correct?

a. 1, 2 and 3
b. 2 and 3
c. 1 and 2
d. 1 and 3

Ans - d
....

A floating exchange rate ......

a. is determined by the national governments involved
b. remains extremely stable over long periods of time
c. is determined by the actions of central banks
d. is allowed to vary according to market forces

Ans - d

UCPDC 600 is ......

a. Set of rules applicable to CC transactions
b. Set of rule having 500 articles.
c. Set of rules framed by ICC governing LC business globally.
d. Set of universally applicable rules governing LC business in India only.

Ans - c

ICC is ......

a. The issuer of the LC under UCPDC
b. The trade body governing the UCPDC rules
c. A trade body for Indian exporters helping to increase exports
d. The confirming bank, which governs rules for LC drawn under UCPDC.

Ans - b

In an LC transaction, following parties are not involved ......

a. The exporter
b. The issuing bank
c. The advising bank
d. The opening banks representative office in benificiary's country, who helps source business for the issuing bank.

Ans - d

Bill of entry is required to show that ......

a. The goods have been exported out of the country.

b. The invoice contains fair price and there is no over/under invoicing
c. The goods have come into the country of import
d. The importer has paid the import bill

Ans - c

The incoterms which confirms that the price of the goods inclusive of Insurance and Freight upto the port of destination, is called ......

a. C & F
b. CIF
c. CPT
d. CFI

Ans - b

Mark which statement is correct:

a. The LC must have an applicant and a beneficiary.
b. The LC must have an advising bank and a confirming bank.
c. The negotiating bank is not responsible to examine the documents.
d. The advising bank has no option decide whether it wants to advice the LC or not.

Ans - a

Mark which statement is correct:

a. Irrevocable LC cannot be revoked or cancelled, but can be amended without the concurrence of the parties concerned.
b. Red clause LC is called so because it is all over printed in RED letters.
c. Confirmed LC is confirmed by a bank, usually in the country of the exporter, for giving additional comfort to the exporter.
d. Transferable LC can be further transferred by the first, second, i third, even without specific mention in the original LC.

Ans - c

IEC number is required for:

a. Import of capital goods.

b. Filing of bill of entry with customs.
c. Undertaking any export or import transaction.
d. Receiving gift from relatives abroad.

Ans - c
....

A risk is:

a. Related to illness, which does not effect the human life
b. Related to events which do not effect the profits of the organization.
c. Related to unplanned event with financial consequences resulting in loss.
d. A certain event, where outcome is known.

Ans - c
....

One of the essential differences between an OTC and an Exchange traded derivative is ......

a. OTC derivatives are cheaper while Exchange traded derivatives are costly
b. OTC derivatives are for customers while Exchange traded derivatives are for banks
c. In OTC derivatives, counter party risk is prominent, whereas in exchange traded derivatives, counter party risk is totally absent
d. OTC derivatives are for hedging risks whereas Exchange traded derivatives are used for speculation

Ans - c
....

Operational Risk does not occur if;

a. Strike at the port
b. Non loading of goods on the desired ship, due to rains.
c. Delay in supplies by sub-suppliers.
d. Delay in payment by the buyers.

Ans - b
....

Which of the following is NOT a criticism of a flexible exchange rate system?

a. Flexible exchange rates tend to be variable and therefore cause more uncertainty
b. Flexible exchange rate systems require discipline on the part of central banks that may not be forthcoming

c. Under flexible exchange rates, trading countries tend to rely more heavily upon tariffs and other restrictions
d. The flexible exchange rate system reduces the power of fiscal policy

Ans - c
....

ECGC policies do not cover;

a. Exchange fluctuation risk.
b. Risk due to insolvency of the buyer.
c. Risk due to default by the shipping company.
d. Risk due to new licencing imposed by the buyers country.

Ans - a
....

The value of a derivative is determined by ......

a. The value of the underlying
b. Notional principal amount
c. FIMMDA
d. FEDAI

Ans - a
....

A bank borrows USD for 03 months @ 2.5% and swaps the same in the INR for 03 months for deployment in CPs @ 5.5%. The 03 Months premium on USD is 0.75% the margin generated by the bank in the transaction is ...... (IIBF 2013)

a. 3%
b. 2.25%
c. 5.5%
d. Non of these

Ans - b

Solution :

= 5.5-2.5=3
= 3*0.75 = 2.25%
....

In case of free currencies, forward premium or discount is exactly equal to the difference between ......

a. Risk-free interest rates of the two currencies
b. Inflation rates in both the countries
c. Spot rate and Tom rate
d. LIBOR and RBI reference rate

Ans - a
....

Credit guarantees are on risk sharing basis, means that ......

a. The buyer and seller share the risk of default of any one of them.
b. The buyer shares the defaulted amount with the insurance company.
c. The seller shares the risk with the financier.
d. The financer shares the risk with the insurance company.

Ans - d
....

The exchange rates of major currencies fluctuate every ________ seconds.

a. Ten
b. Four
c. Five
d. Seven

Ans - b
....

Main factors effecting exchange rates are technical,_________ and speculation.

a. Technical
b. Fundamental
c. Speculation
d. a & b above

Ans - b
....

In a spot contract, settlement of funds take place on the_______ following the date of contract.

a. Second working day
b. On the spot

c. Due date
d. Next day

Ans - a
....

Treasury bills are available for a minimum amount of ......

a. Rs.25000 and in multiples of Rs. 25000
b. Rs.10000 and in multiples of Rs. 10000
c. Rs.5000 and in multiples of Rs. 5000
d. Rs.1000 and in multiples of Rs. 1000

Ans - a
....

Which treasury bill auction on non-reporting week ......

a. 364 days
b. 91 days
c. 182 days
d. all the above

Ans - c
....

Which treasury bill auction on reporting week ......

a. 91 days
b. 182 days
c. 364 days
d. all the above
Ans - c
....

At present, there are Central Government dated securities with a tenor up to in the market ......

a. 10 years
b. 30 years
c. 12 years
d. 05 years

Ans - b
....

The tenor of state government securities is normally ......

a. Five year
b. seven years
c. thirty years
d. Ten year

Ans - d
....

State government securities are available for a minimum amount of ......

a. Rs.1000 and in multiples of Rs.10000
b. Rs.10000 and in multiples of Rs.10000
c. Rs.100 and in multiples of Rs.1000
d. Rs.10000 and in multiples of Rs.1000

Ans - b
....

Find the odd man out :

a. Futures
b. Value at Risk (VAR)
c. Options
d. Swaps

Ans - b
Which of the following are macro-economic factors? (i) GDP growth rate, (ii) stock markets and commodity markets, (iii) relative inflation

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

Ans - a
....

A coupon Swap is defined as ...... (i) interest rate swap, where underlying benchmark interest rates are exchanged, (ii) Interest rate swap, where fixed rate is exchanged with floating rate

a. Only (i)
b. Only (ii)

c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - c

....

Under UCPDC 600, what is maximum number of days allowed for examination of documents by issuing bank and negotiating bank?:

a. 5 banking days each
b. 5 days each
c. 7 banking days in total
d. 7 banking days

Ans - a

....

A mutual fund charges 1% entry load and no exit load. Its NAV is Rs.16; its sale and repurchase price will ......

a. Rs.16 and Rs.15.80
b. Rs.16.16 and Rs.15.84
c. Rs.15.84 and Rs.16
d. Rs.16.16 and Rs.16

Ans - d

....

A company with equity capital of Rs.15 crores makes PBIDT of Rs.15 crores and PAT of Rs.10 crores. The face value of its share is Rs.5 and PE is 10, the market price will be ---------.

a. Rs.50
b. Rs.66
c. Rs.33.34
d. Rs.100

Ans - c

....

VaR is not enough to assess market risk of a portfolio. Stress testing is desirable because ......

a. It helps in calibrating VaR module
b. It helps as an additional risk measure
c. It helps in assessing risk due to abnormal movement of market parameters

d. Its use as VaR measure is not accurate enough

Ans - c

....

Risk of legal or regulatory sanction, financial loss or reputation loss that a bank may suffer as a result of its failure to comply with any or all of the applicable laws, regulations etc. is called as ......

a. Transaction risk
b. Compliance risk
c. legal risk
d. Systems risk

Ans - b

....

A company with equity capital of Rs.50 crores (Face Value of Rs.10/- per share) makes gross profit of Rs.70 crores and net profit after tax of Rs.25 crores. If the market price of its equity share is Rs.50, the PE ratio will be ......

a. 50
b. 5
c. 10
d. 20

Ans - c

....

From the following details, what will be the closing balance for collection Account:

On 1.4.2017, Bills for collection were - 51,00,000
During the year 2017-18 Bills received for collection amounted to - 75,00,000
Bill collected during the year 2017-18 - 98, 47,000
Bills dishonoured and returned during the year - 27,10,000

a. 47,37,000
b. 3,10,000
c. 43,000
d. 27,53,000

Ans - c

....

Under Basel III, under standardized approach, the total risk weighted off-balance sheet credit exposure is calculated by taking into account, the credit conversion factor (CCF). In which of the following, the CCF is not correctly stated?

a. direct credit substitutes such as financial guarantee or standby LC — 100%
b. performance guarantees - 50%
c. self liquidating short term LC covering trading in goods — 50%
d. note issuance facilities and revolving underwriting facilities - 50%

Ans - c
....

Under Basel III, the risk weight for capital charge for credit risk on the basis of standardized approach for home loan of above Rs.20 lac up to Rs.75 lac, where loan to value (LTV) ratio is 80% is ...... %

a. 20
b. 50
c. 75
d. 100

Ans - b
....

Risk that could arise due to legal actions or uncertainty of interpretations of contracts and agreements is called ......

a. legal risk,
b. contract risk
c. country risk
d. uncertainty risk

Ans - a
....

The consequences of Reputation Risk may be ...... (i) Negative public opinion, (ii) Decline in customer base, (iii) Financial loss to the organization

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 true regarding settlement risk? (i) It is a systematic Risk, (ii) There is much emphasis now a days on Risk free settlement, (iii) In India we have now real time gross settlement system

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

Ans - d

....

A bank finds it difficult to repay the short term deposits on maturity to its deposits because the funds of the bank are locked in long term loans or investments. The risk arising from this situation is called ......

a. Interest rate risk
b. Liquidity risk
c. Operational risk
d. Market risk

Ans - b

....

Under Basel III, the risk weight is for capital charge for credit risk on the basis of standardized approach for exposure to commercial real estate ...... %

a. 20
b. 50
c. 75
d. 100

Ans - d

....

Which of the followings is not an objective of Risk management?

a. Uninterrupted operations
b. Higher deposit growth
c. Continued growth
d. Creating good image

Ans - b

....

What is Risk management? (i) It is the process of identifying and controlling the Risk, (ii) The process includes measurement of Risk, (iii) Monitor and control of Risk is also an important aspect of Risk management

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

Ans - d

Under Basel III, for home loan purpose, the loan to value ratio (LTV) ratio is calculated as ......

a. (principal + other charges) / (realizable value of mortgage property)
b. (principal + accrued interest + other charges) / (realizable value of mortgage property)
c. (principal + accrued interest) / (realizable value of mortgage property)
d. (principal + accrued interest + other charges) / (cost of mortgage property)

Ans - b

Strategic Risk may arise due to ...... (i) Improper implementation of decisions, (ii) Lack of monitoring and control, (iii) Lack of responsiveness to industry changes

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

Ans - d

During Risk-based audit, what do the auditors do in addition to grading the risks as low, medium and high?

a. Identify the direction of the risk
b. Identify the seepage of income
c. Identify the culprits
d. Penalize the banks

Ans - a

Normally, forward purchase contract booked should be used by the customer ......

a. For executing the export order for which the contract was booked
b. For any export order from the same buyer
c. For any export order for the same commodity
d. For any export order

Ans - a
....

The period for which a forward purchase contract is booked ......

a. Should not be earlier than 6 months from the expected date of shipment of the goods concerned
b. Should not be later than 6 months from the expected date of shipment of the goods concerned
c. Should be within 6 months from the date of booking
d. Can be any period for which the bank can find cover

Ans - b
....

What will be the annualized yield of the treasury bill of face value Rs. 1 lac with maturity after 85 days which is being traded at Rs. 98000/.

a. 8.59%
b. 8.76%
c. 8.02%
d. 8.19%

Expl: In treasury bills the day count is 365 days and the yield
Y = (face value – price)/price * 365/85 = 8.76%

Ans - b
....

What would be the case, if Mr. X proceeded abroad not because of a foreign posting but for medical treatment extending for a period of one year?

a. Non-Resident
b. Resident
c. PIO
d. OCI

Ans - b
....

Which of the following statements is correct? (i) Since a Business have variations in cash flows which results in Risk, (ii) The Risk in a Business may be measured by using standard deviation of past performance, (iii) Standard deviation of risk may range from zero to one

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

Ans - d

....

As per Basel III implementation, the risk weight for unsecured portion of NPA for credit risk as per standardized approach is ...... % if the specific provision is at least 50% of the outstanding in NPA account

a. 150
b. 100
c. 75
d. 50

Ans - d

....

The Banks which Absorbs credit and market risks and ensuring lower risk for depositor's funds ......

a. Maturity Intermediation
b. Risk Intermediation
c. Both a and b
d. None of these

Ans - b

....

Mr. X, a German (of non-Indian Origin) sets up a proprietary concern in India during June 2020 for carrying on business. What will be his residential status for the financial Year 2020-2021?

a. Non-Resident
b. Resident
c. PIO
d. OCI

Ans - b

....

What are the features of Price Risk? (i) When Assets are sold before their maturities it may result in Price Risk, (ii) The Price Risk is closely associated with the Banks Trading Volume, (iii) Bank may create such Trading investments out of short term movements in interest rates

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

Ans - d
....

From the following information for WBC bank's nostro account, calculate the balance as on 30.09.2018, maintained at Singapore Bank Ltd. Mirror account has been maintained at WBC's Singapore branch.

Balance as per mirror account (Dr), on 30.09.2018 - $ 25,00,0000
Debit for charges in mirror account not accounted - $ 2,500
Debit for Purchases unreconciled for nostro - $ 12,50,000
Interest collected in mirror account not accounted - $ 3,000
Export bill collected in nostro now reported by SBL - $ 14,50,000

a. $25,00,500
b. $23,00,500
c. $23,03,500
d. $27,00,500

Ans - d
....

Mr. X, officer of State Bank of India is posted as IBO to one of our Foreign Offices. He leaves India on 1st April 2010. What will be his residential status?

a. Non-Resident
b. Resident
c. PIO
d. OCI

Ans - a
....

While entering a stop loss order, one needs to specify the ......

a. high price
b. trigger price

c. low price
d. price band

Ans - b

....

Interest Rates on FCNR Deposit, withdrawn prematurely will be as follows ......

a. At the contracted rate, without levy of penalty
b. Two percent below the rate applicable to the period the deposit remained with the Bank
c. One percent below the rate applicable for the period the deposit remained with the Bank.
d. At contracted rate, but subject to penalty, at the discretion of bank to recovery of swap cost.

Ans - d

....

A branch manager can define limits for ......

a. Dealers in his branch
b. Any dealers
c. The Corporate Manager
d. The trading member

Ans - a

....

The ceiling for repatriation of funds from NRE/FCNR accounts is ......

a. Rs.25 lacs
b. $ 1 million
c. Rs.100 lacs
d. No ceiling

Ans - d

....

Loans/OD granted against FCNR/NRE TDRs/STDRs may be liquidated ......

a. by Indian rupee remittance
b. by Foreign inward remittance
c. by adjustment against TDR/STDR proceeds
d. by any method mentioned above

Ans - d

ABC Bank raised funds by way of 182 days term deposit at 8% rate of interest.

It has following options to invest these funds:

1. 182 days commercial paper at floating rate of @ 11 % with monthly repricing
2. 3 year term loan @ 12 %
3. 182 days treasury bill @ 11 %

01. If bank invests these funds in a 3 year term loan @ 12 %, what will be impact on net interest income of the bank, if there is increase in interest rate?

a. NII with increase
b. NII with decrease
c. No change in NII
d. information is inaduquate

Ans - b

02. If bank invests these funds in a 3 year term loan @ 12 % what will be impact on net interest income of the bank, If there is fall in interest rates?

a. NII with increase
b. NII with decrease
c. No change in NII
d. information is inaduquate

Ans - a

03. If bank invests the funds in 182 days floating rate commercial paper @ 11 % with monthly repricing and there is interest rate rise, what will be impact on net interest income of the bank?

a. NII with increase
b. NII with decrease
c. No change in NII
d. information is inaduquate.

Ans - a

04. If bank invests the funds in 182 days floating rate commercial paper @ 11 % with monthly repricing and there is interest rate fall, what will be impact on net interest income of the bank?

a. NII with increase
b. NII with decrease
c. No change in NII

d. information is inaduquate

Ans - b

05. If bank makes investment in 182 days tresury bills @ 11 % and during the 182 days period, there is 1% increase in interest rate, what will be change in the net interest income, on reinvestment after 182 days?

a. 2%
b. 1%
c. 0.5%
d. No change

Ans - d

Explanation:

1. Change in rate of interest on deposit will take place after each period of 182 days, as deposits have to be rolled over during this period to fund the loan. On the other hand, the interest on loan will not change during this period. Hence if interest rate increases, the cost of deposits to the bank will increase and there will be no change in interest income. Hence NII will decrease.

2. As above, if interest rate fall, the cost of deposits to the bank will decrease and there will be no change in interest income. Hence NII will increase.

3. Change in rate of interest on loan will take place five times during 182 days period due to monthly repricing of the commercial paper while the deposit rate will not change during this period. Hence if interest rate increases, the interest income will increase and the NII will increase

4. As above, if interest rate falls, the interest income will decline and the NII will decline.

5.
Exising cost of deposit = 8 %
Existing intereston loans = 11 %
NII = 11 - 8 = 3 %
New cost of deposit = 8 + 1= 9 %
New return on treasury bills = 11+1 = 12 %
NII = 12 - 9 = 3%

So, there will be no change in the NII
....

A client of a trading member is required to enter into ...... with the trading member before he can commence trading.

a. an understanding
b. an arrangement
c. negotiations
d. an agreement

Ans - d

A customer is a need of export finance for his export order worth $ 2 million CIF. The insurance is of 2% of FOB and freight is $ 3,000. How much amount you will give to your customer as packing credit, if the bank margin is 15%.

a. $16,64,116
b. $17,00,000
c. $16,63,450
d. None of these

Ans - a

The liquidity of the Bank is determined by:

a. Ability to accommodate decrease in liabilities
b. Abilities to fund increase in assets
c. Converting assets to cash quickly and at good costs
d. All of the above

Ans - d

The fact that a bank's assets tend to be long-term while its liabilities are short term creates ......

a. Interest rate risk
b. Credit risk
c. Lower risk for the bank, this is why they follow this strategy.
d. Trading risk

Ans - a

Price volatility depends upon ......

a. Yield Volatility and market value
b. Yield Volatility, BPV and market value
c. Yield Volatility, market value and yield
d. Yield Volatility, market value, BPV and Yield

Ans - d
....

Price of liquidity is determined by ......

a. Market conditions
b. Nature of convertible assets on hand
c. Market perception of risks
d. All of the above

Ans - d
....

What is meant by 'concentration risk' in the context of credit risk management?

a. The risk that a large number of counterparties default at the same time
b. The risk that a large number of counterparties share common risk characteristics
c. There is a strong positive correlation in the historical behaviour of credit-sensitive assets in a portfolio
d. All of a, b, and c

Ans - a
....

Which of the following statements is/are correct? (i) The Bond prices and yields are directly related, (ii) Market Risk may apply for Pricing Risk for the Assets held in the Trading Book, (iii) The Market Risk may also apply to foreign currency Risk

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

Ans - d
....

For booking a forward sale contract, the bank should verify ......

a. The letter of credit
b. The import licence
c. The letter of credit or purchase order
d. None of the above

Ans - c
....

For extending the due date of a forward contract, the bank should take prior permission from ......

a. Reserve Bank of India
b. FEDAI
c. Bank's board of directors
d. None of the above

Ans - d
....

Sum of purchase price and accrued interest on treasury bonds and notes is considered as

a. dirty price
b. clean price
c. paid price
d. unpaid price

Ans - a
....

Currency future is not ......

a. Traded on futures exchanges
b. A special type of forward contract
c. Of standard size
d. None of the above

Ans - d
....

Portfolio Risk is always less than the weighted average risk of all the individual items due to ......

a. Risk in all items is not simultaneous
b. Risk is not unidirectional

c. Diversification effect
d. All as above

Ans - d
....

An Operational Risk can be defined as ...... (i) A risk resulting from lack of internal controls or systems is an Operational Risk, (ii) Transaction Risk is also a part of Operational Risk, (iii) Compliance Risk is also included in Operational Risk

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

Ans - d
....

M/s. ABC International offers your Pune branch a sight bill for USD 258000 on 28.01.2021 drawn under a letter of credit established by XYZ Bank, Geneva. Assuming the following, what INR amount will you credit exporters account?
Interbank USD = Rs. 63.5850/60 Transit period 10 days. Interest Rate 11% Exchange Margin 0.15% Exporter being valuable client 0.50 Ps better rate.

a. Rs. 1,63,40,309
b. Rs. 1,64,28,063
c. Rs. 1,63,80,003
d. Rs. 1,63,17,550

Ans - d

Solution :

Spot Rate USD 1 = 63.5850
(-) Margin 0.15% 00.0953 = 63.4897 Rounded off to 63.4875 (In multiples to 0.0025)
Better rate 0.50 Ps. = 63.4875 – 0.050 = 63.4375
USD 258000 = 258000 x 63.4375 = Rs. 1,63,66,875.00
Recover Interest @ 11% for 10days on Rs.1,63,66,875.00 = Rs.49,324.82
Net payable = Rs. 1,63,66,875.00 - Rs.49,324.82 = 1,63,17,550.18 or Say 1,63,17,550
....

You are a dealer and the following is your position in $ with NSB Bank of Newyork. Find out the balance in Nostro account.

Opening balance 30,000
Opening position (short) 8,000
Purchased a TT 2,25,000
Issued a travelers cheque 15,000
Purchased and export bill payable at Washington 1,00,000
Forward sales 3,00,000
Export bill realized 2,50,000
closing position (overbought) 35,000

a. $ 3,25,000
b. $ 3,60,000
c. $ 3,33,000
d. $ 4,90,000

Ans - d

The first participants who traded in derivatives where those exposed to ......

a. Exchange rate risk
b. Interest Rate risk
c. Equity price risks
d. Commodity price risks

Ans - d

A bank financed an exporter by discounted foreign bills but, customers did not pay amount on due date. Bank wanted reverse the transaction. What rate bank will apply?

a. TT selling
b. TT buying
c. Bill selling rate
d. Bills buying rate

Ans - a

A foreign citizen of Indian origin who is having NRE STDR for Rs.20.00 lacs with you asks for a loan of Rs.12.00 lacs against STDR to buy a house

a. the loan can be granted
b. the loan cannot be granted as the loan amount exceeds the limit of Rs. 5.00 lacs
c. prior permission from controllers necessary
d. none of the above

Ans - a

A bond portfolio having a bond A BPV Rs. 300 Crs and bond B BPV Rs. 400 Crs. How can we reduce the risk of a portfolio?

a. By increases bonds in a portfolio
b. By adding a one more bond which is more than BPV of 350
c. By adding a one more bond which has less BPV of 350
d. None of these

Ans - c

Extreme value theory1 is used by Stress Testing for?

a. Assessing impact on a portfolio's value for a series of predefined changes in a particular market risk factor.
b. Assessing potential consequences on a portfolio for an extreme, but possible, state of the world
c. Assessing the risks of a portfolio by identifying the most potentially damaging combination of moves of market risk factors.
d. Assessing risks of a portfolio based on predefined values in a particular risk factor

Ans - b

On a 5 Point scale (very high, high average, moderate & Low), probability of occurrence of an activity has been estimated at an average level. Potential financial impact is also estimated at average level. Given that the impact of internal control is 60%, what is estimated level of operational risk?

a. Very high to high
b. High to average
c. Average to moderate
d. Moderate to low

Ans - d

When failure of the financial system affects other systems such as insurance market or forex market, such risk is ......

a. liquidity risk
b. settlement risk
c. systemic risk
d. clearing process risk

Ans - c
....

Risk may be defined as ...... (i) Uncertainties resulting in adverse outcome, (ii) Adversity may be in connection with planned objective or expectation, (iii) When there is an adverse situation in terms of profitability is called financial risk

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

Ans - d
....

As per Basel III implementation in India, within the minimum Tier 1 capital, the additional Tier capital can be ......

a. min 5.5% of risk weighted assets (RWA)
b. max 5.5% of RWA
c. min 1.5% of RWA
d. max 1.5% of RWA

Ans - d
....

As per BaselIII implementation in India, within total capital of 9% of risk weighted assets, the Tier 2 capital can be ......

a. max equal to Tier I capital
b. min equal to Tier I capital
c. max equal to 2% of risk weighted assets
d. min equal to 2% of risk weighted assets

Ans - c
....

Which of the following a Trading Book of a Bank does not consist?

a. Cash Reserve with RBI
b. Derivatives held for trading
c. Positions in financial instruments arising from matched market making.
d. Hedging positions

Ans - a

The features of Credit Risk are ...... (i) Credit Risk of debt instruments is indicated by credit rating, (ii) It indicates the Risk level associated with the debt instrument, (iii) Lower the Risk level, lower is the spread over Risk Free Rate

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

Ans - d

The risk that loss may arise on account of trading in SLR and other securities by a bank is classified as ......

a. credit risk
b. investment fluctuation risk
c. trading risk
d. market risk

Ans - d

What is minimum daily Cash balance that banks has to maintain with RBI?

a. 100% of CRR requirement
b. 90% of CRR requirement
c. 70% of CRR requirement
d. 50% of CRR requirement

Ans - c

Forward contracts without production of documentary evidence and on the declaration of the customer can booked ......

a. Only for exporters
b. Upto 50% of the limits worked on previous performance basis
c. Up to 100% of the limits worked on previous performance basis
d. Without any limit

Ans - b
....

As per RBI guidelines on placement of Assets and Liabilities in to various buckets for understanding and managing Interest rate risks. Capital, Reserves and Surplus are to be treated as ......

a. Non interest rate sensitive
b. Interest Rate Sensitive
c. Depends on the source of the capital
d. Only 50% should be treated as not sensitive to interest rates.

Ans - a
....

What is Open Position?

a. Any residual position of a bank at the end of the day-Overbought
b. Any residual position of a bank at the end of the day-Oversold
c. None of the above
d. A and B both

Ans - d
....

Cancellation and re-booking of forward contracts is permitted ......

a. For exposures for any period for exporters and for exposures up to one year for others
b. Only for exporters
c. Only for importers
d. When cancelled within six months of booking the contract

Ans - a
....

Which of the following impact is triggered if RBI Increasing CRR requirement by 1%?

a. It Triggers exchange rates
b. it Triggers Interest Rates also
c. Money supply will reduce in economy
d. All of them are traded in exchanges

Ans - d

....

Say Mr. X takes a position in stock 'A' By purchasing 1,000 shares at Rs. 650 per share. The price is expected to fluctuate 3% daily (daily volatility figure estimated from past data). He estimates daily potential loss to be Rs. 42,500 approximately. He intends to reduce the risk by 60% using stock futures. His strategy would be to ......

a. Buy 600 stock futures
b. Sell 600 stock futures
c. Buy 400 stock futures
d. Sell 400 stock futures

Ans - b

....

A 5 year 9% semi - annual bond @ market yield of 7.50% with present market price of Rs. 107 is sought to be hedged using IRS. You would take ......

a. A short position on variable interest rate
b. A long position on variable interest rate
c. A long position on fixed interest rate
d. None of These

Ans - b

....

Post Shipment export credit can be liquidated ......

a. Out of balances held in EEFC account
b. Proceeds of any other un-financed export bill
c. Proceeds of the export bill received
d. All the above

Ans - d

....

Delinking (Crystallisation) of Export bills should be done ......

a. Sight bills remaining unpaid beyond 15 days from the expiry of normal transit period and usance bills remaining unpaid beyond a period of 15 days from the due date should be delinked.
b. Sight bills remaining unpaid beyond 30 days from the expiry of normal transit period and usance bills remaining unpaid beyond a period of 30 days from the due date should be delinked.
c. Sight bills remaining unpaid beyond 21 days from the expiry of normal transit period and usance bills remaining unpaid beyond a period of 21 days from the due date should be delinked.
d. AD is free to decide the period based on risk perception of the exporter.

Ans - d
....

When the foreign nationals employed in India maintain resident accounts with an Authorised Dealer Category - I (AD Category-I) bank in India, what should the bank do when such foreign national leave the country?

a. The bank must close the resident accounts of such foreign national on their leaving the country and transfer their assets to their accounts maintained abroad.
b. AD Category-I banks may, permit such foreign nationals to re-designate their resident account maintained in India as NRO account on leaving the country after their employment to enable them to receive their pending bonafide dues.
c. The bank may continue the account as it is to enable them to receive their pending bonafide dues.
d. None of these

Ans - b
....

What is Forex Risk? (i) A risk which may arise due to adverse exchange rate movements is called Forex Risk, (ii) This occurs on account of an open position in spot or forward contracts, (iii) It is applicable on an individual foreign currency

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

Ans - d
....

The standardised items in a futures contract are : ......

a. The date and the month of delivery
b. The units of price quotation and minimum price change

c. Location of settlement
d. All of the above

Ans - d
....

Market provides a platform for trading of existing securities and price discovery thereof ......

a. primary market
b. secondary market
c. money market
d. insurance market

Ans - b
....

A Counterparty Risk is ...... (i) It arises due to non-performance of the Trading partners where counterparty may refuse to perform, (ii) It is treated as transient Financial Risk, (iii) It is more associated with Trading

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

Ans - d
....

The features of Country Risk are ...... (i) When a Risk arises due to imposition of restrictions by a country and a borrower is not able to perform the promise, (ii) The Risk arises due to external factor, (iii) A counterparty has no control on such Risk

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

Premature closing of a deposit will result in interest rate risk of type ...... risk

a. Basis
b. Yield curve
c. Embedded Option

d. Mismatch

Ans - c

....

The difference between buying and selling rate is called ......

a. Spread
b. Profit
c. Either “a” or “b”
d. “a” and “b” both

Ans - d

....

RBI implemented the Basel-III recommendations in India, w.e.f ......

a. 01.01.2013
b. 31.03.2013
c. 01.04.2013
d. 30.09.2013

Ans - c

....

The risk related to non performance of the trading partners due to counter party's refusal and or inability to perform is called ...... risk

a. Liquidity
b. Operational
c. Counter Party
d. None

Ans - c

....

Country risk is an example of ......

a. Market risk
b. Credit risk
c. Operational risk
d. Liquidity risk

Ans - b

The features of the commercial paper are ...... (i) It is an unsecured money market instrument issued in the form of promissory note, (ii) The highly rated corporate Borrowers can raise short term funds through this instrument, (iii) It is an additional instrument to the investing community

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 statement is incorrect regarding credit default swaps?

a. A CDS is in effect an insurance policy on the default risk of a corporate bond
b. CDS were designed to allow lenders to buy protection against losses on sizable loans
c. CDS are designed to transfer the credit exposure of variable income products between parties
d. The swap buyer pays an annual premium to the swap seller in exchange, receives a payoff if a credit instrument goes into default

Ans - c
....

What is meant by 'concentration risk' in the context of credit risk management?

a. The risk that a large number of counterparties default at the same time
b. The risk that a large number of counterparties share common risk characteristics
c. There is a strong positive correlation in the historical behaviour of credit-sensitive assets in a portfolio
d. All of a, b, and c

Ans - a
....

In foreign exchange markets, 'American Quotation' refers to ......

a. quotation by a US based bank
b. quotation in New York foreign exchange market
c. quotation in which the value of foreign currency is expressed per US dollar.
d. quotation in which the value of US dollar is expressed per unit of foreign currency

Ans - d
....

Which of the followings is correct? (i) Counterparty is the other party to a Transaction, (ii) Yield is internal rate of return where interest is also reinvested at original coupon rate, (iii) Foreign currency deposits are denominated in foreign currency

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

Ans - d
....

Country A imports gold worth USD 100 million for commercial purposes. The transaction will affect ......

a. current account only
b. capital account only
c. official reserves account only
d. both current account and capital account

Ans - d
....

Basic balance in balance of payments refers to ......

a. the balance of payments on current account
b. the combined balance of current and capital accounts
c. the balance in official reserves account
d. the total of balance of current account and balances on long term items in capital account

Ans - d
....

A customer requests for a forward contract for import bill maturing after 5 months in a currency that is at a premium to Indian rupee. Will you load the premium in the rate quoted to him and if so, then how much?

a. No premium would be loaded
b. Yes, 4 months forward premium would be loaded
c. Yes, 5 moiths forward premium would be loaded
d. Yes, 6 months forward premium would be loaded

Ans - d
....

A customer requests for a forward contract for import bill maturing after 5 months in a currency that is at a discount to Indian rupee. How much discount you will apply on the spot rate?

a. 4 months discount
b. 5 months discount
c. 6 months discount
d. None of these

Ans - b

Maturity intermediation results in ...... (i) Liquidity risk, (ii) Net interest income risk, (iii) Net-worth risk

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

Ans - d

A bank's G Sec portfolio has 100 day VaR at 95% confidence level of 4% based on yield. What is the worst case scenario over 25 days?

a. Increase in yield by 0.4%
b. Decrease in yield by 0.4%
c. Increase in yield by 2%
d. Decrease in yield by 2%

Ans - c

The probability of a company entering bankruptcy within next 12 months period is measured by the following technique ......

a. Credit metrics
b. Credit risks
c. Credit maps
d. Altman's Z score

Ans - d

A financial institution buys a specified no. of futures at NSE on a stock at 90/- each when spot price of the stock is 95. At the maturity of the contract the FI takes delivery of the shares. During the period of holding the stock price had averaged 97 with standard deviation of 3. The acquisition cost to the FI per share is (ignore any commission charged by exchange) ......

a. 95
b. 9O
c. 97
d. 99

Ans - b
....

Daily mark-to-market in case of an exchange trade futures contract implies ......

a. Daily difference in spot price is settled between exchange and holder
b. Daily difference in futures price is settled beten exchange and hokier
c. Daily difference in futures price is adjusted from the margin held
d. Daily difference in spot price is adjusted from the margin held

Ans - b
....

Which of the following is/are true? (i) Mid office is not responsible for settlements, (ii) Back Office does not monitor balances in Nostro Accounts, (iii) Front office frame the Investment Policy

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 statements are correct? (i) Forward sale contract is booked by customer for import bills, (ii) Forward sale contract is booked by customer for export bills, (iii) Forward purchase contract is booked by customer for export bills

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

Ans – c

What is the price at which a treasury bill maturing on 23rd March 2017 would be valued on July 13, 2016 at a yield of 6.82%?

a. 94.59
b. 95.49
c. 96.59
d. 97.69

Ans - b

Answer:
The price can be computed as
= 100/[1+(yield * (No of days to maturity/365)]
= 100/[1+(6.8204*(253/365)] = Rs. 95.49
....

An arbitrageur in foreign exchange is a person who ......

a. earns illegal profit by manipulating foreign exchange
b. causes differences in exchange rates in different geographic markets
c. simultaneously buys large amounts of a currency in one market and sell it in another market
d. None of the above

Ans - c
....

Full fledged money changers are authorized to undertake ......

a. only sale transactions
b. only purchase transactions
c. all types of foreign exchange transactions
d. purchase and sale of foreign currency notes, coins and travelers cheques

Ans - d
....

A 'credit' in balance of payments indicates ......

a. Accumulation of bank balances abroad
b. Foreign direct investment received into the country
c. Earning of foreign exchange by the country
d. Earning of foreign exchange or incurring of liability abroad or decrease in asset abroad

Ans - d

By definition, currency appreciation occurs when ......

a. the value of all currencies fall relative to gold
b. the value of all currencies rise relative to gold
c. the value of one currency rises relative to another currency
d. the value of one currency falls relative to another currency

Ans - c
....

Which of the following examples definitely illustrates a depreciation of the U.S. dollar?

a. The dollar exchanges for 1 pound and then exchanges for 1.2 pounds
b. The dollar exchanges for 250 yen and then exchanges for 275 francs
c. The dollar exchanges for 100 francs and then exchanges for 120 yen
d. The dollar exchanges for 120 francs and then exchanges for 100 francs

Ans - d
....

The value of the currency is decided by supply and demand factors for a particular currency in ...... rates mechanism.

a. Fixed
b. Floating
c. Both a and b
d. None of these

Ans - b
....

It is an instant photograph that displays the company's financial .... at the end of a business month, quarter or year.

a. explanation
b. position
c. publication
d. station

Ans - b
....

Current assets will likely be turned into cash or converted into a(n) .... within a year.

a. bonus
b. expense
c. option
d. stock

Ans - b
....

If transaction exposure are in same dates, then it can be hedged ......

a. By purchasing single forward contract
b. By purchasing multiple forward contract
c. Cannot be hedged by forward contracts
d. None of the above

Ans - a
....

...... scheme is available for payments specified in foreign currency (US dollar, Pound Sterling, Euro , etc).

a. packing credit insurance
b. export finance gurantee
c. transfer gurantee
d. exchange fluctuation risk cover scheme

Ans - d
....

Banking books does not include which of the following.

a. All deposit and loans
b. All borrowings
c. Capital
d. All of these

Ans - c
....

Forex Risk can be reduced by

a. Entering into Forward Contracts
b. Futures

c. Derivatives of Interest Rate Swaps
d. Both a and b

Ans - d

Which of the following statements is correct?

a. Higher the risk-higher would be risk premium
b. Higher the risk-lower would be risk premium
c. Lower the risk-higher would be risk premium
d. None of the statements is correct

Ans - a

Which of the following risk is managed at Unit level?

a. Interest Rate Risk
b. Operational Risk
c. Liquidity Risk
d. None of these

Ans - b

Volatility will be ...... if Time horizon is more.

a. More
b. Less
c. Equal
d. None of these

Ans - a

What is the beta factor for corporate finance under Standardised approach?

a. 15%
b. 18%
c. 12%
d. None of the above

Ans - b

Which method of risk measurement uses deviation of a target variable due to unit movement of a single market parameter (like change in interest rate or exchange rate or stock prices)?

a. sensitivity
b. volatility
c. downside potential
d. all of these

Ans - a
....

Which method of risk measurement combines sensitivity of target variables with the stability or instability of underlying parameters (like earnings or market value)?

a. sensitivity
b. volatility
c. downside potential
d. none of these

Ans - b
....

Black and Scholes option pricing formula is used to calculate ......

a. sensitivity
b. implicit volatility
c. upside potential
d. none of these

Ans - b
....

Volatility over a time horizon 'T' is calculated as follows:

a. Volatility over a time horizon T = Daily Volatility * vT
b. Volatility over a time horizon T = v Daily Volatility * T
c. Volatility over a time horizon T = Daily Volatility * T
d. Volatility over a time horizon T = v Daily Volatility * vT

Ans - a
....

Stress testing using Scenario Analysis' involves ......

a. Assessing impact on a portfolio's value for a series of predefiried changes in a particular market risk factor.
b. Assessing potential consequences on a portfolio for an extreme, but possible, state of the world.
c. Assessing the risks of a portfolio by identifying the most potentially damaging combination of moves of market risk factors.
d. Assessing risks of a portfolio based on the statistical behaviour of the 'tails" of probability distributions.

Ans - b

....

Say Mr. X takes a position in stock 'A' by purchasing 1,000 shares at 650 per share. The price is expected to fluctuate 3% daily (daily volatility figure estimated from past data). He estimates daily potential loss to be 42,500 approximately. He intends to reduce the risk by 60% using stock futures. His strategy would be to ......

a. Buy 600 stock futures
b. Sell 600 stock futures
c. Buy 400 stock futures
d. Sell 400 stock futures

Ans - b

....

Reputation risk is a type of ......

a. Operational Risk
b. Market Risk
c. Credit Risk
d. None of these

Ans - d

....

Trading book exposures are ......

a. Held until maturity and income is booked on accrual basis
b. Held until maturity and income is booked as and when realized
c. Held for a period and income is booked on accrual basis
d. Held for a period and income is booked as and when realized

Ans - d

Country risk is a type of ......

a. Concentration risk
b. Counterparty risk
c. Default risk
d. Systematic risk

Ans - c

Basically credit rating helps us in ......

a. Credit risk identification
b. Credit risk measurement
c. Credit risk monitoring
d. Credit risk control

Ans - b

Say Mr. X purchases 2,000 shares of stock 'A' at 125 per share and 1,000 shares of stock 'B' at 90 per share. The price is ex pected to fluctuate 2% daily for stock 'A' and 1.25% daily for stock 'B' (daily volatility figure estimated from past data). He estimates daily potential loss to be 6,350 approximately. What is the VaR of the portfolio at 99% confidence interval (corresponding to 2.33 standard deviation).

a. 14,795.50
b. 6,350.00
c. 19,050.00
d. None of these
(Assume that the stocks have zero correlation)

Ans - a

A 10 year 8.75% bond with semi-annual interest yielding 8% has 7 years remaining for maturity, Modified duration of the bond is 6.40 yeaçs. This would be equivalent to receiving by way of bullet payment ......

a. 156.00 per bond after 2336 days
b. 161.25 per bond after 2246 days
c. 156.00 per bond after 2246 days
d. 161.25 per bond after 2336 days

Ans - b

An exporter approaches the Popular Bank for pre-shipment and post-shipment loan with estimated sales of Rs. 100 lakh. The bank sanctions a limit of Rs. 50 lakh, with 25 % margin for pre-shipment loan on FOB value and margins on bills of 10 % on foreign demand bills and 20 % on foreign usance bills.

The firm gets an order for USD 50,000 (CIF) to Australia. On 1.1.2017 when the USD/INR rate was Rs.66.80 per USD, the firm approached the Bank for releasing pre-shipment loan (PCL), which is released.On 31.3.2017, the firm submitted export documents,
drawn on sight basis for USD 46,000 as full and final shipment.

The bank purchased the documents at Rs.67.25, adjusted the PCL outstanding and credited the balance amount to the firm's account, after recovering interest for Normal Transit Period (NTP).The documents were realized on 30.4.2017 after deduction of foreign bank charges of USD 450. The bank adjusted the outstanding post shipment advance against the bill.

Bank charged interest for pre-shipment loan @ 7 % up to 90 days and, @ 8% over 90 days up to 180 days. For Post shipment credit the Bank charged interest @ 7 % for demand bills and @ 7.5 % for usance (D/A) documents up to 90 days and @ 8.50 % thereafter and on all overdues, interest @ 10.5%.

01. What is the amount that the Bank can allow as PCL to the exporter against the given export order, considering the profit margin of 10% and insurance and freight cost of 10% ?

a. Rs.2029050
b. Rs.2705400
c. Rs.3093500
d. Rs.3340000

Ans - a

FOB value = 50000 x 66.80 = 3340000 — 334000 (10% of 3340000 (insurance and freight cost))
= 3006000 — 300600 (10% profit margin)
= 2705400 - 676350 (25% margin)
= 2029050

So, the Bank can allow Rs. 2029050 as PCL to the exporter against the given export order.

02. What is the amount of post shipment advance that can be allowed by the Bank under foreign bills purchased, for the bill submitted by the exporter?

a. Rs.2029050
b. Rs.2705400
c. Rs.3093500
d. Rs.3340000

Ans – c

46000 x 67.25 = 3093500

So, the Bank can allow Rs. 3093500 as post shipment advance under foreign bills purchased, for the bill submitted by the exporter.

03. What will be the period for which the Bank charges concessional interest on DP bills, from date of purchase of the bill?

a. 90 days
b. 25 days
c. 31 days
d. Up to date of realization

Ans - b

Concessional rate will be charged for normal transit period of 25 days and there after overdue interest will be charged.

04. In the above case, when should the bill be crystallized (latest date), if the bill remains unrealised for over two months, from the date of purchase (ignore holidays)?

a. On 30.4.2017
b. On 24.4.2017
c. On 24.5.2017
d. On 31.5.2017

Ans - b

Crystallisation will be done when the bill becomes overdue after 25 days of normal transit period. Date of overdue will be 25.4.2017. If bill remains overdue, it will be crystallised within 30 days i.e. up to 24.5.2017.

05. What rate of interest will be applicable for charging interest on the export bill at the time of realisation, for the days beyond Normal Due Date (NDD)?

a. 10 %
b. 10.5 %
c. 11 %
d. 11.5 %

Ans - b

Rate of interest will be 10.5% as the overdue interest is stated as 10.5%
....

Markets in which funds are transferred from those who have excess funds available to those who have a shortage of available funds are called ......

a. commodity markets
b. fund-available markets
c. derivative exchange markets
d. financial markets

Ans - b
....

If portable disk players made in China are imported into the United States, the Chinese manufacturer is paid with ......

a. international monetary credits
b. dollars
c. yuan, the Chinese currency
d. euros, or any other third currency

Ans - c
....

The exchange rate is the ......

a. total yearly amount of money changed from one country’s currency to another country’s currency
b. total monetary value of exports minus imports
c. amount of country’s currency which can exchanged for one ounce of gold
d. price of one country’s currency in terms of another country’s currency

Ans - d
....

The bond markets are important because ......

a. they are easily the most widely followed financial markets in the United States
b. they are the markets where foreign exchange rates are determined
c. they are the markets where interest rates are determined
d. they are the markets without risk

Ans - b
....

Which of the following would likely have the least direct influence on a country's current account?

a. Inflation
b. National income
c. Exchange rates
d. A tax on income earned from foreign stocks

Ans - a
....

Indirect rate in foreign exchange means ......

a. The rate quoted with the units of home currency kept fixed
b. The rate quoted with units of foreign currency kept fixed
c. The rate quoted in terms of a third currency
d. None of the above

Ans - a
....

The margin for a currency future should be maintained with the clearing house by ......

a. The buyer
b. The seller
c. Both the buyer and the seller
d. Either the buyer or the seller as per the agreement between them

Ans - c
....

In the foreign exchange market, the ...... of one country is traded for the ...... of another country.

a. currency; currency
b. currency; financial instruments
c. currency; goods
d. goods; goods

Ans - a
....

Forward premium / differential depends upon ......

a. Currencies fluctuation
b. Interest rate differential between two countries

c. Demand & supply of two currencies
d. Stock market returns

Ans - b

....

The marking to market in respect of a currency future refers to ......

a. Putting up for sale specific lot of futures
b. Adjusting the margin money of buyer and seller to reflect the current value of futures
c. Quoting rates for different maturities
d. Allotting futures among different brokers

Ans - b

....

For the balance kept in the margin account for futures ......

a. Interest is paid at riskless rate
b. Interest is paid at LIBOR rate
c. Interest is paid for the surplus over the required minimum.
d. No interest is paid

Ans - d

....

The strike price under an option is ......

a. The price at which the option is auctioned
b. The exchange rate which the currencies are agreed to be exchanged under the contract
c. Lower of the market price and the agreed price
d. None of the above

Ans - b

....

Maintaining a foreign currency account is helpful to ......

a. Avoid transaction cost
b. Avoid exchange risk
c. Avoid both transaction cost and exchange risk
d. Avoid exchange risk and domestic currency depreciation

Ans - c

Pre-shipment and post-shipment Loan

ABC and Co., approaches the XYZ Bank for pre-shipment and post-shipment loan with estimated sales of Rs. 100 lakh. The bank sanctions a limit of Rs. 50 lakh, with 25 % margin for pre-shipment loan on FOB value and margins on bills of 10 % on foreign demand bills and 20 % on foreign usance bills.

The firm gets an order for USD 50,000 (CIF) to Australia. On 1.1.2016 when the USD/INR rate was Rs.66.50 per USD, the firm approached the Bank for releasing pre-shipment loan (PCL), which is released on 31.3.2016, the firm submitted export documents, drawn on sight basis for USD 45,000 as full and final shipment.

The bank purchased the documents at Rs.66.75, adjusted the PCL outstanding and credited the balance amount to the firm's account, after recovering interest for Normal Transit Period (NTP).The documents were realized on 30.4.2016 after deduction of foreign bank charges of USD 450. The bank adjusted the outstanding post shipment advance against the bill.

Bank charged interest for pre-shipment loan @ 7 % up to 90 days and, @ 8% over 90 days up to 180 days. For Post shipment credit the Bank charged interest @ 7 % for demand bills and @ 7.5 % for usance (D/A) documents up to 90 days and @ 8.50 % thereafter and on all overdues, interest @ 11%.

01. What is the amount that the Bank can allow as PCL to the exporter against the given export order, considering the profit margin of 10% and insurance and freight cost of 10% ?

a. 2992500
b. 2693250
c. 2102620
d. 2019938

Ans - d

Explanation

FOB value = 50000 x 66.50 = 3325000 — 332500 (10% of 3325000 (insurance and freight cost))
= 2992500 — 299250 (10% profit margin)
= 2693250 - 673312 (25% margin)
= 2019938

So, the Bank can allow Rs. 2019938 as PCL to the exporter against the given export order.

02. What is the amount of post shipment advance that can be allowed by the Bank under foreign bills purchased, for the bill submitted by the exporter?

a. 2992500
b. 3003750

c. 3325000
d. 3337500

Ans - b

Explanation

45000 x 66.75 = 3003750

So, the Bank can allow Rs. 3003750 as post shipment advance under foreign bills purchased, for the bill submitted by the exporter.

03. What will be the period for which the Bank charges concessional interest on DP bills, from date of purchase of the bill?

a. 20 Days
b. 25 Days
c. 30 Days
d. 1 Month

Ans - b

Explanation :

Concessional rate will be charged for normal transit period of 25 days and there after overdue interest will be charged.

04. In the above case, when should the bill be crystallized (latest date), if the bill remains unrealised for over two months, from the date of purchase (ignore holidays)?

a. 24.04.2016
b. 25.04.2016
c. 24.05.2016
d. 25.05.2016

Ans - c

Explanation :

Crystallisation will be done when the bill becomes overdue after 25 days of normal transit period. Date of overdue will be 25.4.2016. If bill remains overdue, it will be crystallised within 30 days i.e. up to 24.5.2016.

05. What rate of interest will be applicable for charging interest on the export bill at the time of realisation, for the days beyond Normal Due Date (NDD)?

a. 7.5 %
b. 8 %
c. 8.5 %
d. 11 %

Explanation :

Rate of interest will be 11% as the overdue interest is stated as 11%
....

Repo is used for lending and borrowing money market funds, for terms extending from ...... to ......

a. 1 day, 3 months
b. 1 day, 6 months
c. 1 day, 1 year
d. 3 months, 1 year

Ans - c
....

Overnight inter-bank rates (difference between repo and reverse repo rates) should normally move within the bandwidth of ......

a. 50 bp
b. 100 bp
c. 150 bp
d. 200 bp

Ans - c
....

Basis Risks are type of ......

a. Interest Rate Risk
b. Market Risk
c. Credit Risk
d. Operational Risk

Ans - a
....

Match the following three methods to measure operational loss with the methods on which these are based:

1. Basic Indicator Approach a. Operational loss
2. Standardised Approach b. income
3. Advanced Measurement Approach c. income

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

Ans - d

....

Under Basel II, capital requirement under the accord is

a. The maximum capital that is required to be maintained
b. The minimum capital that is required to be maintained
c. The capital as specified by the regulatory authority is required to be maintained
d. None of the above

Ans - c

....

Basis Risks are type of ......

a. Interest Rate Risk
b. Market Risk
c. Credit Risk
d. Operational Risk

Ans - a

....

VaR is not enough to assess market risk of a portfolio. Stress testing is desirable because

a. It helps in calibrating VaR module
b. It helps as an additional risk measure
c. It helps in assessing risk due to abnormal movement of market parameters
d. It is used as VaR measure is not accurate enough

Ans - c

....

The value of a derivative is determined by

a. The value of the underlying
b. Notional principal amount
c. FIMMDA
d. FEDAI

Ans - a
....

Security dealers deals with of the following market.

a. Primary market
b. Secondary market
c. Open market
d. OTC

Ans - b
....

Which of the following risks the banking book is NOT exposed to?

1. liquidity
2. market
3. operational
4. credit or default
5. interest

a. only 1
b. only 2
c. only 3
d. both 4 and 5

Ans - b
....

A treasury transaction with a customer is known as ......

a. Merchant banking business
b. Trading business
c. Investment business
d. Commercial banking

Ans – a

The process of currency swap is ...... (i) The currency swap arises when loan raised in one currency is actually required to be used in another currency, (ii) The different corporates can raise the loan relatively at a lower rate in their home currency and both can exchange the proceeds, (iii) On due date, payment will be made by each-other

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

Ans - d

....

Asset side of the banking book generates ...... risk arising from defaults in payments of principal and/or interest by the borrowers.

a. default
b. credit
c. market
d. both a and b

Ans - d

....

A/An ________ is an agreement between a buyer and seller that a fixed amount of one currency will be delivered at a specified rate for some other currency

a. Eurodollar transaction
b. import/export exchange
c. foreign exchange transaction
d. interbank market transaction

Ans - c

....

A forward contract to deliver British pounds for U.S. dollars could be described either as ____ or _____

a. buying dollars forward; buying pounds forward
b. selling pounds forward; selling dollars forward
c. selling pounds forward; buying dollars forward
d. selling dollars forward; buying pounds forward

Ans - c

....

The features of Interest Rate Risk are ......

a. It is an exposure of Bank's financial condition to adverse movements in interest rates.
b. It has direct effect on Net Interest Margin.
c. It may also affect the market value of Equity
d. All these

Ans - d
....

Which of the followings is not a mismatch Risk?

a. Holding Assets and Liabilities with different maturity dates and amount
b. Adverse movement in Interest Rate
c. When liability is reprised on a maturity date and this causes variation in the Interest Rate
d. All the above

Ans - b
....

Which of the following statements is correct regarding Yield Curve Risk?

a. When Interest Rates are floating Banks may price Assets and Liabilities on different instruments such as Treasury Bills, Call Money Rates, MIBOR etc.
b. A Bank needs to evaluate the movement in Yield Curves and impact of the curve on portfolio value and income
c. If a liability is raised through 91 days T Bill and is used to fund on Asset for 364 days it could be a Yield Curve Risk
d. All these

Ans - d
....

Stock XYZ whose earning per share is Rs 50 is trading in the market at Rs 2000. What is the price to earnings ratio for XYZ?

a. 20
b. 40
c. 60
d. 10

Ans - b

Solution:

Price earnings Ratio= Market price per share / annual earning per share
= 2000/50 = 40
....

According to URR 525, which of the following is a bank that has issued a Credit and the Reimbursement Authorization under that Credit?

a. Issuing bank
b. Paying bank
c. Advising bank
d. Confirming bank

Ans - a
....

Under UCP 600, which of the following refers to the term “presentation”?

a. Delivery of goods to importer
b. Advising Letter of Credit
c. Delivery of documents under a credit to issuing bank or nominated bank
d. Delivery of commercial invoice to a importer

Ans - c
....

Which of the following can be used as an alternative to the transferable letter of credit?

a. Back-to-back letter of credit
b. Irrevocable confirmed letter of credit
c. Revolving credit
d. Transferable letter of credit

Ans - a
....

In documentary credit, which of the following banks is usually a foreign bank?

a. Issuing bank
b. Paying bank
c. Advising bank
d. Confirming bank

Ans - c
....

Market Risk in treasury can be controlled by ......

a. Overnight open position limit
b. Aggregate Gap Limit only
c. Counter party limit only
d. a and b above

Ans - d
....

In term of Article 28 UCPDC , in case of invoices made on CIF basis, unless other wise specified insurance must be of at least ......

a. 100% of CIF value
b. 110 of FOB value
c. 110 of CIF value
d. 110 of Export Bills discount limit
Ans - c
....

A company earns PBT of Rs. 20 crore and PAT of Rs. 15 crore. The paid up capital of the company is Rs. 10 crore and price of its share iof Rs.10 Face value is quoted at Rs. 150. The P/E ratio will be ......

a. 5
b. 10
c. 15
d. None of the above

Ans - b

Solution
PE = Market price / EPS
EPS=NPAT/paid up capital* face value
= 15/10*10
= 15
P/E ratio = price per share / earnings per share (EPS)
=150/15
=10
....

A company declares RS 3/- dividend on the equity share of face value of RS 5/-. The share is quoted in the market at RS 60/- the dividend yield will be ......

a. 3%

b. 30%
c. 5%
d. 6%

Ans - c

Solution
Current Dividend Yield= Dividend Per share/ Market value Per share
=3*100/60
=300/60
=5
....

A company equity capital of Rs.10 crores (fACE VALUE OF RS. 10 makes PBIDT of Rs.10 crores and PAT of Rs.5 crores.if the market price of the share is Rs. 50, the PE ratio will be ......

a. Rs.5
b. Rs.10
c. Rs.20
d. Rs.15

Ans - b

Solution
PE = Market price / EPS
EPS=NPAT/paid up capital* face value
= 5/10*10 = 5
P/E ratio = price per share / earnings per share (EPS)
=50/5 = 10
....

A company declares RS 2/- dividend on the equity share of face value of RS 5/-. The share is quoted in the market at RS 80/- the dividend yield will be ......

a. 20%
b. 4%
c. 40%
d. 2.5%

Ans - d

Solution:
Current Dividend Yield= Divind Per share/ Market value Per share
=2*100/80 = 2.50

Identify the Basel III norms from following that, recently RBI has extended the time line for implementation for banks in India ......

a. Minimum regulatory capital requirement
b. Market discipline
c. Holding the minimum capital to risk weighted assets ratio to 10.25%
d. All the above

Ans - d

NOSTRO account means ......

a. An account opened by foreign citizens other than NRIs in India with Indian banks in INR for their expenses in India.
b. An account opened by foreign citizens other than NRIs in India with foreign banks in foreign currency to convert Indian rupee to that currency and remit back to their own country.
c. An account opened by an Indian bank in the foreign countries in their banks and in that country currency for settlement in that country's currency.
d. An account opened by a foreign bank in India with their corresponding banks in INR for settlements in INR.

Ans - c

Core portion of Cash credit advances may be shown under ......

a. 1-3 year time bucket.
b. over 3 year time bucket.
c. Over 5 years time bucket.
d. None of above.

Ans - a

ALM system is built on three pillars, which are among them? (i) Capital adequacy, (ii) Information system, (iii) organization

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

Ans - c

Change in interest rates will not affect ...... (i) Net interest income, (ii) Other income, (iii) Staff expenses

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

Ans - c

Currency futures are forward contracts ...... (i) With standard size, (ii) With standard maturity date, (iii) Traded on the exchange

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

Ans - d

Liquidity risk is reflected as ...... (i) Maturity mismatch, (ii) cash inflow and outflow, (iii) NPAs, total assets and performing loans

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

Ans - a

In a rising interest rate scenario, which of them following are least preferred? (i) Deposits with fixed rates and advances with fixed rates, (ii) Advances with floating rate of interest and Deposits with fixed rate of interest, (iii) Deposits with floating rates and advances with fixed rates

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

Ans - b

What is the main objective of loan review mechanism?

a. To identify incipient deterioration in portfolio quality
b. To report on adherence to internal policies / procedures
c. To provide feedback on effectiveness of credit sanction processes
d. All of these

Ans - d

Forward contracts are used by ...... (i) Exporters, (ii) Importers, (iii) Banks

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

Ans - d

NRO accounts are ......

a. Rupee (INR) dominated
b. US Dollar (USD) dominated
c. Dominated by the currency of the country where the NRI will reside
d. None of the above

Ans - a

Select the purpose for which NRO accounts are opened?

a. To park overseas savings remitted to India
b. To maintain account in foreign currency
c. To park Indian earnings, like rent, Indian salary, dividends, etc.
d. None of the above

Ans - c

Middle office in a treasury is responsible for...... (i) Validating deal wise information from accounting point of view, (ii) Overall risk management and MIS

a. Only (i)

b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - b

Transfer pricing policy shduld prescribe .... (i) Spread to be retained by the Treasury, (ii) Segregation of Administrative and Hedging cost, (iii) Allocation of cost

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

Ans - d

Expand NRE Account ......

a. Non Resident Earner Account
b. Non Resident External Account
c. Non Resident European Account
d. Non Resident Entry Account

Ans - b

In which of the following type of account, loans cannot be given outside India?

a. NRO
b. NRE
c. FCNR
d. Cannot be opened in any

Ans - a

Any resident individual may remit upto ...... in one Financial Year as donation to an organization outside India

a. $ 100000
b. $ 250000
c. $ 300000

d. None of the above

Ans - b

....

Derivative is an instrument where ...... (i) Value is derived from spot prices in an underlying market, (ii) Price depends upon future market conditions

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d

....

A derivative product can be structured based on the following criteria ...... (i) Risk Appetite, (ii) Size of Transactions, (iii) Maturity Requirements

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

Ans - d

....

If a bank has Rs.1 million of deposits, a required reserve ratio of 20 percent, and Rs.300,000 in reserves, it need not rearrange its balance sheet if there is a deposit outflow of

a. Rs.50,000
b. Rs.75,000
c. Rs.150,000
d. Either (A) or (B) of the above

Ans - d

....

If a bank has Rs.100,000 of deposits, a required reserve ratio of 25 percent, and Rs.50,000 in reserves, then the maximum deposit outflow it can sustain without altering its balance sheet is

a. Rs.30,000
b. Rs.25,000
c. Rs.20,000

d. Rs.10,000

Ans - b

....

If Bank A sells some its loans to Bank B for cash, everything else equal ......

a. Bank A's assets decrease and Bank B's assets increase.
b. Bank A becomes less liquid while Bank B becomes more liquid.
c. Banks A' total assets do not change, but Bank A is more liquid.
d. Bank A's liabilities decrease by the amount of the loans that are sold

Ans - c

....

Suppose a Dollar put option on JPY for USD 1 million with strike price at 105 and expires after 3 months:What is the course available to Holder? (i) The Holder has right to sell USD at the rate of 105 JPY per dollar on expiry date, (ii) On expiry date if market rate is 108, the option holder will not exercise the put option, (iii) If the market rate is below 105, the option Buyer will exercise the option on expiry date

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

Ans - d

....

The process of credit Derivative involves .... (i) The protection seller guarantees payment of principal and interest or both of the Asset owned by the protection Buyer in case of credit default, (ii) The protection Buyer pays a premium to the protection Seller

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d

....

Specific Risk Capital Charge for banks' investment in Security Receipts will be ......

a. 100 percent
b. 75 percent

c. 150 percent
d. 0 percent

Ans - c

A Collateralised Transaction is one in which ......

a. A bank is having general lien and right for set off
b. bank has hedge the position in the market
c. banks have a specific lien on the collateral and the requirements of legal certainty are met.
d. All of the above

Ans - c

A Bank may prefer to invest in corporate Bonds because .... (i) Bond is more liquid Asset, (ii) Bond has an easy exit, (iii) Bond can be sold at discount

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 followings is correct? (i) If strike price is same as the spot price of the currency the option is known at the money, (ii) If strike price is less than the forward rate in a call option, it is called in the money, (iii) If strike price is more than forward Rate in case of a put option, the option is called out of the money

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 credit substitute?

a. Commercial paper
b. Mortgage loan

c. Corporate bond
d. Certificate of Deposit

Ans - b

....

What are the accounts that a tourist visiting India can open?

a. NRO
b. NRE
c. FCNR
d. Both a and b

Ans - a

....

For business trip to any foreign country, resident individuals can avail foreign exchange upto ...... during financial year.

a. $ 100000
b. $ 250000
c. $ 300000
d. None of the above

Ans - b

....

Request for cash payment against FTC/FCN may be accepted upto the extent of US$ ...... or its equivalent per transaction at non metro centres

a. US $ 2,000
b. US $ 1,000
c. US $ 500
d. Only against RBI's approval

Ans - c

....

What is intrinsic value?

a. The difference between the strike price and current forward rate of the currency is known as intrinsic value
b. At the money and out of the money contracts do not have intrinsic value
c. The option price less than the intrinsic value is the time value of option

d. The Time value is maximum for an At the money option

Ans - a

....

Which of the followings is correct? (i) As the Buyer of the option has the right but no obligation to exercise option at the strike price, he has more profit opportunities, (ii) The seller of the option is obliged to Buy/Sell to the Holder of option at the strike price, he may incur unlimited loss

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d

....

The parameters that are important in ALM are ......

a. NIM
b. Net Interest Income
c. Economic Equity Ratio
d. All of the above

Ans - d

....

Which of the following statement is incorrect regarding credit default swaps?

a. A CDS is in effect an insurance policy on the default risk of a corporate bond.
b. CDS were designed to allow lenders to buy protection against losses on sizable loans.
c. CDS are designed to transfer the credit exposure of variable income products between parties.
d. The swap buyer pays an annual premium to the swap seller in exchange, receives a payoff if a credit instrument goes into default

Ans - c

....

The advantages of securitization for a Bank is .... (i) It provides liquidity to the issuing Bank, (ii) The Bank capital does not get blocked, (iii) Securitization proceeds can be used for fresh lending

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 are true?

a. A bank's assets are its sources of funds
b. A bank's liabilities are its uses of funds
c. A bank's balance sheet shows that total assets equal total liabilities plus equity capital
d. Each of the above

Ans - c
....

BEF (Bill of Entry Form) statement should be submitted to RBI ......

a. Fortnightly
b. Monthly
c. Half yearly
d. Yearly

Ans - c
....

Export of computer software in non-physical form should be declared in ......

a. GR Form
b. PP Form
c. SOFTEX Form
d. ENC Form

Ans - c
....

Under revised procedure, FCNB transactions should be reported to ......

a. FOCNALO, Mumbai
b. IB Division, Chennai
c. Foreign Department, Kolkata
d. International Division, CorporateCentre

Ans - c
....

Treasury discount bills of exchange, of short term nature with a tenure of ...... months.

a. 1 to 3
b. 3 to 6
c. 6 to 9
d. 9 to 12

Ans - b

....

Inflow of USD 200,000.00 by TT for credit to your exporter's account, being advance payment for exports (credit received in Nostro statement received from New York correspondent). What rate you will take to quote to the customer, if the market is 55.21/25?

a. 55.21
b. 55.21-Bank commission
c. 55.25
d. 55.25- Bank commission

Ans - b

Explanation :

It will be purchase of USD from customer for which USD will have to be sold in the market. Say when USD/Rs is being quoted as 55.21/25, meaning that market buys USD at Rs 55.21 and sells at Rs 55.25. We shall have to quote rate to the customer on the basis of market buying rate, i.e. 55.21, less our margin, as applicable, to arrive at the TT Buying Rate applicable for the customer transaction.

....

Which of the following is not a category of incoterm?

a. Departure
b. Main carriage paid / unpaid
c. Arrival
d. All are incoterm categories

Ans - d

....

Select the incorrect statement.

a. Export / import trade is regulated by the DGFT
b. DGFT regulates trade control through exim policy
c. RBI regulates exchange control and receipt / payments of foreign exchange under FEMA guidelines

d. The registration number of the firm / company for international trade is known as BIC.

Ans - d

....

Who publishes prime rates for major currencies on the monthly basis ?

a. RBI
b. EXIM bank
c. FEDAI
d. FEMA

Ans - c

....

Foreign citizen of Indian origin is called as ......

a. PIO
b. NRI
c. Resident Indian
d. Foreigner

Ans - b

....

Debentures are not governed by ...... (i) Law of Contract, (ii) BR Act, (iii) Company Law

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

Ans - a

....

The term RISK in business refers to ......

a. Chance of losing Business
b. Chance of making Losses
c. Uncertainty associated with expected event leading to loss or gain
d. Threat from competitors

Ans - c

....

Asset in doubtful category for 2 years – Rs. 500000/-
Realization value of security – Rs. 300000/-
What will be the provision requirement?

a. Rs. 500000/-
b. Rs. 320000/-
c. Rs. 200000/-
d. Rs. 175000/-

Ans - b
....

Retirement of import bill for GBP 100,000.00 by TT Margin 0.20%, ignore cash discount/premium, GBP/USD 1.3965/75, USD/INR 55.16/18. Compute Rate for Customer.

a. 76.5480
b. 76.6985
c. 77.1140
d. 77.2682

Ans - d

Explanation :
For retirement of import bill in GBP, we need to buy GBP, to buy GBP we need to give USD and to get USD, we need to buy USD against Rupee, i.e. sell Rupee.

At the given rates, GBP can be bought at 1.3975 USD, while USD can be bought at 55.18. The GBP/INR rate would be 77.1140. (1.3975 x 55.18), at which we can get GBP at market rates. Thus the interbank rate for the transaction can be taken as 77.1140.

Add Margin 0.20% 0.1542.
Rate would be 77.1140 + 0.1542 = 77.2682 for effecting import payment. (Bill Selling Rate).
....

Rupee is convertible on current account as well as capital account owing to the relaxations allowed by RBI in the area of ...... (i) FDI, (ii) ECB, (iii) ODI

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

Ans - d
....

Balance sheet of a bank provides the following information:

Total advances Rs 50000cr, Gross NPA 10% and Net NPA 3%, Based on this information, answer the following quwstions?

1. What is the amount of gross NPA?

a. Rs 4000cr
b. Rs 4500cr
c. Rs 5000cr
d. Rs 5500cr

2. What is the amount of net NPA?

a. Rs 1000cr
b. RS 1200cr
c. Rs 1500cr
d. Rs 1800cr

3. What is the amount of provision for standard loans, if all the standard loan account represent general advance?

a. Rs 150cr
b. Rs 160cr
c. Rs 180cr
d. Rs 200cr

4. What is the provision on NPA accounts?

a. Rs 3000cr
b. RS 3500cr
c. Rs 4500cr
d. Rs 5000cr

5. What is the total amount of provisions on total advances, including the standard accounts?

a. Rs 3500cr
b. Rs 3680cr
c. Rs 4000cr
d. Rs 4200cr

6. What is the minimum amount of provision to be maintained to meet the PCR of 70%?

a. Rs 3500cr

b. Rs 3680cr
c. Rs 4000cr
d. Rs 4200cr

7. What is the amount of provision for standard loans, if all the standard loan account represent direct advances to agricultural?

a. Rs 90cr
b. Rs 112.5cr
c. Rs 135cr
d. Rs 180cr

8. What is the amount of provision for standard loans, if all the standard loan account represent advances to SMEs sectors?

a. Rs 90cr
b. Rs 112.5cr
c. Rs 135cr
d. Rs 180cr

9. What is the amount of provision for standard loans, if all the standard loan account represent advances to CRE sectors?

a. Rs 112.5cr
b. Rs 180cr
c. Rs 337.5cr
d. Rs 450cr

10. What is the amount of provision for standard loans, if all the standard loan account represent advances to CRE-RH sectors?

a. Rs 112.5cr
b. Rs 180cr
c. Rs 337.5cr
d. Rs 450cr

Solution :

1. c
Gross NPA
= 50000 x 10 %
= 5000 Cr

2. c

Net NPA
= 50000 x 3 %
= 1500 Cr

3. c
Stadard Accounts
= Total advances - Gross NPA
= 50000 - (50000 x 10%)
= 50000 - 5000
= 45000

Provision for standard loans (general advance)
= 0.4%
= 45000 x 0.4%
= 180 Cr

4. b
Provision of NPA
= (Gross NPA - Net NPA) x Total Advances
= (10% - 3%) x 50000
= 7% x 50000
= 3500 Cr

5. b
Provision on Total Advances
= Provision of NPA + Provision for standard loans
= 3500 + 180
= 3680 Cr

6. a
Minimum amount of provision to be maintained to meet the PCR of 70%
= Gross NPA x PCR
= 5000 x 70%
= 3500 Cr

7. b
Stadard Accounts
= Total advances - Gross NPA
= 50000 - (50000 x 10%)
= 50000 - 5000
= 45000

Provision for standard loans (direct advances to agricultural)
= 0.25%

= 45000 x 0.25%
= 112.5 Cr

8. b
Stadard Accounts
= Total advances - Gross NPA
= 50000 - (50000 x 10%)
= 50000 - 5000
= 45000

Provision for standard loans (SMEs Sector)
= 0.25%
= 45000 x 0.25%
= 112.5 Cr

9. d
Stadard Accounts
= Total advances - Gross NPA
= 50000 - (50000 x 10%)
= 50000 - 5000
= 45000

Provision for standard loans (Commercial Real Estate (CRE) Sector)
= 1%
= 45000 x 1%
= 450 Cr

10. c
Stadard Accounts
= Total advances - Gross NPA
= 50000 - (50000 x 10%)
= 50000 - 5000
= 45000

Provision for standard loans (Commercial Real Estate (CRE-RH) Sector)
= 0.75%
= 45000 x 0.75%
= 337.5 Cr

SME - Small and Micro Enterprises
CRE - Commercial Real Estate (CRE) Sector
CRE - RH - Commercial Real Estate – Residential Housing Sector (CRE-RH)
…………………………………………

Mr Ram, (Banking with Dhanlaxmi Bank) an agriculture entrepreneur growing vegetables in green housetechnology in Khammam wants to update his farm house with modern machinery. He is importing the same from a Chinese manufacturer M/s Zuanch LLC, Beijing who are banking with China development Bank for total cost of US$ 4500. M/s Zaunch LLC has issued an invoice stating the sale transaction must be backed by LC. As such, Mr Ram approaches Dhanlaxmi Bank for opening of Letter of Credit (Foreign) in FCY USD. Dhanlaxmi Bank's China Foreign Correspondent Bank is Bank of China, Beijing.

Ans who is who

a)Applicant of LC
b)Beneficiary of LC
c)LC Opening/Issuing Bank
d)Advising Bank/Confirming
e)Negotiating bank
f)Reimbursing Bank

Ans :

a)Applicant of LC	Mr Ram, Khammam
b)Beneficiary of LC	M/s Zaunch LLC
c)LC Opening/ Issuing Bank	Dhanlaxmi Bank
d)Advising Bank/Confirm Bank	Bank of China
e)Negotiating bank	China Development Bank
f)Reimbursing Bank	Bank of China in China

....

Globalization does not refer to ...... (i) The process of integrating domestic market with global markets, characterized by free capital flows and minimum regulatory intervention, (ii) Full convertibility of all currencies in the world, (iii) Removal of all trade barriers in the world

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

Ans - c
....

The potential for an increase or decrease in the parent's net worth and reported net income caused by a change in exchange rates since the last consolidation of international operations is a reflection of ......

a. Translation exposure
b. Exchange rate exposure
c. Strategic exposure
d. Economic exposure

Ans - a
....

Under a gold standard, ...

a. a nation's currency can be traded for gold at a fixed rate
b. a nation's central bank or monetary authority has absolute control over its money supply
c. new discoveries of gold have no effect on money supply or prices
d. a & b

Ans - a
....

A _______ contract conveys an agreement to buy a specific amount of a commodity or financial instruments at a particular price on a stipulated future date.

a. Option
b. Future
c. Forward
d. None of the above

Ans - c
....

The guarantees given by ECGC, to cover loss on advances for incentives receivable by exporters at pre-shipment stage, is called ......

a. Post-Shipment Export Credit Guarantee
b. Packing Credit Guarantee
c. Export Production Finance Guarantee
d. Export Finance Guarantee

Ans - c
....

.......account means your accounts with us.

a. Nostro
b. Vostro
c. Loro
d. Mirror

Ans - b
....

Mirror account is the shadow account of _______account.

a. Vostro
b. Loro
c. Nostro
d. All the aobve

Ans - c
....

The minimum period for NRE term deposit is _______ year.

a. One
b. Three
c. Five
d. Ten

Ans - a
....

FCNRB Accounts are necessarily _______deposit accounts maintained in designated foreign currencies.

a. Saving
b. Current
c. Term
d. All of the above

Ans - c
....

Interest earned on bonds, invested before getting NRI status, can be credited to _______account.

a. NRE
b. NRO

c. FCNR
d. RECD

Ans - b
....

An amount up to USD _______ can be repatriated every year out of balances held in NRO account, for permissible transactions.

a. One million
b. Twenty million
c. Ten million
d. Five million

Ans - a
....

The maximum period for FCNRB deposits is _______ years.

a. One
b. Ten
c. Three
d. Five

Ans - d
....

In FCNRB deposits the depositors does not bear _______risk.

a. Credit
b. Interest
c. Exchange
d. None of the above

Ans - c
....

As per RBI guidelines, which of the following, among others, is / are the principal requirements for issue of CP? (i) Issuing company should have minimum credit rating of P2, (ii) Net worth as per last balance sheet must not be below Rs 2 crore

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)

d. Both (i) and (ii)

Ans - a

....

The Bretton Woods accord ......

a. of 1879 created the gold standard as the basis of international finance
b. of 1914 formulated a new international monetary system after the collapse of the gold standard
c. of 1944 formulated a new international monetary system after the collapse of the gold standard
d. None of the above

Ans - c

....

The current system of international finance is a ......

a. gold standard
b. fixed exchange rate system
c. floating exchange rate system
d. managed float exchange rate system

Ans - d

....

Ask quote is for ......

a. Seller
b. Buyer
c. Hedger
d. Speculator

Ans - a

....

A simultaneous purchase and sale of foreign exchange for two different dates is called ......

a. currency devalue
b. currency swap
c. currency valuation
d. currency exchange

Ans - b

....

In a quote exchange rate, the currency that is to be purchase with another currency is called the ......

a. liquid currency
b. foreign currency
c. local currency
d. base currency

Ans - d
....

Which one of the following is not the member for contracts valued more than 100 crore of an inter working group at pre bid stage in deferred payment exports/project exports .

a. EXIM bank
b. Exporter
c. RBI-FED
d. ECGC

Ans - b
....

Which of the following curency is not quoted as indirect quote (rate)?

a. NZD
b. USD
c. BP
d. Euro

Ans - b
....

The recognition of insurance mitigation is limited to ......% of total Operational Risk Capital Charge calculated under AMA.

a. 10
b. 20
c. 30
d. 50

Ans - b
....

Answer the following questions are based on the below given information

a. USD-INR spot and forward rate
Spot USD - 45.60/62
O/N - 1/2
Tom - 2/3
2 weeks - 7/8
I month - 15/17
2 months - 31/33
3 months - 47/50
6 months - 95/100

Spot USD - 65.60/62
O/N - 1/2
T/N - 2/3
2 weeks - 7/8
1 month - 15/17
2 months - 31/33
3 months - 47/50
6 months - 95/100

b. The AD loads margin of 10 paisa for purchase transactions and 12 paisa for sale transactions

1. What would be the bill selling rate for one month forward USD?

a. 65.50
b. 65.74
c. 65.81
d. 65.91

Ans - d
....

2. Given GBP/USD 1.6117/1.6118, compute bill buying rate for GBP in Indian rupee.

a. 73.63
b. 73.42
c. 73.21
d. None of these

Ans - b
....

3. Given GBP/USD 1.6117/1.6118, compute bill selling rate for GBP in Indian rupee.

a. 73.63
b. 73.42
c. 73.21
d. None of these

Ans - a
....

4. A customer requests for a forward contract for export bills maturing in the 3rd month. What would be the rate?

a. 46.00
b. 46.05
c. 45.84
d. None of these

Ans - c
....

What does re-balancing of a bond index mean?

a. Changing the weightages in the index so that the market capitalization of bonds is kept constant
b. Adjusting the index for changes in the composition of the index portfolio to ensure that artificial capital gains or losses are not included in the index
c. Adjusting the composition of the index, whenever coupons are paid, such that the index is not impacted by changes in accrued interest.
d. Changing the composition of the index when yield alters, such that duration of the index is kept constant

Ans - b
....

Return on Zero-Risk investment would be ...... as compared to other opportunities available in the market.

a. High
b. Low
c. Equal
d. Either Low or High

Ans - b
....

The financial statement that shows the financial position of an enterprise at a particular point in time is the ......

a. Income statement
b. Balance sheet
c. Explanatory notes to the financial statements
d. Cash flow statement

Ans - b
....

The features of Negotiated Dealing System are ...... (i) This is a system where securities clearing against assured payment is handed by Clearing Corporation of India, (ii) Physical delivery of cheques are not required, (iii) All Inter-Bank Money Market deals are done through Negotiated Dealing System

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

Ans - d
....

The bank-wise maturity profile of select deposit category of banks in % terms of select maturity buckets, as on Mar 31, 2019 is as under:

Liability/Asset	PSU Banks	Old Private Banks	New FM Banks	Foreign Bank
Deposits	100	100	100	100
Up to 1 year	33	54	52	44
Over 1 yr to 3 years	37	33	44	44
Over 3 year to 5 years	13	6	3	41
Over 3 year to 5 years	17	7	1	8

On the basis of given information, answer the following questions?

01. There is decline in rate of interest of 2% for a period up to 1 year. The bank group which will gain most is ......

a. PSU Banks
b. Old Private Banks
c. New Private Banks
d. Foreign Banks

02. There is decline in rate of interest of 2% for a period up to 1 year. The bank group which will gain least is ......

a. PSU Banks
b. Old Private Banks
c. New Private Banks
d. Foreign Banks

03. There is increase in rate of interest of l% for deposit with a period above 1 year to 5 years. The bank group which will be most affected adversely is ......

a. PSU Banks
b. Old Private Banks
c. New Private Banks
d. Foreign Banks

04. There is increase in rate of interest of 1% for deposit with a period above 1 year to 5 years. The bank group which will be least affected adversely is ......

a. PSU Banks
b. Old Private Banks
c. New Private Banks
d. Foreign Banks

05. The bank group which is more relaying on long term deposits above 3 years is ......

a. PSU Banks
b. Old Private Banks
c. New Private Banks
d. Foreign Banks

Answers: 1-b 2-a 3-a 4-b 5-a

Explanations:

1. Old private banks are dependent up to 54% deposits in up to 1 year category. Hence they gain most

2. Public sector banks have the lowest amount of deposit in this category 33%. Hence they gain least

3. PSU banks have 50% of their deposit in this category, which is highest in all the 4 bank groups. Hence they are affected most

4. Old private banks have 39% of their deposits in this category which lowest. Hence they are least affected

5. PSU banks are having 30% of their deposits in this category, which is highest
....

Which of the following regulations governs payments of imports of goods into India on the basis of FEMA 1999?

a. trade regulations
b. exchange control regulations
c. exim policy
d. None of these

Ans - b
....

One year T-bill rate is 10% and the rate on one year zero coupon debenture issued by ABC Ltd is 11%. What is the probability of default?

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

Ans - a

Explanation :
Formula for probability of default is :
1-P = 1 – [(1+i)/(1+k)]
= 1 - (1.1/1.11)
= 1 - 0.990
=0.01
= 1%
....

Pillar – II Supervisory Review consists of ......

a. Evaluate Risk Assessment
b. Ensure Soundness and Integrity of Bank's internal process to assess the Capital Adequacy
c. Ensure maintenance of maximum capital with PCA for shortfall
d. Prescribe differential Capital, where necessary i.e. where the internal process are slack.

Ans - c
....

Pillar – III Market Discipline – consists of except ......

a. Enhance disclosures
b. Core disclosures and Supplementary disclosures

c. Review Market ups and down
d. Timely at least semi annual disclosures

Ans - c
....

Which is called as supplementary capital ?

a. Tier-i
b. Tier-ii
c. Tier-iii
d. None of these

Ans - b
....

Standardized Approach allows banks to measure Credit Risk in a Standardized manner based on ......

a. Internal Rating Based (IRb.
b. Export Credit Agency (ECa.
c. Risk Weighted Assets
d. External Credit Assessment

Ans - c
....

On the basis of risk weightage, pick up the odd one.

a. Under Standard Approach retail and SME exposures attract a uniform Risk weightage of 75%
b. Lending fully secured by mortgage on residential property will have a Risk Weightage of 35%.
c. The Loans secured by commercial property will have 100% Risk Weightage
d. All the above

Ans - d
....

The Market Risk positions that require Capital Charge are ......

a. Interest rate related Instruments in Trading Book
b. Equities in Trading Book
c. Foreign Exchange open positions through out the Bank.
d. All the above

Ans - d

Zero risk is not having which of the following features?

a. There will be no variation in net cash flow
b. Return on investment would be higher
c. low return on investment
d. All the above

Ans - b

....

Which is not one among the core promoters for CCIL ?

a. State Bank of India (SBI)
b. Industrial Development Bank of India (IDBI)
c. NABARD
d. ICICI Ltd

Ans - c

....

Which one is not being quoted as per Units of foreign currency = INR?
a. JPY
b. Indonesian Rupiah
c. GBP
d. Kenyan Schilling

Ans - c

....

In case of direct shipment of goods, the exporter is required to submit the export documents to the bankers within ...... days.

a. 07
b. 21
c. 14
d. 30

Ans - b

....

The maximum time for realization of export bills (proceeds) is ...... months from the date of shipment (not date of export).

a. 1

b. 3
c. 6
d. 12

Ans - d

....

If an export bill remains unrealized (i.e., overdue bills) beyond 6 months from the date of export, it should be reported to the RBI in ...... statement, on half yearly basis (June and December).

a. ETX
b. XOS
c. PP
d. SDF

Ans - b

....

The eligibility to open a DDA (Diamond Dollar Account) is a track record of ...... years and average turnover of Rs ...... crores.

a. 2, 3
b. 2, 5
c. 3, 2
d. 3, 5

Ans - a

....

A person resident in India and earner of foreign currency should open ...... account with an AD in India.

a. overseas foreign currency
b. EEFC (Exchange Earner Foreign Currency)
c. rupee
d. vostro

Ans - b

....

In case of exports through approved Indian-owned warehouses abroad, the time limit for realization in post shipment finance is ...... months.

a. 6
b. 12

c. 15
d. 18

Ans - c
....

Advance against undrawn balance can be made at a concessive rate of interest for a maximum period of ...... days.

a. 30
b. 45
c. 60
d. 90

Ans - d
....

In post-shipment advance, the concessional rate of interest cannot exceed __ days from the date of shipment.

a. 90
b. 120
c. 180
d. 360

Ans - c
....

Which was the immediate cause which prompted G-10 countries to from the basel committee on the banking supervisions ?

a. Deregulation
b. Competition
c. Herstatt incident
d. Globlization

Ans - c
....

Who has the overall responsibilities for management of risks of a company?

a. Risk management committee
b. Assets liability management committee
c. Board of officers

d. RBI

Ans - c
....

Approved market risk limits for factor sensitivities and value at risk are duly set by ......

a. Risk policy committee
b. Board of directors
c. ALCO
d. None of the above

Ans - a
....

Net Interest income is

a. Interest earned on advances
b. Interest earned on investments
c. Total interest earned on advances and investment
d. Difference between interest earned and interest paid

Ans - d
....

Interest rate risk is a type of

a. Credit risk
b. Market risk
c. Operational risk
d. All the above

Ans - b
....

Normally, who will request for the confirmation of LC from the confirming bank?

a. Exporter
b. Importer
c. Opening Bank
d. Advising Bank

Ans - c
....

......risk can be controlled by putting in place state of art system, specified contingencies.

a. Sovereign Risk
b. Country risk
c. operational risk
d. Systematic Risk

Ans - c
....

If Floating interest rates based on one bench mark is swapped with floating interest rates based on another bench mark, it is called as ...... Swaps.

a. Financial
b. Coupon
c. Currency
d. Index

Ans - d
....

A customer wants to subscribe to a magazine published in Paris. The exchange rate for draft will be ...... (i) TT selling, (ii) Bills selling

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Neither (i) nor (ii)

Ans - a
....

Banks can approve proposals for availing supplier's credit for a period beyond ...... with maturity up to ......, for import of all items permissible under the Exim Policy, up to US ...... million per import transaction.

a. 3 months, 1 year, 10
b. 6 months, 1 years, 20
c. 6 months, 3 years, 20
d. 1 year, 3 years, 20

Ans - c
....

Which is world's first Exchange traded currency future contract.

a. Bretton Woods exchange
b. The Chicago Mercantile Exchange
c. Philadelphia stock exchange
d. Shangai stock exchange

Ans - b
....

The advances given by banks against incentives / receivables at the pre-shipment stage is covered under ......

a. Export finance guarantee
b. Export performance indemnity
c. Export production finance guarantee
d. Transfer guarantee

Ans - c
....

Advances against export bills by way of purchase, negotiation or discount or rupee finance by banks are covered under ......

a. Export finance guarantee
b. post shipment export credit insurance
c. Export production finance guarantee
d. Transfer guarantee

Ans - b
....

When banks grant post-shipment advances to their exporters against export incentives receivables in the form of cash assistance, duty drawback, etc, it can be covered under ......

a. Export finance guarantee
b. post shipment export credit insurance
c. Export production finance guarantee
d. Transfer guarantee

Ans - a
....

An AD has to obtain receipt of "bill of entry" in the cases where the value of foreign exchange remitted for import exceeds USD ......, within a period of __ months from the date of remittance.

a. 100000, 3
b. 50000, 3
c. 100000, 1
d. 50000, 6

Ans - a

....

...... is issued by ECGC in the nature of a counter guarantee to the bank against possible losses that they may suffer on account of the guarantees issued by them on behalf of its exporter clients.

a. Export finance guarantee
b. Post shipment export credit insurance
c. Export production finance guarantee
d. Export performance indemnity

Ans - d

....

FEDAI requires banks to undertake profit / loss evaluation of forex positions at the end of each ......

a. week
b. month
c. quarter
c. year

Ans - b

....

If a bank financing an overseas project provides a foreign currency loan to the contractor, it can protect itself from the risk of non-payment by the contractor by obtaining ......

a. Export finance guarantee
b. Export finance (overseas lending) guarantee
c. Export production finance guarantee
d. Export performance indemnity

Ans - b

....

Authorised persons - Category II was earlier known as ......

a. Full Fledged Money Changers
b. Restricted Money Changers
c. Authorised dealers
d. None of these

Ans - a

VaR does not measure risk under any particular market conditions. This limitation of VaR can be get over by ......
1. back testing
2. model calibration
3. scenario analysis
4. stress testing

a. 1, 2, and 3
b. 2, 3, and 4
c. 1, 2 and 4
d. all of these

Ans - d

In which rate the currencies are mostly bought and sold?

a. swap
b. forward
c. spot
d. repo

Ans - c

A mismatch in assets / liabilities and receivables / payables is ...... risk.

a. Credit
b. Exchange
c. Gap
d. Interest

Ans - b

The portfolio when not diversified gets ...... risk.

1. systematic
2. concentration
3. intrinsic
4. default

a. 1 or 2
b. 2
c. 1 or 3
d. 3 and 4

Ans - b
....

Risk can be mitigate through ......

a. Crystilization
b. Diversification
c. Portfolio risk
d. b & c

Ans - b
....

Banking books does not include which of the following?

a. All deposit and loans
b. All borrowings
c. Capital
d. All of these

Ans - c
....

Bill rediscounting is done at ...... market rate.

a. foreign exchange
b. money
c. securities
d. global

Ans - b
....

The period of validity of specific approval under guarantee given to high political risk countries is ...... months.

a. 2
b. 3
c. 4
d. 6

Ans - d

....

A bond with remaining maturity of 5 years is presently yielding 6%. Its modified duration is 5 years. What is its McCauley's duration?

a. 5.05%
b. 3.77%
c. 5.30%
d. 6.00%

Ans - c

....

The maximum borrowing on any day is limited to ___ % of capital, and maximum lending is limited to ____ % of capital.

a. 100, 25
b. 125, 50
c. 200, 50
d. 200, 100

Ans - b

....

The risk in treasury activity is known as ______ risk.

a. credit
b. market
c. liquidity
d. operational

Ans - b

....

The level of CRR to be maintained by scheduled banks with RBI is mentioned in ......

a. RBI Act 1934
b. BR Act 1949
c. Companies Act 1956
d. NI Act 1885

Ans - a
....

Which part of treasury performs the confirmation, accounting and settlement of the deals?

a. front office
b. mid office
c. back office
d. top office

Ans - c
....

What is the beta factor for corporate finance under Standardised approach?

a. 15%
b. 18%
c. 12%
d. None of the above

Ans - b
....

Notice money refers to

a. Funds placed overnight
b. Placement of funds beyond overnight but not exceeding 14 days
c. Funds placed for periods in excess of 3 months but not exceeding 1 year
d. Funds placed after giving a notice of placement

Ans - b
....

In India, market for currency futures commenced in

a. August 2008
b. August 1993

c. The market yet to commence operations
d. The currency futures markets were existing for a long time but were lying dormant

Ans - a

Liquidity risk is reflected as

a. Maturity mismatch, cash inflow and outflow
b. Total cash held, receipts and payments
c. Committed lines, lines utilized and unutilized
d. NPAs, total assets and performing loans

Ans - a

Which of the following is the liquidity risk ?

a. Time risk
b. Call risk
c. Price risk
d. Funding risk

Ans - c

The NDD of the usance bill (foreign currency export bill) is ...... days.

a. 21
b. usance period + 21 days NTP
c. 25
d. usance period + 25 days NTP

Ans - d

If a letter of credit and UCPDC have contradictory provisions which of the following statements will be 'false' in this regard ...... (i) Provisions of UCPDC will prevail over those of Credit, (ii) Provisions of Letter of Credit will prevail over those of UCPDC, (iii) Better of the provisions of UCPDC or Credit as applicable to beneficiary will prevail

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

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

Ans - b

Suppose a sight bill is drawn in USD and is submitted to the bank on 01.04.2015, the NTP allowed will be ...... days and NDD will be ...... (date).

a. 21, 21.04.2015
b. 25, 25.04.2015
c. 28, 28.04.2015
d. 30, 30.04.2015

Ans - b

Basel II accord is based on 3 pillars. These pillars are ......

a. Minimum capital requirement
b. Supervisory review process
c. Market discipline
d. all of these

Ans - d

Basel II defines capital requirement as ......

a. Capital = Min capital ratio (8%) * (Credit Risk + Market Risk + Operational Risk)
b. Capital = Min capital ratio (8%) * (Credit Risk + Market Risk)
c. Capital = Min capital ratio (8%) * Credit Risk + Market Risk * Operational Risk
d. Capital = Min capital ratio (18%) * (Credit Risk + Market Risk + Operational Risk)

Ans - a

In case of Domestic banks risk weights are assigned depends on?

a. CRAR
b. ECA
c. CSU
d. None

Ans - a

Fixed Assets - 500 Crore
Govt. Securities - 5000 crore

Standard Assets
Retail - 3000 crore
HL - 2000 crore
Other loans - 10000 cr

Sub-Standard Assets
Secured - 500 crore
Unsecured - 150 crore

Doubtful (DAI) - 800 crore

1. What is the amount of Risk Weighted Assets for Standard Assets (Retail)?

a. 1000 crore
b. 2250 crore
c. 10000 crore
d. 13250 crore

2. What is the amount of Risk Weighted Assets for Standard Assets (HL)?

a. 1000 crore
b. 2250 crore
c. 10000 crore
d. 13250 crore

3. What is the amount of Risk Weighted Assets for Standard Assets (Other loans)?

a. 1000 crore
b. 2250 crore
c. 10000 crore
d. 13250 crore

4. What is the amount of Risk Weighted Assets for Standard Assets?

a. 1000 crore
b. 2250 crore
c. 10000 crore
d. 13250 crore

5. What is the amount of Risk Weighted Assets for Govt. Securities?

a. 0 crore
b. 150 crore
c. 750 crore
d. 800 crore

6. What is the amount of Risk Weighted Assets for SS Secured?

a. 0 crore
b. 150 crore
c. 750 crore
d. 800 crore

7. What is the amount of Risk Weighted Assets for SS Unsecured?

a. 0 crore
b. 150 crore
c. 750 crore
d. 800 crore

8. What is the amount of Risk Weighted Assets for Doubtful D1?

a. 0 crore
b. 150 crore
c. 750 crore
d. 800 crore

9. What is the amount of Total Risk Weighted Assets?

a. 2250 crore
b. 10000 crore
c. 13250 crore
d. 14950 crore

Solution:

1. b
RWA for Standard Assets (Retail) = 3000*75/100 = 2250 crore

2. a
RWA for Standard Assets (HL) = 2000*50/100 = 1000 crore

3. c
RWA for Standard Assets (Other loans) = 10000*100/100 = 10000 crore

4. d
RWA for Standard Assets = 2250 + 1000 + 10000 = 13250 crore

5. a
RWA for Gsec = 5000*0/100 = 0

6. c
RWA for SS Secured = 500*150/100 = 750 crore

7. b
RWA for SS Unsecured = 150*100/100 = 150 crore

8. d
RWA for Doubtful D1 = 800*100/100 = 800 crore

9. d
Total RWAs = 2250 + 1000 + 10000 + 750 + 150 + 800 = 14950 crore
....

LC within Retail portfolio (AAA rated securities) - 1000 crore
Standby LC (As Financial Guarantee) (A rated Co.) - 500 crore
Standby LC – particular transaction (AA rated Co) - 200 crore
Performance Bonds & Bid bonds (Unrated Co.) - 1000 crore
Financial Guarantees (AA rated Co.) - 400 crore
Confirmed LC for Imports (AAA rated Co.) - 100 crore

1. What is the amount of Risk Weighted Assets for LC within Retail portfolio (AAA rated securities)?

a. 30 crore
b. 40 crore
c. 250 crore
d. 500 crore

2. What is the amount of Risk Weighted Assets for Standby LC (As Financial Guarantee) (A rated Co.)?

a. 30 crore
b. 40 crore
c. 250 crore
d. 500 crore

3. What is the amount of Risk Weighted Assets for Standby LC – particular transaction (AA rated Co)?

a. 30 crore
b. 40 crore
c. 250 crore
d. 500 crore

4. What is the amount of Risk Weighted Assets for Performance Bonds & Bid bonds (Unrated Co.)?

a. 30 crore
b. 40 crore
c. 250 crore
d. 500 crore

5. What is the amount of Risk Weighted Assets for Financial Guarantees (AA rated Co.)?

a. 4 crore
b. 108.56 crore
c. 120 crore
d. 944 crore

6. What is the amount of Risk Weighted Assets for Confirmed LC for Imports (AAA rated Co.)?

a. 4 crore
b. 108.56 crore
c. 120 crore
d. 944 crore

7. What is the amount of Total Risk Weighted Assets?

a. 4 crore
b. 108.56 crore
c. 120 crore
d. 944 crore

8. What is the amount of Capital Required?

a. 4 crore
b. 108.56 crore
c. 120 crore
d. 944 crore

Solution:

1. b
CCF for LC Retail Portfolio (AAA rated) = 20%
So, Adjusted Exposure = 1000*20% = 200 crore
So, RWA = 200 * 20%
= 40 crore

2. c
CCF for Standby LC (As Financial Guarantee) (A rated Co.) = 100%
So, Adjusted Exposure = 500*100% = 500 crore
So, RWA = 500 * 50%
= 250 crore

3. a
CCF for Standby LC –particular transaction (AA rated) = 50%
So, Adjusted Exposure = 200*50% = 100 crore
So, RWA = 100 * 30%
= 30 crore

4. d
CCF for Performance Bonds & Bid bonds (Unrated) = 50%
So, Adjusted Exposure = 1000*50% = 500 crore
So, RWA = 500 * 100%
= 500 crore

5. c
CCF for Financial Guarantees (AA rated) = 100%
So, Adjusted Exposure = 400*100% = 400 crore
So, RWA = 400 * 30%
= 120 crore

6. a
CCF for Confirmed LC for Imports (AAA rated Co.) = 20%
So, Adjusted Exposure = 100*20% = 20 crore
So, RWA = 20 * 20%
= 4 crore

7. d
Total RWAs = 40 + 250 + 30 + 500 + 120 + 4 = 944 crore

8. b
Capital Required = 944 * 11.5 % = 108.56 crore
…………………………………….

ABC bank has the following exposure to Corporate sector secured by financial assets.

Party - A Ltd
Amount in Rs - 15.00 Cr
Maturity of exposure & collateral - 2
Collateral - Mutual Fund (AA)
Value of collateral - 15.00 Cr
Exposure Rating - AA

Party - B Ltd
Amount in Rs - 10.00 Cr
Maturity of exposure & collateral - 3
Collateral - Sovereign Bond
Value of collateral - 10.00 Cr
Exposure Rating - BBB

Party - C Ltd
Amount in Rs - 25.00 Cr
Maturity of exposure & collateral - 6
Collateral - Gold
Value of collateral - 26.00 Cr
Exposure Rating - A

1. Find out the credit risk weighted asset for A Ltd.

a. 0.18 Cr
b. 0.20 Cr
c. 0.50 Cr
d. 0.95 Cr

2. Find out the credit risk weighted asset for B Ltd.

a. 0.18 Cr
b. 0.20 Cr
c. 0.50 Cr
d. 0.95 Cr

3. Find out the credit risk weighted asset for C Ltd.

a. 0.18 Cr
b. 0.20 Cr
c. 0.50 Cr
d. 0.95 Cr

Answer:

Applying the credit risk mitigation formula:
E* = max {0, [E x (1 + He) - C x (1 - Hc - Hfx)]}
where:
E* = the exposure value after mitigation
E = current value of the exposure for which the collateral qualifies as a risk Mitigant
He = haircut appropriate to the exposure
C = the current value of the collateral received
Hc = haircut appropriate to the collateral
Hfx = haircut appropriate for currency mismatch between the collateral and exposure

1. a
Party - A Ltd
Exposure - 15.00
Rating of Exposure - AA
Risk Weight - 30%
Hair cut for exposure - 0
Collateral value - 15.00
Collateral - Mutual Fund(AA)
Maturity of collateral - 2
Hair cut for collateral - 4%

E* = max {0, [15 x (1 + 0) - 15 x (1 – 0.04 - 0)]}
= max of 0 or [0.60]
Means the collateral value after mitigation = 15 - 0.60 = 14.40
So the net exposure = 15 - 14.40 = 0.60
RWA = 0.60 x Risk weight of exposure which is 30%
= 0.18 Cr

2. b
Party - B Ltd
Exposure - 10.00
Rating of Exposure - BBB
Risk Weight - 100%
Hair cut for exposure - 0
Collateral value - 10.00
Collateral - Sovereign Bond
Maturity of collateral - 3
Hair cut for collateral - 2%

E* = max {0, [10 x (1 + 0) - 10 x (1 – 0.02 - 0)]}
= max of 0 or [0.20]
Means the collateral value after mitigation = 10 - 0.20 = 9.80

So the net exposure = 10 - 9.80 = 0.20
RWA = 0.20 x Risk weight of exposure which is 100%
= 0.20 Cr

3. d
Party - C Ltd
Exposure - 25.00
Rating of Exposure - A
Risk Weight - 50%
Hair cut for exposure - 0
Collateral value - 26.00
Collateral - Gold
Maturity of collateral - 6
Hair cut for collateral - 15%

E* = max {0, [25 x (1 + 0) - 26 x (1 – 0.15 - 0)]}
= max of 0 or [2.90]
Means the collateral value after mitigation = 26 - 2.90 = 23.10
So the net exposure = 25 - 23.10 = 1.90
RWA = 1.90 x Risk weight of exposure which is 50%
= 0.95 Cr
....

ABC Bank has a Repo transaction. The details of it has been given below.

Type of the Security - GOI security
Residual Maturity - 5 years
Coupon - 6%
Current Market Value - Rs.1050
Cash borrowed - Rs.1000
Modified Duration of the security - 4.5 years
Assumed frequency of margining - Daily
Haircut for security (adjusted for minimum holding period) - 1.4 %
Haircut on cash - Zero
Minimum holding period - 5 business days
Change in yield for computing the capital charge for general market risk - 0.7 % p.a.

1. Calculate Capital Charge for CCR

a. 0
b. 1.49
c. 33.07
d. 34.56

2. Calculate Capital Charge for credit risk

a. 0
b. 1.49
c. 33.07
d. 34.56

3. Calculate Capital Charge for market (specific) risk

a. 0
b. 1.49
c. 33.07
d. 34.56

4. Calculate Capital Charge for market (General) risk

a. 0
b. 1.49
c. 33.07
d. 34.56

5. Calculate Total capital required

a. 0
b. 1.49
c. 33.07
d. 34.56

Solution :

1. b
Capital Charge for CCR
1. Exposure - MV of the security = 1050.00
2. CCF for Exposure - 100 %
3. On-Balance Sheet Credit Equivalent - 1050 * 100 % = 1050.00
4. Haircut - 1.4 %
5. Exposure adjusted for haircut - 1050 * 1.014 = 1064.70
6. Collateral for the security lent - Cash = 1000.00
7. Haircut for exposure - 0 %
8. Collateral adjusted for haircut - 1000 * 1.00 = 1000.00
9. Net Exposure (5- 8) - 1064.70 - 1000 = 64.70
10. Risk weight (for a Scheduled CRAR complaint bank) - 20 %
11. Risk weighted assets for CCR (9 x 10) - 64.70 * 20 % = 12.94
12. Capital Charge for CCR (11 x 11.5 %) - 12.94 * 0.115 = 1.49

2. a
Capital for credit risk (if the security is held under HTM) = Zero (Being Govt. security)

3. a
Capital for market (specific) risk (if the security is held under AFS/HFT) = Zero (Being Govt. security)

4. c
Capital for market (General) risk = (Modified duration * Assumed yield change (%) * market value of security)
= 4.5 * 0.7% * 1050
= 33.07

5. d
Total capital required = (for CCR + credit risk + specific risk + general market risk)
= 1.49 + 0 + 0 + 33.07
= 34.56
....

If the volatility per annum is 25% and the number of trading days per annum is 252, find the volatility per day.

a. 1.58%
b. 15.8%
c. 158%
d. 0.10

Solution:
Daily volatility of security = A
Total trading days is always to required to be taken at 252, and formula is
A = 25 x52
A = 1.58%
....

Daily volatility of a security is 1%. What is its 16 days volatility approximately?

a. 3%
b. 10%
c. 1%
d. 4%

Solutions:
Wherein trading days has not been given then we have to assume it as 260 days in a year. Accordingly,
16 days volatility = 'X'
Daily volatility = 1% or 0.01

So formula will be : 0.01 = X
0.01 = X 0.2480
0.01/0.2480 = X
OR X = 0.040
i.e X = 4%
....

If per annum volatility is 30% and nos. of trading days per annum be 250, how much will be daily volatility?

a. 1.90%
b. 6.95%
c. 10.95%
d. 13.95%

Ans - a

Solution
Annual Volatility = Daily Volatility * ∫250 = Daily Volatility * 15.81
30 = Daily Volatility * 15.81
Daily volatility = 30/15.81 = 1.90%
....

If 1 day VaR of a portfolio is Rs. 50000/- with 97% confidence level. In a period of 1 year of 300 trading days, how many times the loss on the portfolio may exceed Rs. 50000/-.

a. 9 days
b. 15 days
c. 25 days
d. 30 days

Ans - a

Solution
97% confidence level means loss may exceed the given level (50000)on 3 days out of 100.
If out of 100 days loss exceeds the given level on days =3
Then out of 300 days, loss exceeds the given level = 3/100*300 = 9 days
....

A 5 year 5% Bond has a BPV of Rs. 50/-, how much the bond will gain or lose due to increase in the yield of bond by 2 bps?

a. Loss of value by 50
b. Loss of value by 100

c. Gain of value by 50
d. Gain of value by 100

Ans - b

Solution
Increase in yield will affect the bond adversely and the bond will lose.
Since BPV of the bond is Rs. 50/-. Increase in yield by 2 bps will result into loss of value of Bond by 50*2=100
....

If daily volatility of a Security is 2%, how much will be monthly volatility?

a. 1.90%
b. 6.95%
c. 10.95%
d. 13.95%

Ans - c

Solution
Monthly volatility = Daily Volatility * ∫30 = 2*∫30 = 2*5.477 = 10.95%
....

1 day VaR of a portfolio is Rs. 50000/- with 90% confidence level. In a period of 1 year (250 days) how many times the loss on the portfolio may exceed Rs.50000/-?

a. 9 days
b. 15 days
c. 25 days
d. 30 days

Ans - c

Solution
90% confidence level means on 10 days out of 100, the loss will be more than Rs. 50000/-.
Out of 250 days, loss will be more than 50000/- on 25 days. It means, out of 250 days, loss will not exceed on 225 days.
....

A 10 year 12% semi - annual bond @ market yield of 8.520% has a price of Rs. 116.16, which rises to Rs. 117.45 at a yield of 8.320%. What is the BPV of the bond?

a. Rs. 64.5 per Rs. 1,000 of book value

b. Rs. 6.40 per Rs. 1,000 of book value
c. Rs. 0.64 per Rs. 1,000 of book value.
d. None of These

Ans - a

Solution :

BPV is Change in price (market value) by 1 basis point change in yield (market)
Here change in price is
= 117.45 - 116.16
= 1.29
And change in yield
= 8.520 - 8.320
= 0.20
So one basis point change in yield = 0.20 divided by 20
= 0.01 %
So as we divide price change also by 20
= 1.29 / 20
= 0.0645

That 0.0645 BPV face (book) value of 1000
= Rs. 64.5 at book value at 1000
....

A bank's treasury portfolio is worth Rs. 9,500 Crs. Its 10 day VaR at 90% confidence level is Rs. 265 Crs. What is its weekly VaR at 90% confidence interval? (Assume 5 working days in a week)

a. Rs. 132.50 Crs
b. Rs. 187.41 Crs
c. Rs. 196.38 Crs
d. None of These

Ans - b

Solution :

10 days VaR =
1day VaR × squre root of 10
265 = 1day VaR × suare root of 10
1day Var = 265 / suare root of 10
5 day VaR =
(265/square root of 10) × suare root of 5
= 265 × square root of 5/suare root of 10

= 265 / square root of 2
= 265 / 1.414
= 187.4115
....

Bond A is a 7-year, 8% coupon bond. It has duration of 4.2 and a current yield of 6.6%. If the yield were to suddenly decrease to 6.1%, approximately what will be the percentage price change for this bond?

a. Price increases by 4.2%
b. Piice decreases by 4.2%
c. Price increases by 2.1%
d. Price decreases by 2.1%

Ans - c

Solution :

Increase in price of bond Will decrease current yield
Price Is Inversely propotionate to yield
% change in price = - modified duration × yield change
= - 4.2 × (- 0.5) = 2.1
....

Which of the followings is correct? (i) All policies should be reviewed annually, (ii) A copy of the policy guidelines needs to be filed with RBI

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d
....

A rate of exchange established between any two currencies on the basis of the respective quotation of each currency in terms of a third currency is known as ......

a. cross rate
b. merchant rate
c. wash rate
d. composite rate

Ans - a
....

Risk which arises due to inability or unwillingness of the counterparty to meet the obligations at maturity is called as ......

a. Exchange Risk
b. Credit Risk
c. Market Risk
d. Settlement Risk

Ans - b

....

Forex markets usually operate ...... globally, except for the Middle East or other Islamic Countries.

a. From Monday to Thursday
b. From Monday to Friday
c. From Monday to Saturday
d. From Monday to Sunday

Ans - b

....

What is the most critical function of Risk Management?

a. Measurement of risk
b. Identification of risks
c. Estimating the costs of risk
d. Controlling the level of risk to an organization's capacity

Ans - d

....

What kind of risk on settlements is covered by 'Herstatt Risk' for which BCBS was formed?

a. Exchange rate risk
b. Time difference risk
c. Interest rate risk
d. None

Ans – b

....

In case of Domestic banks risk weights are assigned depends on?

a. CRAR
b. ECA
c. CSU
d. None

Ans - a

....

Financial Risk is defined as

a. Uncertainties resulting in adverse variation of profitability or outright losses
b. Uncertainties that result in outright losses
c. Uncertainties in cash flow
d. Variations in net cash flows

Ans - d

....

1 day VaR of a portfolio is Rs 500 with 95% confidence level. In a period of six months (125 working days) how many times the loss on the portfolio may exceed Rs 500?

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

Ans - c

....

Holder of a forwarded contract can not get the benefit of market rate, if it is better than the contracted rate, on the date of utilization - which is a disadvantage known as ......

a. hedging
b. forward options
c. opportunity cost
d. none of these

Ans - c

....

Which of these gives a right to the holder to buy an underlying product (currency / bonds / commodities) at a prefixed rate on a specified future date.

a. call option
b. put option
c. either of these
d. both of these

Ans - a

Which among the following is the key factor (most reliable tool) in investment decision?

a. Return on equity
b. RAROC (Risk Adjusted Return On Capital)
c. Risk pricing
d. None of these

Ans - b

The prefixed rate on which the call options or put options are executed is known as ......

a. spot
b. cost price
c. strike price
d. none of these

Ans - c

The higher the risk, the higher would be ......

a. return expectation
b. capital requirement
c. both a and b
d. none of these

Ans - b

Which of the followings are Components of portfolio risk are?

a. Default risk and systematic risk

b. Down - gradation and concentration risk
c. Concentration risk and intrinsic risk
d. Default risk and down -gradation risk

Ans - c

....

Which of the following is a tool to cover direct exchange risk?

a. forward cover
b. future
c. option
d. all of these

Ans - d

....

For small exporters, the projected export turnover for the period of 12 months should not exceed __ lacs.

a. 1
b. 10
c. 20
d. 50

Ans - d

....

Small exporter policy is issued for a period of ...... months and its coverage is ......% where the loss is due to commercial risk and ...... % if the loss is due to political risk and the waiting period for claim is ...... months from the due date of payment.

a. 12, 95, 100, 4
b. 12, 100, 95, 4
c. 4, 95, 100, 12
d. 12, 95, 100, 6

Ans - a

....

Strategic Risk is a type of

a. Interest rate risk
b. Operational risk

c. Liquidity risk
d. None of these

Ans - d
....

A bank funds its assets from a pool of composite liabilities. Apart from credit and operational risks, it faces...

a. Basis risk
b. Mismatch risk
c. Market risk
d. Liquidity risk

Ans - a
....

Which of following instruments not eligible for Credit risk Mitigation?

a. Cash
b. Gold
c. Life Insurance
d. OTC

Ans - d
....

'Your Account with Us' is called ...... account.

a. Vostro
b. Nostro
c. Mirror
d. Loro

Ans - a
....

A branch sanctions Rs 1 crore loan to a borrower, which of the following risks the branch is taking?

1. Liquidity risk
2. Interest rate risk
3. Market risk
4. Credit risk
5. Operational risk

a. All of them
b. 1, 2 and 3 only
c. 1, 4 and 5 only
d. 1, 2, 4 and 5 only

Ans - d

....

Examples of off-balance-sheet activities include ......

a. loan sales
b. foreign exchange market transactions
c. trading in financial futures
d. all of the above

Ans - d

....

Recently, most of the Governments and Central Bankers went in to a major drive to support their major Banks and prevent their failures. This is because; they wanted to avoid the contagion effect and "Systemic Risk". Systemic risk is the risk due to:

a. Failure of a bank, which is not adhering to regulations
b. Failure of two banks simultaneously due to bankruptcy of one bank
c. Where a group of banks fail due to contagion effect
d. Failure of entire banking system

Ans - d

....

If the volatility per annum is 25% and the number of trading days per annum is 252, find the volatility per day.

a. 1.58%
b. 1.60%
c. 158%
d. 15.8%

Ans - a

....

....

1988 Capital Accord framework accounted for

1. Credit risk
2. Market Risk
3. Operational risk
4. Defined capital component

Which of the following is true?
a. All of them
b. 1,2 and 4
c. 1,3 and 4
d. 1,2 and 3

Ans - b
....

Back testing is done to

a. Test a model
b. Compare model results and actual performance
c. Record performance
d. None of the above

Ans - b
....

Communication Risk is a type of ......

a. Interest Rate Risk
b. Market Risk
c. Credit Risk
d. Operational Risk

Ans - d
....

Under supplier credit scheme, the EXIM bank offers:

a. credit to indian exporters for manufacturing
b. credit to indian exporter for offering deferred credit to overseas buyers
c. credit to overseas importers to import from indian exporters
d. credit to indian importers to import from other countries.

Ans – d

....

Which are not responsible for the compliance with risk limits imposed by the management? (i) Front Office, (ii) Middle Office, (iii) Back office.

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

Ans - a

What is the maximum amount of foreign currency coins that a person resident in India can possess or retain?

a. USD 1000
b. USD 1500
c. USD 2000
d. no such limit

Ans - d

Select the incorrect statement.

a. The contract size in futures market is USD 1000 and all settlements take place in Dollars.
b. The contract size in interest rate futures market is Rs 2 lacs.
c. If an exporter needs to hedge receivables of USD 560,700, he would need to buy 561 forward sale contracts of USD 1000 each, aggregating to USD 561,000. The small difference is called basis risk.
d. all are correct

Ans - a

An interest rate swap is shifting of basis of interest rate calculation ......

a. from fixed rate to floating rate
b. from floating rate to fixed rate
c. fixed floating rate to floating rate
d. all of these

Ans - d

The benchmark rates for term lending for USD are generally ......

a. LIBOR
b. MIBOR
c. Fed Rate
d. MIFOR

Ans - a
....

Select the incorrect pair:

a. excess of liquidity - lead to inflation and reduction in money supply
b. shortage of liquidity - lead to high interest rate and exchange rate
c. absorption of liquidity by RBI - increase in CRR and SLR requirement
d. none of these

Ans - d
....

To obtain foreign exchange for remittance abroad or use abroad or usee abroad by resident indian, which of the following application form is used:

a. A1 where the amount exceeds $500
b. A2 where the amount exceeds $5000
c. A2 where the amount exceeds $500
d. A2 where the amount exceeds $25000

Ans - d
....

Import bills should be crystallized on the ......th day, if not paid by the due date.

a. 7
b. 10
c. 15
d. 21

Ans - b
....

Which of them are important divisions of Treasuries? (i) Front Office, (ii) Middle Office, (iii) Rear office.

a. Only (i) and (ii)

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

Ans - a

....

Overdue forward contracts should be automatically cancelled on the ......th working day, from the due date of contract.

a. 7
b. 15
c. 21
d. 30

Ans - a

....

Match the correct pair associated with country risks:

1. Very high risk - i) C2
2. Moderate risk - ii) B1
3. Low risk - iii) A1
4. Moderately low risk - iv) B2
5. High risk - v) D
6. Insignificant risk - vi) A2
7. Moderately high risk - vii) C1

a. 1-v, 2-iv, 3-vi, 4-ii, 5-i, 6-iii, 7-vii
b. 1-iv, 2-v, 3-ii, 4-i, 5-vii, 6-vi, 7-iii
c. 1-iii, 2-iv, 3-i, 4-ii, 5-vi, 6-vii, 7-iii
d. 1-viii, 2-iv, 3-iii, 4-ii, 5-vi, 6-v, 7-i

Ans - a

....

Concessional rate of interest for post-shipment finance is allowed for ...... days in case of usance bills.

a. 25
b. 90
c. 180
d. None of these

Ans - d

A Bank reports a one-week VaR of $1M at the 95% confidence level. Which of the following statements is most likely to be true?

a. The daily return on the company portfolio follows a normal distribution so that a one-week VaR could be computed.
b. The one week VaR at the 99% confidence level is $5M
c. With probability 95%, the company will not experience a loss greater than $95M in one week
d. With probability 5%, the company will loose $1M or more in one week

Ans - d

Which of the following combinations is important to meet funding needs of a Bank? (i) Increase short term Borrowings, (ii) Minimise holding of less liquid Assets, (iii) Increase Capital Funds

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

Ans - d

What are the features of Net Interest Income? (i) It is a tool for measuring the impact of volatility on the short term profit, (ii) This indicates difference between interest income and interest, (iii) Short term profits can be stabilised by minimising fluctuations in Net Interest Income

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

Ans - d

Investment in Post Office time deposit is ......

a. Low-risk investment
b. Medium-risk investment
c. High-risk investment
d. Zero-risk investment

Ans - d

Daily volatility of a stock is 0.5%. What is its 10-day volatility?

a. 5%
b. 0.25%
c. 1.58%
d. None of these

Ans – c

Which of the followings is correct regarding T-Bill? (i) It is in the Electronic form and held in SGL Account maintained by Banks with RBI, (ii) Depository participants can also operate through SGL Account, (iii) The settlement of T-Bills is through Clearing Corporation of India

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

Ans - d

'HLM Bank' is encouraging its home loan borrowers to shift to a floating rate option. We can conclude that the bank is ......

a. Trying to maximize interest income from home loans
b. Expecting home loan rates to go down in near future
c. Trying to imitate the international best practices in interest rates
d. Reduce asset sensitivity to interest rates in home loan segment

Ans - d

If a T-Bill is of 91 days is priced at 99.26, what does it signify? (i) It will yield interest at 2.99%, (ii) This is known as implicit yield

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d

Capital account transaction refers to transaction which ...... of a person resident in India.

a. alters the asset outside India
b. alters the asset within India
c. alters the liability outside India
d. Both a and c

Ans - d
....

Buying rate for ready merchant rate is derived from ......

a. interbank spot buying rate
b. interbank ready buying rate
c. interbank spot selling rate
d. interbank ready selling rate

Ans - a
....

Packing credit limits are granted ......

a. to cover specifically packing charges incurred for goods meant for export
b. against LC or firm orders
c. against duly packed goods stored in warehouse
d. to an importer in a foreign country in respect of goods exported from India

Ans - b
....

For option forward purchase transactions the forward premium will be reckoned ......

a. based on earliest delivery date
b. based on latest delivery date
c. based on the average due date for delivery
d. none of the above

Ans - a
....

A bank that specializes in granting loans to firms in a specific line of business ......

a. May decrease its operating cost and decrease its credit risk
b. May increase both its operating cost and its credit risk

c. May increase its operating cost and decrease its credit risk
d. May decrease its operating costs and increase its credit risk

Ans - d
....

Speculation in foreign exchange market refers to ......

a. buying or selling of currencies in large volumes
b. booking of forward contracts without intention to execute
c. buying or selling with a view to make profits from movement in rates
d. buying or selling with a view to making riskless profits

Ans - c
....

Cover deal by a dealer of an authorised dealer is undertaken to ......

a. profit from exchange rate movements
b. cover up mistakes done by the dealer
c. square up the position resulting from dealings with customers
d. none of the above

Ans - c
....

For funding the vostro acount, the bank in India will apply ......

a. its TT buying rate
b. its TT selling rate
c. interbank spot buying rate
d. interbank spot selling rate

Ans - c
....

Normally forward purchase contract booked should be used by the customer ......

a. for executing the export order for which the contract was booked
b. for any export order from the same buyer
c. for any export order for the same commodity
d. for any export order

Ans - a

The Benefits of T-Bills are ...... (i) It is Risk free investment, (ii) It yields interest higher than the call money market, (iii) It is possible to trade T-Bill in secondary market

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

Ans - d
....

The extent of cumulative cash flow mismatches could be arrived as under ...... (i) Taking a conservative view of marketability of liquid Assets, (ii) Provision for discount to cover price volatility, (iii) Expected outflows as a result of draw down of commitments

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

Ans - d
....

On occurrence of a credit event the protection seller shall pay difference between nominal value of the reference obligation and its market value at the time of credit event is called as ......

a. cash settlement
b. credit settlement
c. default settlement
d. physical settlement

Ans - a
....

Rate to be applied when an export bill is cyrstallised ......

a. Bill buying
b. Bill selling
c. TT buying
d. TT selling

Ans - d
....

The following limits in treasury are meant for controlling market risk

a. Counter party interbank exposure limits
b. Settlement and pre-settlement limits
c. Intra-day, overnight open position limit and stop loss limits
d. Overseas borrowing limit prescribed by RBI

Ans - c
....

Value at risk(VaR) is a statistical measure to capture ......

a. Actual loss in portfolio
b. Probable loss in a portfolio within a time horizon at a given confidence level
c. Loss or profit in a trading activity
d. Operational risk in treasury

Ans - b
....

Yield and price of a bond move ......

a. In inverse proportion
b. In direct proportion
c. In unrelated fashion
d. As determined by bond issuer

Ans - a
....

A put option is in the money (ITM) if ......

a. the strike price is less than market price
b. the strike price is more than the market price
c. the market price is equal to the strike price
d. a put option can never be in the money

Ans - b
....

An Asset is ......

a. Sources of funds
b. Use of funds

c. Inflow of funds
d. None of these

Ans - b
....

What is the normal balance for contra asset accounts?

a. Debit
b. Credit
c. Either a or b
d. None of these

Ans - b
....

Which of the following would not be a current asset?

a. Accounts Receivable
b. Land
c. Prepaid Insurance
d. Supplies

Ans - b
....

Which of the following is not covered under 'Market Discipline' pillar of Basel II ?

a. Ensure maintenance of minimum capital - with PCA for shortfall
b. Core disclosures
c. Enhance Disclosure
d. Supplementary disclosures

Ans - a
....

In India, market for currency futures commenced in ......

a. August 2008
b. August 1993
c. The market yet to commence operations
d. The currency futures markets were existing for a long time but were lying dormant

Ans – a

Foreign currency forward market is ......

a. An over the counter unorganized market
b. Organized market without trading
c. Organized listed market
d. Unorganized listed market

Ans - a
....

As per FEMA, a non resident is ......

a. A person working in Dubai for last three years.
b. A tourist touring European countries for last fifteen days.
c. A software engineer working on a project in California USA, from his site in Hydrabad.
d. A student on a visit to Australia on study tour, while doing his MBA at IIM Indore.

Ans - a
....

An NRI cannot open following accounts in India

a. FCNR deposit in Australian dollars for a period of two years.
b. NRE savings bank account, with cheque book facility.
c. FCNR deposit in Canadian Dollars for a period of 10 years.
d. An NRE term deposit for a period of 5 years.

Ans - d
....

Back to Back LC is ......

a. LC opened on the backing of an Export Order.
b. LC opened on the backing of an Import Order.
c. LC opened on the backing of an Export LC.
d. LC opened on the backing of an Import LC.

Ans - c
....

Find the odd man out :

a. Futures
b. Value at Risk (VAR)

c. Options
d. Swaps

Ans - b
....

Which of the following is not an interest rate derivative used for interest rate management?

a. Swap
b. Cap
c. Floor
d. All of the above are interest rate derivatives

Ans - d
....

Counterparty risk is ......

a. The risk of loss when exchange rates change during the period of a financial contract
b. Based on the notional amount of the contract
c. The risk of loss if the other party to a financial contract fails to honour its obligation
d. Present only with exchange-traded options

Ans - c
....

The impact of Foreign exchange rate on firm is called as ......

a. Operating Exposure
b. Transaction exposure
c. Translation exposure
d. Business risk

Ans - a
....

If transaction exposure are in same dates, then it can be hedged ......

a. By purchasing single forward contract
b. By purchasing multiple forward contract
c. Cannot be hedged by forward contracts
d. None of the above

Ans - a

How many countries have been placed in Restricted Cover Group I and how many in Group II?

a. 10, 7
b. 20, 13
c. 20, 15
d. 21, 9

Ans - b
....

...... risk can be controlled by putting in place state of art system, specified contingencies.

a. Sovereign risk
b. Country risk
c. operational risk
d. Systematic risk

Ans - c
....

The fund which CCIL creates to cover outstanding of any participant in case of default is known as ......

a. BIC
b. OTC
c. SGF
d. RMC

Ans - c
....

Sight bills drawn under Import letters of credit, if not paid by the ...... day, would be crystallised.

a. 7th
b. 10th
c. 15th
d. 30th

Ans - b
....

...... do not maintain the overall risk of Treasury portfolio and monitors the liquidity and interest rate risks. (i) Front Office, (ii) Middle Office, (iii) Back office.

a. Only (i) and (ii)

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

Ans - b
....

The delivery period in case of option contract can not exceed beyond ...... month.

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

Ans - a
....

Banks are allowed to charge interest on PCFC and EBR for 180 days not exceeding __% over the benchmark (LIBOR /EURO LIBOR/EURIBOR).

a. 0.5
b. 1.5
c. 2.0
d. 2.5

Ans - c
....

For gold card status holder exporters, the concessive rate of interest on post shipment rupee export credit may be extended for a maximum period of ...... days.

a. 120
b. 180
c. 360
d. 365

Ans - d
....

RBI has permitted ...... to facilitate financing of medium term export bills through ......

a. SEBI, factoring
b. Exim bank, forfeiting
c. Exim bank, factoring

d. IRDA, forfeiting

Ans - b

....

Mr. Raj purchases a call option for 400 shares of A with strike price of Rs. 100 having maturity after 03 months for Rs. 20 and also buy a put option for 200 shares of B with strike price of Rs. 200 having maturity after 03 months for Rs. 30. On maturity, shares of A were priced at Rs. 130 and shares of B were priced at Rs. 180. What is the profit/lost for the individual on the transaction (without taking the interest cost and exchange commission into calculation)?

a. Profit of Rs. 4000
b. Profit of Rs. 2000
c. Loss of Rs. 4000
d. Loss of Rs. 2000

Ans - b

Explanation.

First one is a call option, so it is assumed that,
He will purchase 400 shares of A at a price of 100
Total value of shares is = 40000
Then he will sell the total shares in the market at a price of 130.
400 × 130 = 52000
But he paid the premium for call options @ 20 × 400 = 8000
So profit in this first transaction will be
52000 - 40000 - 8000
=4000 (Profit of Rs. 4000)

Second one is a put option, so it is assumed that,
He will sell 200 shares of A at a price of 200
Total value of shares is = 40000
Then he will buy the total shares in the market at a price of 180.
200 × 180 = 36000
But he has to paid Rs. 30 per share to buy put options.
=30 × 200 = 6000

So profit in this transaction will be
40000 - 36000 - 6000
= -2000 (loss of Rs. 2000)
So taking both the transactions,
4000-2000 = 2000 (Profit of Rs. 2000)

....

Bank XYZ has
Common shares - 600cr
Statutory reserves - 250cr
Free reserves - 200cr
General Provisions and Loss Reserves - 350cr
Debt Capital Instruments - 250cr
Perpetual Non-Cumulative Preference Shares (PNCPS) - 50cr
Perpetual Debt Instruments (PDI) - 50cr
Perpetual Cumulative Preference Shares (PCPS) - 50cr
Redeemable Non-Cumulative Preference Shares (RNCPS) - 50cr
Redeemable Cumulative Preference Shares (RCPS) - 50cr
RWA for credit and operational risk are Rs 16000cr
RWA for market risk Rs 6000cr
Based on the above information, answer the following questions?

1. what is the amount of Tier-1 capital?

a. 1080cr
b. 1150cr
c. 1250cr
d. 1380cr

Ans - b

Tier-1 = Common shares + Statutory reserves + Free reserves + Perpetual Non-Cumulative Preference Shares (PNCPS) + Perpetual Debt Instruments (PDI)
= 600+250+200+50+50
= 1150cr

2. Calculate the amount of Tier-2 capital?

a. 350cr
b. 475cr
c. 550cr
d. 840cr

Ans - c

Tier2 = Provisions and Loss Reserves maximum 1.25% of risk weighted assets + Debt Capital Instruments + PCPS + RNCPS + RCPS
= (16000*1.25%) 200+200+50+50+50
= 550cr

3. Calculate the amount of capital fund?

a. 1250cr
b. 1380cr
c. 1560cr
d. 1700cr

Ans - d
Total capital fund = Tier-1 capital + Tier-2 capital
= 1150 + 550 = 1700cr

4. What is the capital adequacy ratio of the bank?

a. 7.23 %
b. 7.73 %
c. 8.23 %
d. 8.73 %

Ans - b
Capital adequacy ratio = Total Capital fund / Total RWA
= 1790 / 22000
= 7.73 %

5. What is the amount of minimum capital to support credit and operational risk as per Basel 3 without capital conservation buffer?

a. 1240cr
b. 1440cr
c. 1640cr
d. 1840cr

Ans - b
= 16000 * 9% = 1440cr

6. What is the amount of minimum capital to support credit and operational risk as per Basel 3 with capital conservation buffer?

a. 1240cr
b. 1440cr
c. 1640cr
d. 1840cr

Ans - d
16000 * 11.5% = 1840cr

7. What is the amount of minimum Tier 1 to support the credit and operational risk without capital conservation buffer?

a. 1120cr
b. 1320cr
c. 1520cr
d. 1720cr

Ans - a
Tier 1 = 16000 * 7% = 1120 cr

8. What is the amount of minimum Tier 1 to support the credit and operational risk with capital conservation buffer?

a. 1120cr
b. 1320cr
c. 1520cr
d. 1720cr

Ans - c
Tier 1 = 16000 * 9.5% = 1520 cr

9. What is the amount of minimum Tier 1 to support the market risk without capital conservation buffer?

a. 420cr
b. 470cr
c. 520cr
d. 570cr

Ans - a
Tier 1 = 6000 * 7% = 420 cr

10. What is the amount of minimum Tier 1 to support the market risk with capital conservation buffer?

a. 420cr
b. 470cr
c. 520cr
d. 570cr

Ans - c
Tier 1 = 6000 * 9.5% = 520 cr
....

Which of the followings is/are mismatch Risk? (i) Holding Assets and Liabilities with different maturity dates and amount, (ii) Adverse movement in Interest Rate, (iii) When liability is repriced on a maturity date and this causes variation in the Interest Rate

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

Ans - b
....

The features of Embedded Option Risk are ...... (i) When a Bank is exposed to Risk due to prepayment of a loan and premature withdrawal of term deposit it is called Embedded Option Risk, (ii) This can be experienced in volatile situations, (iii) The greater the magnitude of changes in interest rate the higher will be the Embedded Option Risk

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 regarding Embedded Option Risk?

a. This results in reduction of projected cash flow,
b. It does not affect the Bank's income.
c. The risk may arise due to premature exercise of call/put options.
d. The withdrawals of deposits before maturity date would also cause Embedded Option Risk.

Ans - b
....

Under the standardized approach, Banks divide their business activities into following Business lines ......

a. 2
b. 8
c. 10
d. 12

Ans - b
....

What is the process of Standardised Approach? (i) Gross income is a broad indicator under each business line, (ii) Gross income serves as a scale of Business operations, (iii) The capital charge for each business line is calculated by multiplying gross income by a factor assigned to that business line

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 followings is not included in tier-2 capital of a Bank?

a. Reserves for bad and doubtful debts
b. Paid up capital
c. Hybrid capital instrument
d. Subordinated Debt

Ans - b

Which of the followings are basic principles of Basel Accord to control International supervisory coverage? (i) No foreign Bank should escape supervision, (ii) Supervision should be adequate

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d

The current credit risk can be defined as ...... (i) It is a risk exposure in the current liquidation value, (ii) Value of financial instrument varies depending upon market factors, (iii) Credit risk amount varies with the change in the value

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

Ans - d

What is Settlement Risk? (i) In a financial market transaction one party pays money and receives the instruments, (ii) The counterparty receives the money and parts with the instrument, (iii) If any of the above transacting parties defaults it is known settlement risk

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 regarding Basel III implementation in India?

a. minimum common equity Tier I ratio should be 5.5% of RWAs
b. Capital Conservation Buffer (CCb. consisting of common equity, should be 2.5% of RWAs
c. maximum additional tier 1 capital should be 1.5% of RWAs
d. None of the above

Ans - c
....

The objectives of Risk management are ...... (i) Survival of an organization, (ii) Earning stability, (iii) Efficiency in operations

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

Ans - d
....

Capital charge component of pricing Account for ...... (i) Loss Premium, (ii) Internal generation of capital, (iii) Cost of capital

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

Ans - c
....

Market risk takes the form of (which one is not correct) ......

a. commodity price risk
b. interest rate risk
c. loan default risk
d. liquidity risk.

Ans - c
....

If a Borrower repay a pre matured loan, a Bank may have the following Interest Rate Risk ......

a. Yield curve Risk
b. Embedded Option Risk
c. Basis Risk
d. Mismatch Risk

Ans - b
....

If a daily volatility of a stock is one percent what is the approximate volatility for 10 days?

a. 3 percent
b. 10 percent
c. 1 percent
d. 4 percent

Ans - a
....

What is concurrent audit?

a. That which is done by concurrent auditors
b. That which is done by the RBI
c. Audit done concurrently along with operations
d. Annual Financial Inspection

Ans - c
....

Which of the following is/are not characteristic(s) of OTC products?

a. Customised contracts
b. Negotiated pricing

c. No counterparty risk
d. Available from banks/financial institutions

Ans - c

....

The role of ALCO includes ......

a. Product pricing for deposits and advances
b. Strategies for achieving year end targets
c. Motivating Staff
d. Liaoning with the RBI

Ans - b

....

An Interest rate cap is a series of ......

a. Call options
b. Put options
c. Periodical payments
d. Differential payments

Ans - a

....

The futures exchange prescribes an initial margin of USD 5,000 and maintenance margin of USD 3,000 against one Euro futures. The maximum level of margin that buyer of futures should keep with the exchange for one futures is ......

a. USD 5,000
b. USD 3,000 and if a special call is given USD 5,000
c. USD 8,000
d. USD 5,000 and if a special call is given additional USD 3,000

Ans - a

....

Which of the following financial instruments are included in trading transactions? (i) Debt securities, (ii) Equity, (iii) Forex instruments

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

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

Ans - d

....

FRAs can be used for ......

a. Hedging
b. Arbitraging
c. Speculating
d. Any of the above

Ans - d

....

Minimum capital requirement is ...... (i) Capital for Credit Risk, (ii) Capital for Market Risk, (iii) Capital for Operational Risk

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

Ans - d

....

Price of treasury notes and treasury bonds without including accrued interest is classified as

a. clean price
b. full price
c. dirty price
d. accrued price

Ans - a

....

Under the interest rate option, the buyer ......

a. Avoids un-favorable movement in interest rates
b. Gains from favorable movement in interest rates
c. Both a. and b. above
d. Gains nothing, only the seller gains

Ans - c

The swap arrangement where principal amounts are not exchanged, but only periodical interest payments are made will be a ......

a. Currency swap
b. Cross currency interest rate swap
c. Interest rate swap
d. Non-financial swap

Ans - c
....

Capital for credit Risk should be measured based on following Approaches ...... (i) Standardized Approach, (ii) Internal Rating Based Foundation Approach, (iii) Internal Rating based Advanced Approach

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

Ans - d
....

The disclosure norms under market discipline should focus on ...... (i) Disclosure will defined on legal authority and accounting standards of each country, (ii) Disclosure norms should match with internal financial reporting standards

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - a
....

Capital charge for credit Risk requires inputs under Advanced Internal Rating Based Approach. The inputs are provided by ......

a. Bank
b. Supervisor
c. Basel committee on Banking Supervision
d. All these

Ans - a
....

Which of the following is not a operational risk?

a. Compliance risk
b. Transaction risk
c. Legal Risk
d. Counter party risk

Ans - d
....

Strategic Risk and Reputation Risk fall in the category of ......

a. Market risk
b. credit risk
c. Operational risk
d. none of these

Ans - d
....

Risk of legal or regulatory sanction, financial loss or reputation loss that a bank may suffer as a result of its failure to comply with any or all of the applicable laws, regulations etc. is called as ......

a. Transaction risk
b. Compliance risk
c. legal risk
d. Systems risk

Ans - d
....

The Feature of Basic Indicator Approach are ...... (i) A Bank must hold capital for operational Risk, (ii) The amount of Capital should be equal to 15% of positive annual gross income, (iii) Gross income is defined as net interest income plus net non-interest income

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

Ans - d
....

Risk arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes is called ......

a. Reputation risk
b. Strategic risk
c. Operational risk
d. Management risk

Ans - b

....

Reputation Risk which arises from negative public opinion may result in ...... (i) exposing an institution to litigation, (ii) financial loss, (iii) decline in customer base

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

Ans - d

....

Capital of market Risk be measured through ...... (i) Maturity Method, (ii) Duration Method, (iii) Internal Models Method

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

Ans - d

....

Capital for operational Risk can be measured by adopting ...... (i) Basic Indicator Approach, (ii) Standardised Approach, (iii) Advanced Measurements Approach

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/are not correct?

a. Derivative is a financial contract
b. Derivatives always refer to spot price
c. Value of derivatives depend on spot market
d. All of these

Ans - b
....

Which of the following derivatives are not traded in exchanges?

a. Options
b. Currency Swaps
c. Forex futures
d. All of them are traded in exchanges

Ans - b
....

The marking to market of a futures contract is done ......

a. Daily, based on the opening price for the day
b. Weekly, based on the opening price for the week
c. Daily, based on the closing price for the previous day
d. Weekly, based on the closing price for the previous week

Ans - c
....

The acronym CIRCUS Stands for ......

a. Currency Interest Rate Swap
b. Circular Currency Swap
c. Combined Income Range Currency Swap
d. Combined Interest Rate and Currency Swap

Ans - d
....

A forward rate agreement helps the user to ......

a. Fix the cost of borrowing
b. Reduce the cost of borrowing

c. Cover exchange Risk
d. Avail Tax benefit

Ans - a
....

Effective supervision can be achieved through ...... (i) On site inspections, (ii) off site review, (iii) review of work done by external auditors

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

Ans - d
....

Basel III recommendations shall be completely implemented in India by ......

a. 31.03.2020
b. 31.03.2021
c. 01.01.2022
d. 01.01.2023

Ans - d
....

Basel III capital regulations were released by Basel Committee on Banking Supervision (BCBS) during as a Global Regulatory Framework for more resilient banks and banking systems ......

a. December 2010
b. March 2011
c. December 2011
d. December 2012

Ans - a
....

Basel III capital regulations are based on 3 mutually reinforcing pillar. These pillars are ...... (i) Pillar-1 minimum capital standards, (ii) supervisory review of capital adequacy (iii) risk management

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

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

Ans - a

....

Under Basel II the option available to compute capital for credit risk are ......

a. standardized approach
b. risk management approach
c. advance measurement approach
d. standardized approach,

Ans - c

....

When the bank is selling 3rd party products, which type of risk is involved?

a. reputation risk
b. operational risk
c. credit risk
d. liquidity risk

Ans - b

....

What is Basic Point Value? (i) It indicates the change in value due to one basis change in market yield, (ii) It is a risk measurement tool, (iii) Higher the Basic Point value, higher is the risk associated with the instrument

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 significant regarding Duration? (i) This concept was introduced by Frederick Mc Cauley, (ii) It was proposed in 1938, (iii) It describes bond's price sensitivity to yield change with a simple number

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 relevant regarding Basis Point value?

a. This helps to calculate profit or loss for a given change of yield
b. Basis Point value does not change with the remaining maturity
c. It may decline with time
d. It can be zero on the day of maturity

Ans - b

....

What is yield volatility? (i) It is degree of variance in yield, (ii) This is unaffected by time and duration, (iii) It rises when the yield fails

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

Ans - d

....

The price volatility is ...... (i) A degree of variance in price, (ii) The yield does not effect the price volatility, (iii) The time and duration affect the volatility substantially

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

Ans - d

....

Capital charge for credit Risk under standardized approach has the following features ...... (i) It has fixed Risk weights corresponding to each supervisory category, (ii) Banks to use external credit assessments to enhance Risk sensitivity, (iii) The Risk weights are differentiated based on external credit assessment

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

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

Ans - d

....

When the objective is to follow the best practices to conduct the affairs of a company or bank in a transparent manner for giving fair deal to all the stake holders, this is called ......

a. implementation of prudential guidelines
b. organisational restructuring
c. corporate governance
d. corporate restructuring

Ans - c

....

The Standardised Approach to capital charge for credit Risk focuses on ...... (i) Loans considered as past due should have a Risk weight of 150 per cent, (ii) Uniform weight of 57 per cent on specified portfolios, (iii) Lower Risk weights for retail exposures

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

Ans - d

....

For the balance kept in the margin account for futures ......

a. Interest is paid at riskless rate
b. Interest is paid at LIBOR rate
c. Interest is paid for the surplus over the required minimum
d. No interest is paid

Ans - d

....

Under Internal Rating Based Approach the Risk weights are calculated on the following parameters ...... (i) Probability of default by Borrower over a given time horizon, (ii) Loss exposure if default occurs, (iii) Remaining economic maturity of the exposure

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

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

Ans - d
....

A feature of currency options that distinguishes it from other derivatives is ......

a. It carries premium to be paid upfront
b. It is option to enter into the contract
c. The buyer has only right, but no obligation to executive the contract
d. The seller has the right, but no obligation to execute the contract

Ans - c
....

The following statement with respect to currency option is wrong ......

a. Call option will be used by exporters
b. Put option gives the buyer the right to sell the foreign currency
c. Foreign currency – rupee option is available in India
d. An American option can be executed on any day during its currency

Ans - a
....

Which of the followings is/are correct regarding the Basis Risk? (i) When a variation in the market interest rate effects Net Interest Income to expand it will have unfavorable basis shifts, (ii) When interest rate movement causes Net Interest Income to contract the basis would have moved against the Bank, (iii) The loan portfolio is funded out of a composite liability portfolio, this causes higher degree of Basis Risk

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

Ans - c
....

An Interest rate swap helps the user to ......

a. Fix the cost of borrowing
b. Reduce the Cost of Borrowing

c. Cover Exchange Risk
d. Avail Tax Benefit

Ans - b

What is Yield Curve Risk? (i) When two different instruments maturing at different time horizon for pricing Assets and Liabilities, (ii) There may not be parallel movement in the Interest Rates of both of the instruments, (iii) Non parallel movement in the Yield Curve may affect the Net Interest Income

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

Ans - d

Zero Coupon Swap is an agreement ......

a. Involving Exchange of Zero coupon bonds
b. Whereby only one party makes payment periodically
c. Whereby one of the counterparties makes payment in lump sum instead of periodically
d. None of the above

Ans - c

Replacement of relatively high -cost debt with that of lower cost borrowing to take advantage of falling interest rates is called ......

a. debt replacement
b. derivative
c. credit enhancement
d. debt swap

Ans - d

In capital market, the term 'Market cap' is the product of ......

a. market price x authorised capital
b. market price x paid up capital
c. market price x outstanding no. of shares

d. market price x shares

Ans - c

Which of the following activities are relevant to operational Risk control practices? (i) Collection of operational Risk data, (ii) Adequate feedback mechanism, (iii) Management and control of large exposures

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

Ans - d

As per Basel III, general provisions and loss reserves are included in Tier-2 capital maximum to the extent of ......

a. 1.25% of total risk weighted assets under standardized approach and 0.6% of total risk weighted assets under IRB approach
b. 0.6% of total risk weighted assets under standardized approach and 0.6% of total risk weighted assets under IRB approach
c. 0.6% of total risk weighted assets under standardized approach and 1.25% of total risk weighted assets under IRB approach
d. 1.25% of total risk weighted assets under standardized approach and 1.25% of total risk weighted assets under IRB approach.

Ans - a

Which of the following is correct regarding Duration? (i) The longer the duration of a security the greater will be the price sensitivity, (ii) Bond price changes can be measured by using modified duration, (iii) It is discounted by one period yield to maturity

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

Ans - d

Regulations on Risk management are also helpful in ...... (i) Defining Risk in a better way, (ii) Creating better methodologies for measuring Risk

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d
....

Which of the followings is the basic concept for imposing regulatory measures for Risk management?

a. Capital adequacy principle and Risk based capital
b. Bank's profitability
c. Bank's Business performance
d. All these

Ans - a
....

The regulatory measures on Risk management focus on ...... (i) Promoting sound business and supervisory practices, (ii) Controlling and monitoring of systematic Risk, (iii) Protecting interest of depositor's

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

Ans - d
....

Tier-2 or supplementary capital consists ...... (i) Undisclosed Reserves, (ii) Assets Revaluation Reserve, (iii) General Provisions

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 followings is most relevant to Risk management process in Banks?

a. Supervision of large Borrowed Accounts
b. Asset Liability Management
c. Management of non-performing Assets
d. All these

Ans - b
....

The process of operational Risk management include ...... (i) Identification of Risk/control, (ii) Implementation of Qualitative Approach to assess operational Risk, (iii) To analyse operational Risk profile

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

Ans - d
....

What is Downside Risk?

a. It is a comprehensive measure of risk as it integrates sensitivity and volatility with the adverse effect of uncertainty
b. This is the most reliable model
c. Downside potential only captures possible losses ignoring profit potential
d. All these

Ans - a
....

For a USDINR Currency Futures contract at the NSE, the previous day's settlement price is Rs.70.0000 and today's settlement price is Rs.71.0000. An investor's Sell position of 50 contracts is brought forward from the previous day. What will be his market to market settlement value?

a. (-) Rs. 50,000
b. (+) Rs. 50,000
c. (-) Rs. 5,000
d. (+) Rs. 5,000

Ans - a
....

What is Value at Risk? (i) It can be defined as the loss amount accumulated over a certain period that is not exceeded in more than a certain percentage of all time, (ii) It is defined as the predicted worst case loss at a specific confidence level over a certain period of time assuming normal trading conditions, (iii) Value at Risk model relies on a model of random changes

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 Systemic Risk?

a. It is the Risk of failure of whole Banking system
b. Individual Bank's of failure is one of the major sources of systematic Risk
c. This takes place when there are high inter-relations between Banks through mutual lending and borrowing
d. All these

Ans - a

For contingency exposure of foreign exchange, the best derivative that can be used to hedge is ......

a. Forwards
b. Futures
c. Options
d. Swaps

Ans - c

The strike price under an option is ......

a. The price at which the option is auctioned
b. The exchange rate at which the currencies are agreed to be exchanged under the contract
c. Lower of the market price and the agreed price
d. None of the above

Ans - b

As per RBI guidelines, placement of volatile portion and core portion of Savings and Current deposit may be done as ......

a. 10% of SB and 15% of CA may be treated as volatile and placed in 1 - 14 days time bucket and core portion be placed in 1-3 year bucket.
b. 15% of SB and 20% of CA may be treated as volatile and placed in 1 -14 days time bucket and core portion be placed in 3-5 year bucket.
c. 10% of SB and 25% of CA may be treated as volatile and placed in 1 to 14 days time bucket and core portion be placed in 1-3 year bucket.
d. 15% of SB and 25% of CA may be treated as volatile and placed in 15 to 28 days time bucket and core portion be placed in 1-3 year bucket.

Ans - a
....

While borrowing for long term on floating rate basis, the interest risk is ......

a. The interest rate may fall in the market in future
b. The interest rate may increase in the market in future
c. The loan may not be renewed, if interest rate falls in the market
d. None of the above

Ans - b
....

The Capital Risk caused by an increase in Market Rate of interest is ......

a. Interest outgo will be higher on borrowings
b. Investors do not share in the market rate increase
c. Holders of Fixed Income Securities find the value of the assets falling
d. Both borrowers and investors lose on tax

Ans - c
....

USD-INR currency futures are currently traded at 71.2500.

a. One tick move will be 71.2525 or 71.2475
b. One tick move will be 71.2550 or 71.2450
c. One tick move will be 71.2565 or 71.2485
d. One tick move will be 71.2585 or 71.2450

Ans - a
....

Trading in Currency Futures at NSE will be from ......

a. Friday and Saturday
b. Wednesday to Friday
c. Monday to Thursday
d. Monday to Friday

Ans - d
....

The market where currencies are traded is known as the ......

a. Equity Market
b. Bond Market
c. Fixed Income Market
d. Foreign Exchange Market

Ans - d
....

Under Basel III, the risk weight for capital charge for credit risk on the basis of standardized approach for which of the following exposure, does not match?

a. venture capital — 150%
b. consumer credit or personal loans— 125%
c. credit card - 125%
d. capital market exposure - 100%

Ans - d
....

Under Basel III, the risk weight for capital charge for credit risk on the basis of standardized approach is ......% for staff loans secured by superannuation benefits or mortgage of flat / house

a. 20
b. 50
c. 75
d. 100

Ans - a
....

The USD/CAD (US – Canadian Dollars) currency pair settles in ...... basis

a. T+1
b. T+2
c. T+3
d. T+4

Ans - a

....

The risk that the interest rate of different assets and liabilities may change in different magnitude is called ......

a. Embedded Risk
b. Maturity Risk
c. Basis Risk
d. Price Risk

Ans - c

....

A Bank may face the following Risk ...... (i) Balance Sheet Risk, (ii) Transaction Risk, (iii) Operating and Liquidity Risk

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

Ans - d

....

The factors contributing to Balance Sheet Risk are ...... (i) Mismatch between the currency, (ii) Maturity and interest rate pattern, (iii) Structure of Assets and Liabilities

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

Ans - d

....

The Balance Sheet Risk may result in ...... (i) Interest rate mismatch Risk, (ii) Liquidity Risk, (iii) Foreign Exchange Risk

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

Ans - d
....

The buying rate is also known as the ......

a. bid rate
b. offer rate
c. spread
d. swap

Ans - a
....

A bank in India is to comply with capital adequacy ratio requirements at ...... (i) consolidated (group) level after consolidating the assets liabilities of its subsidiaries / joint ventures, (ii) solo level, (iii) overseas operations of the bank under (i) and (ii)

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

Ans - d
....

In India, the banks are required to maintain a minimum Pillar 1 capital to risk weighted assets ratio (or) minimum total capital to risk weighted assets ratio of ...... as on ......

a. 8%, 31st Mar each year
b. 9%, 31st Mar each year
c. 8%, ongoing basis
d. 9%, ongoing basis.

Ans - d
....

Out of the following, which are domestic credit rating agencies, approved by RBI for the purpose of credit rating to determine risk weight for rated exposures (1) Brickwork (2) CARE (3) Fitch (4) CRISIL (5) Moody's (6) SMERA (7) Standard & Poor

a. 1, 2, 4, 7
b. 1, 2, 4, 6
c. 1, 2, 3, 4
d. 1, 2, 4, 5

Ans - b
....

A Bank's Trading Book exposure may arise on account of the following ...... (i) Adverse changes in the interest rate, (ii) Currency exchange rate unfavourable movements, (iii) Market liquidity

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

Ans - d
....

An option is at-the-money when ......

a. The strike price is greater than the spot price, in the case of a call option
b. The strike price is greater than the spot price, in the case of a put option
c. The option has a ready market
d. The strike price and spot price are same

Ans - d
....

The intrinsic value of an option is ......

a. The difference between the option price and spot price at the time of entering into the contract
b. The difference between the option price and spot price estimated to prevail on the due date
c. The difference between the option price and spot price prevailing on the due date
d. None of the above

Ans - b
....

Where an option is out of the money ......

a. The premium will be refunded to the buyer
b. The buyer is unable to take up the contract
c. The seller gains to the extent of the premium received
d. No further purchase by the buyer is permitted

Ans - c

Range Forwards and Ratio Range Forwards are ......

a. Cost effective methods of option contracts
b. The range for which forward contracts are available
c. The option period under forward contract
d. Types of special derivative instruments

Ans - a

Which of the following statements is correct? (i) Assets Liquidation Risk is a situation where a specific Asset faces lack of trading liquidity, (ii) Market Liquidation Risk is a situation where liquidity crunch is general, (iii) The above (ii) affects trading liquidity adversity

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

Ans - d

To be eligible for risk weighting purposes under Basel Ill, the rating from a credit rating agency approved by RBI, should be in force and confirmed from the monthly bulletin of the concerned rating agency. The rating agency should have reviewed the rating at least once during the previous months

a. 6 months
b. 9 months
c. 12 months
d. 15 months

Ans - d

In a participatory forward, the buyer is ......

a. Protected fully from losses and gains fully from exchange rate changes
b. Protected fully from losses but does not gain from exchange rate changes
c. Protected partially from losses and gains partially from exchange rate changes
d. Protected fully from losses and gains partly from exchange rate changes

Ans - d
....

As per Basel III implementation, the risk weight for unsecured portion of NPA for credit risk as per standardized approach is ...... % if the specific provision is at least 20% of the outstanding in NPA account

a. 150
b. 100
c. 75
d. 50

Ans - b
....

Under Basel III, which of the following are eligible as collateral for credit risk mitigation purpose? (1) cash (2) gold (3) Central or State Govt. securities (4) Kissan Vikas Tatra or National Saving Certificates (5) Life insurance policies and units of mutual funds (6) debt securities rated or unrated

a. 1 to 6 all
b. 2 to 6 only
c. 2 to 5 only
d. 3 to 5 only

Ans - a
....

Exposure to uncertainty in economi c value of an investment that could not be marked to market is called ......

a. trading risk
b. business risk
c. market risk
d. liquidity risk

Ans - b
....

Under Basel III, the risk weight for capital charge for credit risk on the basis of standardized approach is ...... % for staff loans other than secured by superannuation benefits or mortgage of flat / house, being eligible under regulatory retail portfolio

a. 20
b. 50
c. 75
d. 100

Ans - c
....

As per Basel III, which of the following can be included in Additional Tier I capital? (i) Perpetual Noncumulative Preference shares — PNCPS, (ii) stock surplus or share premium resulting from issue of Additional Tier I instruments, (iii) Debit capital instruments eligible to be included in additional Tier I

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 Risk Factors may affect the Business adversity? (i) Sales volume and sales price, (ii) Purchase Price, (iii) Administrative expenses

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

Ans - d
....

Strategic Risk can be classified as ......

a. Operational Risk
b. Interest Rate Risk
c. Forex Risk
d. None of these

Ans - d
....

Stress testing using 'Simple Sensitivity Test' involves ......

a. Assessing impact on a portfolio's value for a series of predefined changes in a particular market risk factor
b. Assessing potential consequences on a portfolio for an extreme, but possible, state of the world
c. Assessing the risks of a portfolio by identifying the most potentially damaging combination of moves of market risk factors
d. Assessing risks of a portfolio based on predefined values in a particular risk factor

Ans - d
....

Stress testing using 'Extreme value theory' involves ......

a. Assessing impact on a portfolio's value for a series of predefined changes in a particular market risk factor
b. Assessing potential consequences on a portfolio for an extreme, but possible, state of the world
c. Assessing the risks of a portfolio by identifying the most potentially damaging combination of moves of market risk factors
d. Assessing risks of a portfolio based on predefined values in a particular risk factor

Ans - b
....

A 12 year 9% semi-annual bond having 6 years remaining maturity with market yield of 6.20% has a price of 113.85, which falls to 113.32 at a yield of 6.30%. What is the BPV of the bond?

a. 53 per 1,000 of book value
b. 43 per 1,000 of book value
c. 5.30 per 1,000 of book value
d. 4.30 per 1,000 of book value

Ans - a
....

Level of Tier II capital ......

a. May not be less than Tier I capital
b. May only be equal to Tier I capital
c. May not exceed Tier I capital
d. May be of any amount

Ans - d
....

Answer the following questions based on the below given information.

Risks in banking business may be categorized in to following 4 categories

Category 1 — Risks that are reasonably captured under pillar I guidelines
Category 2 — Risks that are not captured under pillar I guidelines
Category 3 — Risks that are partially captured under pillar I guidelines
Category 4 — Risks that may be underestimated under pillar I guidelines

1. Liquidity risk may be categorized as ......

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

Ans - b

....

2. Interest rate risk in banking book may be categorized as ......

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

Ans - b

....

3. Credit risk under AIRB approach may be categorized as ......

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

Ans - a

....

4. Credit concentration risk may be categorized as ......

a. Category 1
b. Category 2
c. Category 3

d. Category 4

Ans - b

....

5. Reputational risk may be categorized as ......

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

Ans - b

....

6. Credit risk under standardized approach may be categorized as ......

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

Ans - d

....

7. Strategic risk may be categorized as ......

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

Ans - b

....

8. Interest rate risk in trading book may be categorized as ......

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

Ans - a

....

9. Model risk may be categorized as ......

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

Ans - d

....

Risk mitigation of a market portfolio may be achieved by ......

a. Reducing the size of the portfolio
b. Enhancing the portfolio size
c. Adding new investments having positive correlation with the portfolio
d. Adding new investments having negative correlation with the portfolio

Ans - d

....

A 5 year 9% semi-annual bond @ market yield of 7.50% with present market price of 107 is sought to be hedged using IRS. You would take ......

a. A short position on variable interest rate
b. A long position on variable interest rate
c. A long position on fixed interest rate
d. None of these

Ans - b

....

Risk Management includes all of the following processes except ......

a. Risk Monitoring and Control
b. Risk Identification
c. Risk Avoidance
d. Risk Response Planning

Ans - c

....

Which of the following statement is incorrect ......

a. Risk mitigation resufts in reducing downside potential

b. Risk mitigation results in reducing upside potential
c. Risk mitigation leads to opportunity gains
d. Risk mitigation may add to costs

Ans - c
....

Banks may not be able to mitigate risks in their credit portfolio, if they ......

a. Secure loans by mortgages
b. Secure loans through third party guarantees
c. Diversify their portfolio across all regions
d. Take exposures on few select industries

Ans - d
....

A risk response which involves eliminating a threat is called ......

a. Mitigation
b. Deflection
c. Transfer
d. b and c

Ans - d
....

When should a risk be avoided?

a. When the risk event has a low probability of occurrence and low impact
b. When the risk event is unacceptable -- generally one with a very high probability of occurrence and high impact
c. When it can be transferred by purchasing insurance
d. A risk event can never be avoided
Risk Management

Ans - b
....

What is the price at which a treasury bill maturing on 23rd March 2017 would be valued on July 13, 2016 at a yield of 6.82%?

a. 94.59
b. 95.49

c. 96.59
d. 97.69

Ans - b

Answer:
The price can be computed as
= 100/[1+(yield * (No of days to maturity/365)]
= 100/[1+(6.8204*(253/365)] = Rs. 95.49
....

In most banks, ... are integrated to various extents to manage the SLR regulations. (i) funds department, (ii) planning department, (iii) treasury

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

Ans - d
....

Which of them are important divisions of Treasuries? (i) Front Office, (ii) Middle Office, (iii) Rear office.

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

Ans - a
....

At present MSF can be maximum ...... % of Banks NDTL

a. 2.50%
b. 1.50%
c. 2..00%
d. 1.00%

Ans - a
....

Balance sheet of a bank provides the following information:

Total advances Rs 60000cr, Gross NPA 12% and Net NPA 4%, Based on this information, answer the following questions?

1. What is the amount of gross NPA?

a. Rs 5000cr
b. Rs 6000cr
c. Rs 7200cr
d. Rs 8400cr

2. What is the amount of net NPA?

a. Rs 1200cr
b. RS 1600cr
c. Rs 2000cr
d. Rs 2400cr

3. What is the amount of provision for standard loans, if all the standard loan account represent general advance?

a. Rs 180cr
b. Rs 192.8cr
c. Rs 211.2cr
d. Rs 223.4cr

4. What is the provision on NPA accounts?

a. Rs 3600cr
b. RS 4200cr
c. Rs 4800cr
d. Rs 5400cr

5. What is the total amount of provisions on total advances, including the standard accounts?

a. Rs 4812.2cr
b. Rs 5011.2cr
c. Rs 5412.4cr
d. Rs 5642.4cr

6. What is the minimum amount of provision to be maintained to meet the PCR of 70%?

a. Rs 4680cr

b. Rs 5040cr
c. Rs 5240cr
d. Rs 54600cr

7. What is the amount of provision for standard loans, if all the standard loan account represent direct advances to agricultural?

a. Rs 120cr
b. Rs 126cr
c. Rs 132cr
d. Rs 138cr

8. What is the amount of provision for standard loans, if all the standard loan account represent advances to SMEs sectors?

a. Rs 120cr
b. Rs 126cr
c. Rs 132cr
d. Rs 138cr

9. What is the amount of provision for standard loans, if all the standard loan account represent advances to CRE sectors?

a. Rs 132cr
b. Rs 396cr
c. Rs 448cr
d. Rs 528cr

10. What is the amount of provision for standard loans, if all the standard loan account represent advances to CRE-RH sectors?

a. Rs 338cr
b. Rs 396cr
c. Rs 438cr
d. Rs 496cr

Solution :

1. c
Gross NPA
= 60000 x 12 %
= 7200 Cr

2. d

Net NPA
= 60000 x 4 %
= 2400 Cr

3. c
Stadard Accounts
= Total advances - Gross NPA
= 60000 - (60000 x 12%)
= 60000 - 7200
= 52800

Provision for standard loans (general advance)
= 0.4%
= 52800 x 0.4%
= 211.2 Cr

4. c
Provision of NPA
= (Gross NPA - Net NPA) x Total Advances
= (12% - 4%) x 60000
= 8% x 60000
= 4800 Cr

5. b
Provision on Total Advances
= Provision of NPA + Provision for standard loans
= 4800 + 211.2
= 5011.2 Cr

6. b
Minimum amount of provision to be maintained to meet the PCR of 70%
= Gross NPA x PCR
= 7200 x 70%
= 5040 Cr

7. c
Standard Accounts
= Total advances - Gross NPA
= 60000 - (60000 x 12%)
= 60000 - 7200
= 52800

Provision for standard loans (direct advances to agricultural)
= 0.25%

= 52800 x 0.25%
= 132 Cr

8. c
Standard Accounts
= Total advances - Gross NPA
= 60000 - (60000 x 12%)
= 60000 - 7200
= 52800

Provision for standard loans (SMEs Sector)
= 0.25%
= 52800 x 0.25%
= 132 Cr

9. d
Standard Accounts
= Total advances - Gross NPA
= 60000 - (60000 x 12%)
= 60000 - 7200
= 52800

Provision for standard loans (Commercial Real Estate (CRE) Sector)
= 1%
= 52800 x 1%
= 528 Cr

10. b
Standard Accounts
= Total advances - Gross NPA
= 60000 - (60000 x 12%)
= 60000 - 7200
= 52800

Provision for standard loans (Commercial Real Estate (CRE) Sector)
= 0.75%
= 52800 x 0.75%
= 396 Cr

SME - Small and Micro Enterprises
CRE - Commercial Real Estate (CRE) Sector
CRE - RH - Commercial Real Estate – Residential Housing Sector (CRE - RH)
....

Based on the below given data of a bank's branch as on 31.03.2017 (in Lakhs), answer the following questions.

A/c - Bal - Security - NPA Date
A1 - 70 - 0 - 30.09.2016
A2 - 80 - 40 - 30.07.2014
A3 - 60 - 0 - 30.06.2015
A4 - 50 - 20 - 31.08.2016
A5 - 80 - 60 - 31.07.2012
A6 - 40 - 20 - 31.10.2015
A7 - 60 - 60 - 31.01.2013
A8 - 50 - 0 - 31.05.2013

1. The accounts which would fall under 'Sub standard' category are ...... (i) A1, (ii) A4, (iii) A6

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

Ans - a
....

2. The accounts which would fall under 'Doubtful' category are ...... (i) A2, (ii) A3, (iii) A6

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

Ans - d
....

3. The accounts which would fall under 'Loss' category are ...... (i) A5, (ii) A7, (iii) A8

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

Ans - a
....

4. Total sub standard assets are ......

a. 120
b. 140
c. 190
d. 230

Ans - a
....

5. Total doubtful assets are ......

a. 120
b. 140
c. 190
d. 230

Ans - d
....

6. Total loss assets are ......

a. 120
b. 140
c. 190
d. 230

Ans - b
....

7. Total provision for sub standard assets are ......

a. 28
b. 120
c. 191
d. 230

Ans - a
....

8. Total provision for doubtful assets are ......

a. 28
b. 120

c. 191
d. 230

Ans - c

....

9. Total provision for loss assets are ......

a. 28
b. 120
c. 191
d. 230

Ans - b

....

The main function of the Back office includes ......

a. Increasing turnover of dealing room
b. Increasing profits of dealing room
c. Confirmations, settlement, and reconciliation
d. Providing UPS to dealing room

Ans - c

....

The following is not a feature of a derivative instrument ......

a. It is a financial instrument
b. Its use always leads to profit
c. It is executable on a future date
d. Its pay-off is dependent on the value of any other basic variable

Ans - b

....

A derivative can be ......

a. OTC product only
b. Exchange traded product only
c. OTC product or exchange-traded product
d. Always OTC Product and exchange-traded product combined

Ans - c

Under standardized approach for credit risk, loans considered past due is risk weighted at ......% (under normal case).

a. 50
b. 100
c. 150
d. 200

Ans - c
....

The exposures to retail and SME sectors are assigned a uniform risk weight of ......% under standardised approach for capital risk.

a. 25
b. 50
c. 75
d. 150

Ans - c
....

Tier – II capital should not be more than ......% of total capital.

a. 25
b. 50
c. 75
d. 100

Ans - b
....

A 'Back to Back' letter of credit is ...... (i) one on the strength of which another bank's guarantee is obtained, (ii) a second set of fresh LC opened in favour of second beneficiary on the strength of original LC

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - b
....

IEC (Importer Exporter Code) is issued by ......

a. RBI
b. DGFT
c. SEBI
d. Central government

Ans - b
....

Which of the following is/are the purpose(s) of Duty Drawback?

a. to refund excise and customs duty
b. to make certain domestic commodities competitive in the overseas market
c. to provide export incentives under the Export Promotion Scheme
d. all of these

Ans - d
....

ICC is .... Governing the UCPDC rules.

a. statutory
b. Non-statutory
c. trade body
d. Self oriented body

Ans - c
....

The inco terms which confirms the Delivered Ex Quay named port of destination where it arrives....

a. Mangalore
b. Dubai
c. Mumbai
d. Sharjah

Ans - c
....

In India export trade is regulated by the ....

a. EXIM Bank
b. FEDAI

c. BCBS
d. DGFT

Ans - d

....

Mr. Ram wants to start Export-import trade, so he has to obtain importer-exporter code Number (IFC number), he has to approach to whom for such number....

a. EXIM Bank
b. FEDAI
c. BCBS
d. DGFT

Ans - d

....

Gift of goods up to what value can be freely exported.

a. 1 Lakh
b. 2 Lakhs
c. 5 Lakhs
d. 10 Lakhs

Ans - c

....

Which of the following countries does not comes under Asian Clearing UNION.

a. Maldives
b. Myanmar
c. Pakistan
d. china

Ans - d

....

DDA, Diamond Dollar Account can be opened if average export turn over of last 03 year of Rs. 5 crore and this limit has been revised in Oct 2014 to last 02 year turn over is reduced to Rs. 3 Crores, can have a maximum how many DDA a/c at a time.

a. 1
b. 2
c. 5

d. 10

Ans - c

....

Credit extended by the overseas supplier for a period of 05 years is termed as....

a. Trade credit
b. Overseas borrowings
c. ECB
d. Long term credit

Ans - c

....

Bank at their level can give supplier credit under exim policy for the period of 6 to 03 years up to USD...

a. 10 million
b. 20 million
c. 50 million
d. 100 million

Ans - b

....

International trade largely dependent of financing by banks to take care of credit risks of the export financing institutions, countries. .... takes care of such risk.

a. EXIM Bank
b. FEDAI
c. BCBS
d. ECGC

Ans - d

....

Under AMA approach (Estimated Probability of Occurrence), Probability is mapped on scale of ......

a. 3
b. 4
c. 5
d. 6

Ans - c

In India, conventionally, bonds are issued by institutions in _____ sector while debentures by corporate in _____ sector.

a. private, public
b. public. private
c. either of a or b
d. none of these

Ans - b
....

Debentures are governed by ......

a. Law of Contract
b. BR Act
c. Company Law
d. none of these

Ans - c
....

Futures related to interest rates are known as ......

a. currency futures
b. bond futures
c. stock/index futures
d. none of these

Ans - b
....

Futures related to equity prices are known as ......

a. currency futures
b. bond futures
c. stock/index futures
d. none of these

Ans - c
....

Which of the following is the most popular instrument to hedge interest rate risk?

a. exchange rates futures

b. interest rates futures
c. equity prices futures
d. none of these

Ans - b
....

Select the incorrect statement regarding MIFOR.

a. It is a combination of LIBOR and forward premium of USD / INR.
b. It is suitable for foreign currency borrowings swapped into Rupees.
c. It is used as a benchmark rate only for inter-bank dealings.
d. Corporates are also permitted to use MIFOR as benchmark rate.

Ans - d
....

ECGC of India classifies the country into seven categories, in that B2 indicate...

a. insignificant risk
b. low risk
c. moderately low risk
d. Moderate risk

Ans – d
....

Government, In order to support exports provide cheap financing option and provide comfort to exporters and financing bank by ...... which was lately transformed in to ECGC.

a. EXIM Bank
b. FEDAI
c. BCBS
d. ECIC

Ans - d
....

AS per Export turnover policy a large exporter is one who contributes not less than Rs... per annum towards premium.

a. 05 lakh
b. 10 lakh
c. 20 lakh

d. 50 lakh

Ans - b
....

Which of the following T-bills are issued fornightly on Wednesday preceding reporting Friday.

a. 91 days T-bill
b. 182 days T-bill
c. 364 days T-bill
d. both b and c

Ans - c
....

The banking book does not include ......

a. advances
b. borrowings
c. equities
d. all of these

Ans - c
....

Another name for the balance sheet is

a. Statement Of Operations
b. Statement Of Financial Position
c. both a & b
d. None of the above

Ans – b
....

The balance sheet heading will specify a

a. Period Of Time
b. Point In Time
c. both a & b
d. None of the above

Ans – b
....

Which of the following is external cost of currency?

a. interest rate
b. exchange rate
c. both of these
d. none of these

Ans - b
....

If the strike price is more than the forward rate in case of a call option, the option is known to be ......

a. ATM
b. ITM
c. OTM
d. none of these

Ans - c
....

An option without any conditionalities is called a ......

a. stock option
b. plain vanilla option
c. zero cost option
d. barrier option

Ans - b
....

In _____ swap, the borrower has completely eliminated the currency risk and interest rate risk (zero risk).

a. PoS (Principal only Swap)
b. CoS (Coupon only Swap)
c. P + I Swap
d. none of these

Ans - c
....

The components of broad money (M3) are:

a. cash in circulation with the public

b. cash in currency chests with RBI and banks
c. credit availed by central government from RBI
d. currency in circulation, demand and time deposits with banks and post office saving deposits

Ans - b
....

Which of the following statements regarding CD is not correct?

a. CD is not a negotiable instrument.
b. CD bears higher interest rate than deposits in the bank.
c. CD attracts stamp duty.
d. CD is issued in demat form or as promissory notes.

Ans - a
....

The minimum amount for which a CD can be issued is Rs ......

a. 1 lac
b. 2 lacs
c. 5 lacs
d. 10 lacs

Ans - a
....

Government securities are issued by ......

a. RBI on behalf of GOI
b. GOI
c. SEBI on behalf of RBI
d. CCIL on behalf of GOI

Ans - a
....

Under Basel III the risk weight for capital charge for credit risk on the basis of standardized approach, match for claims on foreign governments (based on rating of international rating agencies such as S & P, Fitch, Moody's Rating), in respect of which of the following: (i) AAA to AA rating—0%, (ii) BBB rating—20% (iii) Below B rating—150%

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

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

Ans - b
....

As per RBI guidelines, which of the following, among others, is / are the principal requirements for issue of CP?

a. Issuing company should have minimum credit rating of P2
b. Net worth as per last balance sheet must not be below Rs 2 crore
c. both a and b
d. none of these

Ans - a
....

As per Basel II, Risk weighted assets for Operational risk are worked out as :

a. Capital for operational risk x 9
b. Capital for operational risk x 12.5
c. Capital for operation risk x 8.33
d. Capital for operational risk x 8

Ans - b
....

ADs may allow advance remittance for import of goods without any ceiling. However, if the amount of advance remittance exceeds USD 50,00,000 or its equivalent it is mandatory to obtain ......

a. unconditional irrevocable stand by L/C of an international bank of repute situated outside India
b. guarantee from an international bank of repute situated outside India
c. guarantee of an AD in India, if such guarantee is issued against counter guarantee of an international bank of repute situated outside India
d. any one of the above

Ans - d
....

Export Refinance is provided by RBI at the rate of % of eligible outstanding export credit?

a. 15%
b. 25%
c. 50%

d. 100%

Ans - c

....

R Return is submitted to RBI on which of the following dates of the month?

a. 7th and 21st
b. 15th & last day
c. 101h, 20th and last day
d. None of these

Ans - b

....

Mr Ram wants to start Exoprt-import trade, so he has to obtain importer-exporter code Number (IFC number), he has to approach to whom for such number ......

a. EXIM Bank
b. FEDAI
c. BCBS
d. DGFT

Ans - d

....

Capital, Reserves and Surplus are ......

a. Non interest rate sensitive
b. Interest Rate Sensitive
c. Both a and b
d. None of above

Ans - a

....

Current account balance is ......

a. Rate sensitive.
b. Rate non sensitive.
c. None of above.
d. All of above.

Ans – b

Based on the below given data of a bank's branch as on 31.03.2017 (in Lakhs), answer the following questions.

A/c - Bal - Security - NPA Date
A1 - 70 - 0 - 30.09.2016
A2 - 80 - 40 - 30.07.2014
A3 - 60 - 0 - 30.06.2015
A4 - 50 - 20 - 31.08.2016
A5 - 80 - 60 - 31.07.2013
A6 - 40 - 20 - 31.10.2015
A7 - 60 - 60 - 30.08.2014
A8 - 50 - 0 - 31.05.2015

1. What is the provision required against account Al?

a. 7
b. 10.5
c. 14
d. 17.5

Ans - d
....

2. What is the provision required against account A2?

a. 52
b. 56
c. 60
d. 80

Ans - b
....

3. What is the provision required against account A3?

a. 15
b. 24
c. 60
d. 80

Ans - c
....

4. What is the provision required against account A4?

a. 7
b. 10.5
c. 14
d. 17.5

Ans - b

....

5. What is the provision required against account A5?

a. 35
b. 44
c. 60
d. 80

Ans - b

....

6. What is the provision required against account A6?

a. 24
b. 25
c. 28
d. 40

Ans - b

....

7. What is the provision required against account A7?

a. 24
b. 25
c. 28
d. 40

Ans - a

....

8. What is the provision required against account A8?

a. 50
b. 56

c. 60
d. 80

Ans - a
....

Explanation

1. The A/c is NPA on 30.09.2016. So, it is in Sub-Standard category and the provision for Secured-15% and Unsecured-25%

Secured Amount – 0, Unsecured Amount - 70

Provision Required = 0*15% + 70*25%
= 0 + 17.5
= 17.5 Lakhs
....

2. The A/c is NPA on 30.07.2014. So, it is in Doubtful (D2) category and the provision for Secured-40% and Unsecured-100%

Secured Amount – 40, Unsecured Amount - 40

Provision Required = 40*40% + 40*100%
= 16 + 40
= 56 Lakhs
....

3. The A/c is NPA on 30.06.2015. So, it is in Doubtful (D1) category and the provision for Secured-25% and Unsecured-100%

Secured Amount – 0, Unsecured Amount - 60

Provision Required = 0*25% + 60*100%
= 0 + 60
= 60 Lakhs
....

4. The A/c is NPA on 31.08.2016. So, it is in Sub-Standard category and the provision for Secured-15% and Unsecured-25%

Secured Amount – 20, Unsecured Amount - 30

Provision Required = 20*15% + 30*25%

= 3 + 7.5
= 10.5 Lakhs
....

5. The A/c is NPA on 31.07.2013. So, it is in Doubtful (D2) category and the provision for Secured-40% and Unsecured-100%

Secured Amount – 60, Unsecured Amount - 20

Provision Required = 60*40% + 20*100%
= 24 + 20
= 44 Lakhs
....

6. The A/c is NPA on 31.10.2015. So, it is in Doubtful (D1) category and the provision for Secured-25% and Unsecured-100%

Secured Amount – 20, Unsecured Amount - 20

Provision Required = 20*25% + 20*100%
= 5 + 20
= 25 Lakhs
....

7. The A/c is NPA on 30.08.2014. So, it is in Doubtful (D2) category and the provision for Secured-40% and Unsecured-100%

Secured Amount – 60, Unsecured Amount - 0

Provision Required = 60*40% + 0*100%
= 24 + 0
= 24 Lakhs
....

8. The A/c is NPA on 31.05.2015. So, it is in Doubtful (D1) category and the provision for Secured-25% and Unsecured-100%

Secured Amount – 0, Unsecured Amount - 50

Provision Required = 0*25% + 50*100%
= 0 + 50
= 50 Lakhs
....

Credit enhancement provided by banks on securitized instruments originated by them by way of 'Second Loss Facility' requires capital allocation by way of ......

a. 100% deduction from Tier I capital
b. 100% deduction from Tier II capital
c. 50% deduction from Tier I capital and 50% deduction from Tier II capital
d. 9% of risk weighted asset equivalent of the facility

Ans - c

Assets are often listed in the order of their .... — which means how easy it would be to convert each asset into cash.

a. complexity
b. liquidity
c. security
d. simplicity

Ans - b

In a swap transaction ......

a. There are no buyer/seller
b. Fixed rate receiver is the buyer
c. Floating rate receiver is the seller
d. Fixed rate payer is the buyer

Ans - d

...... is a transaction where financial securities are issued against the cash flow generated from a pool of assets.

a. Securitization
b. Credit Default Swaps
c. Credit Linked Notes
d. Total Return Swaps

Ans - a

MIFOR is ......

a. Mumbai inter-bank offered rate for fortnight
b. Combination of LIBOR & forward premium/discount
c. A Combination of MIBOR & forward premium/discount
d. Management information on forex submitted to RBI

Ans - b
....

A swap can be interpreted as a strip of ......

a. Fixed rate agreements only
b. Future contracts only
c. Fixed rate agreements or future contracts
d. None of the above

Ans - c
....

Banks engage in maturity intermediation. This implies ......

a. Accepting deposits of various maturities
b. Extending credit of varying maturity
c. Creating assets of various maturities which is independent of maturities of individual liabilities
d. None of these

Ans - c
....

Risk intermediation by banks imply ......

a. Reducing risk on its asset portfolio
b. Reducing risk on liabilities contracted by banks
c. Absorbing credit and market risks and ensuring lower risk for depositor's funds
d. None of these

Ans - c
....

A bank makes provision in an account with outstanding balance of 100 Crs (Risk Weight 150%) of 30 Crs. The amount that will qualify for Tier II capital is ......

a. 1.25 Crs

b. 30 Crs
c. Nil
d. None of these

Ans - c

A bank makes a floating provision of 100 crs against its credit exposure. The amount that will qualify for Tier II capital is ......

a. 100 Crs
b. 100 Crs provided it is within the limit allowed for the purpose
c. Nil
d. None of these

Ans - b

Under SRP ......

1. Banks should have ICAAP process
2. Supervisors may intervene to ensure that capital does not fall below the required level
3. Supervisors have authority to order closure of bank for noncompliance with capital requirements

a. 1 and 2 are true
b. 2 and 3 are true
c. 1 and 3 are true
d. All are true

Ans - d

Banking Book relates to assets which are ......

a held till maturity and reflected in Balance sheet at acquisition cost.
b. held till maturity and reflected in Banking book at market cost.
c. None of above.
d. all of above.

Ans - a

Trading book includes :

a. assets a which normally not held till maturity and mark to market system is followed.
b. assets which are held till maturity.
c. assets which are purchased in market.
d. none of above.

Ans - a
....

Gift of goods up to what value can be freely exported?

a. 1 Lakh
b. 2 Lakhs
c. 5 Lakhs
d. 10 Lakhs

Ans - c
....

The Forward price of a currency against another can be worked out with the following factors pick up odd one

a. Spot price of the currencies involved
b. The Interest rate differentials for the currencies.
c. The term i.e. the future period for which the price is worked out.
d. none of these

Ans - d
....

The seller of goods shipped the goods on time but due to some mistake, the goods have been delivered at some other destination. Such risk to the buyer is called ......

a. Seller Risk
b. Buyer risk
c. Market Risk
d. Shipping Risk

Ans - d
....

Foreign Exchange markets participants are except one ......

a. Central Banks
b. Commercial Banks
c. Foreign banks
d. Investment Funds/Banks

Ans - c
....

A Party enters into a contract for sale of dollars and receives the rupees from the counter party.due to delay in receipt of expected funds in nostro account,it fails to settle. What kind of risk has arisen?

a. settlememt Risk
b. Liquidity Risk
c. Pre-settlememt Risk
d. Mismatch Risk

Ans - a
....

When mismatched is created in assets and liabilities on account of forward purchase and sales, borrowing and lending,such mismatch is called ......

a. liquidity Risk
b. Mismatch Risk
c. Gap Risk
d. Movement Risk

Ans - a
....

...... do not maintain the overall risk of Treasury portfolio and monitors the liquidity and interest rate risks. (i) Front Office, (ii) Middle Office, (iii) Back office.

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

Ans - b
....

The securities contracted basically on account of long term investment relationships or for steady income and statutory obligations are classified under...... (i) Held-To-Maturity, (ii) Held for Trading

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - a

....

The investments on the securities made to earn profits from the short-term price movements are classified under ...... (i) Held-To-Maturity, (ii) Held for Trading

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - b

....

Held for Trading Securities are normally sold in ...... days.

a. 30
b. 60
c. 90
d. 120

Ans - c

....

What is the Provision rate for Standard assets on Direct advances to Commercial Real Estate (CRE) sector?

a. 0.25%
b. 0.50%
c. 0.75
d. 1.0%

Ans – d

....

On which of the following TT buying rate will be applied? (i) purchase of foreign DD drawn abroad, (ii) Payment of DO drawn on the paying bank, (iii) Conversion of proceeds of instruments sent for collection

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

Ans - c
....

On which of the following TT Selling rate will not be applied? (i) crystallization of overdue export bills, (ii) crystallization of overdue import bills, (iii) cancellation of outward TT/MT

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

Ans - c
....

A bank has computed its Tier I capital - Rs. 1000 Crores.
Tier-II Capital - Rs 1200 Crores.
RWAs for Credit Risk - Rs 15,000 Crores.
Capital charge for market risk - Rs 600 Crores.
Capital charge for operational risk - Rs 400 Crores.

What would be the bank's total RWAs?

a. 18,889 Crores
b. 21,161 Crores
c. 26,111 Crores
d. 26,141 Crores

Ans - c

Solution :
RWAs for Credit Risk = Rs 15,000 Crores
RWAs for Market Risk = Rs 600/.09 = Rs 6,667 Crores
RWAs for Operational Risk = Rs 400/.09 = Rs 4,444 Crores
Total RWAs = 15000+6667+4444 = Rs 26,111 Crores

Tier I Capital = Rs 1,000 Crores

Tier II Capital = Rs 1,200 Crores
Total Capital = Rs 2,000 Crores
Maximum tier II capital that can be taken into account for the purpose of CRAR is 100% of tier I capital.
Tier-I CRAR = (Eligible Tier I

capital funds) / (Total RWAs) = 1000/26111 = 3.83%.
Total CRAR = (Eligible total capital funds) / (Total RWAs) = 2000/26111 = 7.66%
....

A claim of Rs. 49 lacs has been settled by ECGC in favour of a bank against default of Rs. 70 lacs. Subsequently the bank realizes Rs. 15 lacs with the collaterals available to the loan. What will be actual amount settled by ECGC after realization of security by the bank?

a. Rs. 49 lacs
b. Rs. 42.5 lacs
c. Rs. 38.5 lacs
d. Rs. 34 lacs

Ans - c

Explanation :

ECGC had settled Rs. 49 lacs on default of 70 Lacs (That is 70% of the default amount). But Subsequent to that settlement, Rs. 15 lacs was realised through the security held. So, the claim amount from ECGC should be, 55 Lacs only from ECGC.

And the ECGC had settled only 70 % of the claim amount. So, the settlement amount will be,
70% of Rs. 55 lacs = 5500000 x 70/100 = 38.5 lacs
So, actual amount settled by ECGC = Rs. 38.5 lacs
....

Spot Rate - 35.6000/6500
Forward 1M=3500/3000 2M=5500/3000 3M=8500/8000
Transit Period - 20 days.
Exchange Margin - 0.15%.
Find 2 M Forward Buying Rate.

a. 31.1971
b. 34.1971
c. 31.6976
d. 34.6976

Ans – d

Explanation :
Bcz, it is having Transit Period - 20 days and 2 M Forward, 3 Month Forward Buying Rate will be applied. 20 days + 2M.
Spot Rate = 35.6000 Less Forward Discount of 3M (.8500) Less Exchange Margin (.0521)
i.e. 35.6000-.8500-.0521(0.15% of 34.7500) = 34.6979 Ans.
....

Concessional rate of interest in post shipment finance is valid for first ...... days.

a. 30
b. 60
c. 90
d. 180

Ans - c
....

Asset in doubtful-I category – Rs. 500000/-
Realization value of security – Rs. 400000/-
What will be the provision requirement?

a. Rs. 500000/-
b. Rs. 400000/-
c. Rs. 180000/-
d. Rs. 200000/-

Ans - d
....

Basel 3 recommendations shall be completely implemented in India by:

a. 31.03.2018
b. 31.03.2019
c. 01.01.2022
d. 01.01.2023

Ans - d
....

Basel 3 capital regulations were released by Basel Committee on Banking Supervision (BCBS) during_____as a global regulatory framework for more resilient banks and banking systems:

a. December 2010
b. March 2011

c. December 2011
d. December 2012

Ans - a
....

CRR is calculated on net Demand and Time liabilities which contain ...... (i) Demand deposits and Time deposits, (ii) Overseas Borrowings, (iii) Foreign outward remittances and other demand and time liabilities

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

Ans - d
....

ABC bank provides following information about its NPA account as on 31.3.2015 (Amt in crore)

NPA a/c type Loan amount security value
Standard a/c 3800 2000
Sub standard (secured) 1200 1000
Sub standard (un secured) 200 18
Doubtful I (up to 1years) 800 600
Doubtful II 1 years To 3 years 800 400
Doubtful III(above 3 years) 800 200
Loss loan 200 18

On the basis of given information , answer the following qus.
What is the provision on standard a/c (Direct agriculture)?

a. 2.5
b. 2
c. 4
d. 6

Ans - a
....

What is the provision on standard a/c(less Direct Agri.)?

a. 11.2
b. 15.7

c. 5.6
d. 15

Ans - a

....

What is the provision on standard a/c?

a. 2.5
b. 11.2
c. 13.7
d. 7

Ans - c

....

What is the amount of provision sub standard a/c (secured sub standard)?

a. 180
b. 230
c. 410
d. 350

Ans - a

....

What is the amount of provision sub standard a/c (un secured sub standard)?

a. 230
b. 180
c. 50
d. 410

Ans - c

....

What is the amount of provision for total sub standard a/c?

a. 180
b. 230
c. 410
d. 350

Ans - b

What is the amount of provision for doubtful I account?

a. 350
b. 200
c. 320
d. 150

Ans - a
....

What is the amount of provision for doubtful II account?

a. 200
b. 100
c. 560
d. 250

Ans - c
....

What is the amount of provision for doubtful III account?

a. 800
b. 320
c. 400
d. 600

Ans - a
....

What is the amount of provision for loss a/c?

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

Ans - c
....

What is the amount of provision for doubtful account?

a. 1710
b. 800

c. 350
d. 560

Ans - a
....

What is the amount of total provision?

a. 1640
b. 1760
c. 1840
d. 2153

Ans - d
....

The following data in respect of D bank for the profit & loss account years ending 31 March 15&2016 is given as on 31/03/2015 and 31/03/2016

Total Advance 6578122 5669254
Gross amt of NPAs 145245 95650
Net amount Of NPAs 91718 57173

1. What is the % increase or decrease in gross NPA of the bank on 31/03/2016 over corresponding Figures of 2015?

a. 52% increase
b. 52% Decrease
c. 34 %Increase
d. 34% Decrease

Ans - a
....

2. The total amount of the provision as as on 31/03/2016 will be

a. 32425
b. 53527
c. 139595
d. 40545

Ans - b
....

3. Net NPA % of the bank as on 31/03/2015

a. 1.01%
b. 1.40%
c. 2.02%
d. 2.81%

Ans - a

....

Under Basel 3 the risk weight for capital charge for credit risk on the basis of standardized approach is _____ % for staff loans other than secured by superannuation benefits or mortgage of flats/house being elligible under regulatory retail portfolio

a. 20%
b. 50%
c. 75%
d. 100%

Ans - c

....

Under Basel 3 the risk weight for open foreign currency and open gold position is

a. 50%
b. 75%
c. 100%
d. 125%

Ans - c

....

The capital charge for open foreign exchange position and open gold positions under Basel 3 for market risk is

a. 6%
b. 7%
c. 8%
d. 9%

Ans - d

....

A firm has the following financial figures in its balance sheet, what is its net worth?

Capital: Rs 12 lac
Reserve: Rs 4 lac
Unsecured loan: Rs 5 lac
Current assets: Rs 16 lac
Pre operative expenses: Rs 2 lac

a. 10 Lac
b. 12 Lac
c. 14 Lac
d. 16 Lac

Ans - c

Solution:

Net Worth = Capital + Reserve - Pre-operative Expenses
= 12 Lac + 4 Lac - 2 Lac
= 14 Lac
....

ICAAP and SREP are the two important components ......

a. Minimum Capital Requirements
b. Supervisory Review process
c. Market Discipline
d. All the above

Ans - b
....

purpose of NRE account is ......

a. To park overseas earnings remitted to India
b. To park current Indian earnings and overseas earnings remitted to India
c. To park funds, in foreign currency, remitted from overseas to India
d. To park funds for returning Indians (for permanent settlement)

Ans - a
....

An exercise of option in future and part of option call value depends specifically on ......

a. PV of exercising cost
b. FV of exercising cost
c. PV of cost volatility
d. FV of cost volatility

Ans - a

....

According to Black Scholes model, stocks with call option pays the ......

a. dividends
b. no dividends
c. current price
d. past price

Ans - b

....

Which of the following can be included for DTL/NDTL computation ......

a. Amount received from DICGC Claims
b. Amount received from Insurance company on ad hoc settlement of claims
c. Amount received from the court receiver
d. Amount held as margin against LC

Ans - d

....

Coupon of a floating rate bond is ......

a. Modified whenever there is a change in the benchmark rate
b. Modified at pre-set intervals with reference to a benchmark rate
c. Modified for changes in benchmark rate beyond agreed levels
d. Modified within a range, for changes in the benchmark rate

Ans - b

....

Data on transactions related to FCNR (B) Deposits is submitted to RBI through ......

a. Stat-5
b. Stat-8

c. NRDCSR
d. IBS

Ans - a

....

If market quotes USD/INR as 43.61/63, at what rate can you buy USD at the given quote ......

a. 43.61
b. 43.62
c. 43.63
d. None of the above

Ans - b

....

Which of the following definitions is most correct? UCPDC 500 is ......

a. Set of rules applicable to CC transactions
b. Set of rule having 500 articles
c. Set of rules framed by ICC governing LC business globally
d. Set of universally applicable rules governing LC business in India only

Ans - c

....

Which of the following statement is correct?

a. Foreign Exchange markets are localized markets
b. Foreign Exchange markets operate within a country's time zone
c. Foreign Exchange markets are dynamic and round the clock markets
d. Foreign Exchange markets are used only for trade related transactions

Ans - c

....

A Red Clause Letter of Credit enables the beneficiary to avail pre-shipment credit from ......

a. L/C Issuing Bank
b. L/C Confirming Bank
c. L/C Advising Bank or Nominated Bank
d. Any bank preferred by the beneficiary

Ans – b

Working capital is the finance required for meeting current needs of any business concern or industry and represents the funds invested in ......

a. Raw material, work in progress & finished goods
b. Stores & spares
c. Debtors & receivables
d. All of these

Ans - d
....

Which of the following is not a component of market risk?

a. currency
b. liquidity
c. interest rate
d. price

Ans - d
....

The level of SLR to be maintained is mentioned in ......

a. RBI Act 1934
b. BR Act 1949
c. Companies Act 1956
d. NI Act 1885

Ans - b
....

In case of exports through approved Indian-owned warehouses abroad, the time limit for realization in post shipment finance is ...... months.

a. 6
b. 12
c. 15
d. 18

Ans - c
....

Forward rates fully reflect interest rate differentials only in

a. Controlled economies
b. Developing economies
c. Economies where interest rates are free
d. In perfect markets where the currencies are fully convertible and the markets are highly liquid

Ans - d
....

A put option is in the money (ITM) if

a. the strike price is less than market price
b. the strike price is more than the market price
c. the market price is equal to the strike price
d. a put option can never be in the money

Ans - b
....

FEMA allows residents to make gift remittance to relatives, friends etc abroad up to USD ...... in one calendar year.

a. 1000
b. 5000
c. 10000
d. 100000

Ans - b
....

Exchange for current account transaction with any person resident in ...... or ...... is prohibited.

a. Pakistan, Sri Lanka
b. Nepal, Bhutan
c. China, Myanmar
d. None of these

Ans - b
....

Which of the following is not a method by which Indian can invest abroad?

1. swap of shares

2. capitalization of exports made to the investee company abroad
3. balances held in EEFC accounts

a. only 1
b. only 2
c. both 1 and 3
d. none of these

Ans - d
....

The balance sheet of x bank provide the following information as on 31 Mar 2017 Rs (in Cr) Capital 1000, Reserves-6000, Current account deposit 30000, Saving bank deposit 30000, Term deposit 30000 and borrowings 3000. on the assets side the cash - 6900, bal with banks-15000,investment-15000, bills purchased = 20000, cash credit-20000, term loans-20000 and fixed assets 3100. Total-100000. Earning assets out of total assets are 90000 cr. Cash credit, bill purchased and investments are affected by change in interest rate. Term loans carry fixed interest rate. SB and TD are affected by change in interest rate.

Based on the data given above, answer the following questions.

Rate sensitivities assets of the bank are

a. Rs.55000 Crores
b. Rs.75000 Crores
c. Rs.85000 Crores
d. Rs.95000 Crores

Ans - a
....

Rate sensitive liabilities of the bank are

a. Rs.63000 Crores
b. Rs.93000 Crores
c. Rs.60000 Crores
d. Rs.70000 Crores

Ans - c
....

The above bank has ......

a. positive gap

b. negative gap
c. marginal gap
d. zero gap

Ans - b

Liabilities is more than assets since negative
....

Tier-I capital of the bank

a. Rs. 1000 Crores
a. Rs. 7000 Crores
a. Rs. 8000 Crores
a. Rs. 10000 Crores

Ans - b
....

If the strike price is same as the spot price of the currency, the option is known to be ......

a. ATM (at the money)
b. ITM (in the money)
c. OTM (out of money)
d. none of these

Ans - a
....

Match the following beta factors with the business lines under standardised approach:

Agency Services a. 12%
Payment and settlement b. 15%
Asset management c. 18%

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

Ans - b
....

Account of a bank in India with a foreign correspondent bank abroad in foreign currency is not called as ...... (i) Loro, (ii) Vostro, (iii) Nostro

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

Ans - a

What kind of risk on settlements is covered by 'Herstatt Risk' for which BCBS was formed?

a. Exchange rate risk
b. Time difference risk
c. Interest rate risk
d. None

Ans - d

Portfolio risk is called the risk at ......

a. Branch level
b. Regional/Zonal level
c. Aggregated level
d. None of these

Ans - c

'Nostro' accounts are

a. Accounts meant for reconciliation
b. Accounts of foreign banks with Indian banks
c. Current accounts denominated in foreign currency maintained by banks with their correspondent banks in the home country of the currency
d. Short term investments with AAA rated foreign banks

Ans - c

Banks are allowed to charge interest on PCFC and EBR for 180 days not exceeding ......% over the benchmark (LIBOR /EURO LIBOR/EURIBOR).

a. 0.5
b. 1.5
c. 2.0
d. 2.5

Ans - c
....

For gold card status holder exporters, the concessive rate of interest on post shipment rupee export credit may be extended for a maximum period of ...... days.

a. 120
b. 180
c. 360
d. 365

Ans - d
....

A 'Green Clause' letter of credit is not an extension of ...... (i) transferable credit, (ii) confirmed irrevocable credit, (iii) red clause credit

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

Ans - a
....

RBI has permitted ...... to facilitate financing of medium term export bills through ......

a. SEBI, factoring
b. Exim bank, forfaiting
c. Exim bank, factoring
d. IRDA, forfaiting

Ans - b
....

Answer the following questions based on the below given information.

Risks in banking business may be categorized in to following 4 categories

Category 1 — Risks that are reasonably captured under pillar I guidelines
Category 2 — Risks that are not captured under pillar I guidelines
Category 3 — Risks that are partially captured under pillar I guidelines
Category 4 — Risks that may be underestimated under pillar I guidelines

1. Credit risk under AIRB approach may be categorized as ......

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

Ans - a
....

2. Strategic risk may be categorized as ......

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

Ans - b
....

3. Interest rate risk in banking book may be categorized as ......

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

Ans - b
....

4. Interest rate risk in trading book may be categorized as ......

a. Category 1
b. Category 2
c. Category 3

d. Category 4

Ans - a

....

5. Liquidity risk may be categorized as ......

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

Ans - b

....

6. Model risk may be categorized as ......

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

Ans - d

....

7. Credit risk under standardized approach may be categorized as ......

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

Ans - d

....

8. Reputational risk may be categorized as ......

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

Ans - b

....

9. Credit concentration risk may be categorized as ......

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

Ans - b
....

A bank's branch plans to extend a loan of 1 Cr for a period of one year at a rate of interest 2% over base rate, base rate being 9%. The loan is to be repaid in equal quarterly instalments. Funding of the loan is to be done by 5 years deposit, interest rate on it being 8%. The branch is analyzing the risks associated with the transaction. In doing so they have not taken into account CRR/SLR requirements. The borrower is rated AAA, which has zero default probability over one year.

Answer the following questions based on the information given above.

1. The loan may get repaid within 3 months of disbursement. This would be ......

a. Market risk
b. Re-pricing risk
c. Embedded option risk
d. Funding risk

Ans - c
....

2. 5 months after the transaction, interest rate in the market hardens and the borrowing cost goes up by 2%. The bank also revises its base rate upwards by 1%. As a result the branch would be affected ......

a. Favourably
b. Unfavourably
c. Neither favourably nor unfavourably
d. Can't be determined

Ans - a
....

3. 9 months after the transaction the borrower's credit rating is revised and it becomes AA-. The branch would term this as ......

a. Market risk
b. Re-pricing risk

c. Embedded option risk
d. Down-gradation risk

Ans - d

....

4. The branch may see variation in its net interest income in one year because the transaction is associated with ......

a. Market risk
b. Re-pricing risk
c. Embedded option risk
d. Funding risk

Ans - b

....

5. The branch may face liquidity problem over one year horizon because the transaction is associated with ......

a. Market risk
b. Re-pricing risk
c. Embedded option risk
d. Funding risk

Ans - c

....

Which are not responsible for the compliance with risk limits imposed by the management? (i) Front Office, (ii) Middle Office, (iii) Back office.

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

Ans - a

....

Based on the below given data of a bank's branch as on 31.03.2017 (in Lakhs), answer the following questions.

A/c - Bal - Security - NPA Date
A1 - 70 - 0 - 30.09.2016
A2 - 80 - 40 - 30.07.2014
A3 - 60 - 0 - 30.06.2015
A4 - 50 - 20 - 31.08.2016
A5 - 80 - 60 - 31.07.2012
A6 - 40 - 20 - 31.10.2015
A7 - 60 - 60 - 31.01.2013
A8 - 50 - 0 - 31.05.2013

1. The accounts which would fall under 'Sub standard' category are ...... (i) A1, (ii) A4, (iii) A6

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

Ans - a
....

2. The accounts which would fall under 'Doubtful' category are ...... (i) A2, (ii) A3, (iii) A6

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

Ans - d
....

3. The accounts which would fall under 'Loss' category are ...... (i) A5, (ii) A7, (iii) A8

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

Ans - a
....

4. Total sub standard assets are ......

a. 120
b. 140
c. 190
d. 230

Ans - a
....

5. Total doubtful assets are ......

a. 120
b. 140
c. 190
d. 230

Ans - d
....

6. Total loss assets are ......

a. 120
b. 140
c. 190
d. 230

Ans - b
....

7. Total provision for sub standard assets are ......

a. 28
b. 120
c. 191
d. 230

Ans - a
....

8. Total provision for doubtful assets are ......

a. 28
b. 120

c. 191
d. 230

Ans - c

....

9. Total provision for loss assets are ......

a. 28
b. 120
c. 191
d. 230

Ans - b

....

Which of the following is not the primary source of income for bank treasury?

a. Buying and selling of foreign exchange
b. Interest on loans and advances
c. Interest on money market lending
d. All of the above

Ans - b

....

How many times, a transferrable LC can be transferred?

a. 1
b. 2
c. 3
d. 5

Ans - a

....

Translation loss may occur when ......

a. Exposed assets exceed exposed liabilities and foreign currency appreciates
b. Exposed assets exceed exposed liabilities and foreign currency depreciates
c. The subsidiary's balance sheet shows a loss
d. The foreign currency depreciates

Ans - b

The organization of a balance sheet reflects this basic ....: assets equal debts plus equity.

a. arrangement
b. assessment
c. equation
d. question

Ans - c
....

The .... of accounts is a listing of the accounts that are reflected in the financial statements.

a. book
b. chart
c. table
d. outline

Ans - b
....

Given the remaining maturity is the same, which among the following will have the longest duration?

a. Bonds with half yearly coupon rates
b. High Coupon Bond trading at premium
c. Low Coupon Bond trading at discount
d. Zero Coupon Bond

Ans - d
....

Which of the following is true about a uniform price auction?

a. An auction in which all successful bids are made for the same price
b. An auction in which all bidders have bid a uniform price
c. An auction in which all successful bidders are allotted bonds at the same price
d. An auction in which the cut-off price is derived as the weighted average of all successful bids

Ans - c
....

Which of the following forex futures are/is not traded in Indian exchanges? (i) USD/EURO, (ii) GBP/AUD, (iii) JPY/INR

a. Only (i) and (ii)

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

Ans - a

W.e.f. 01-07-2007, which will be applicable for foreign LC

a. UCPDC-400
b. UCPDC-600
c. UCPDC-500
d. UCPDC 700

Ans - b

A bank has invested in equity capital of a company amounting to 80 Crs and is 80% of the total equity of the company. The bank would be required to provide capital against it by way of ......

a. 9% of risk weighted asset equivalent of the investment
b. Deduction of 80 Crs from its Tier I capital
c. Deduction of 80 Crs from its Tier II capital
d. Deduction of 40 Crs from its Tier I capital and deduction of 40 Crs from its Tier II capital

Ans - d

Default probability impacts credit spread over cost of funds through ......

1 Cost of capital
2. Expected losses on the asset
3. Transaction cost in handling the asset

Which of the following is true?

a. 1 only
b. 1 and 2
c. 2 only
d. 1,2 and 3

Ans - b

What is the information gathered from market participants in the poll to determine NSE MIBOR?

a. The rate at which they would be able to lend and borrow in the markets
b. The rate at which they are willing to lend and borrow amongst one another
c. Their view of the market rates for lending and borrowing
d. Their view of the lending and borrowing rates of specific market participants

Ans - c
....

Borrowing from Reserve Bank of India are placed in bucket ......

a. Upto one month
b. 6 months or 1 year
c. 1 month to 3 months
d. none of these

Ans - a
....

The features of a Derivative are ...... (i) It does not have independent value, (ii) The value of a Derivative is derived from an underlying market, (iii) Derivatives are used in both the financial and commodity markets

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

Ans - d
....

Verification and settlement of the deals concluded by the dealers is not performed by ...... (i) front office, (ii) Treasury administration, (iii) Risk management

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

Ans - b
....

Cash reserve ratio is maintained as a fortnightly average balance. On a daily basis, it should be minimum ...... of the average balance:

a. 95%
b. 70%
c. 50%
d. 25%

Ans - a
....

When the delivery under a forex deal is completed on the 2nd working day following the date of contract, the rate is called ......

a. T T Rate
b. Bills Rate
c. Forward Rate
d. Spot Rate

Ans - a
....

An Irrevocable Letter of Credit can be amended with the consent of following parties.

a. The Applicant (Buyer) and The Beneficiary (Seller).
b. Issuing Bank and Confirming Bank.
c. The Advising Bank & Reimbursing Bank.
d. (a) & (b) only

Ans - d
....

From which date, guidelines to change the method for calculating base rate based on the marginal cost of funds came into effect?

a. May 1, 2016
b. April 1, 2016
c. March 1, 2016
d. June 1, 2016

Ans - b
....

Which of the following statement is false for a Forward Contract?

a. An OTC Product
b. Credit Risk on counter parties exists
c. Can be for odd amount
d. Works on Margins requirement

Ans - d

CGTMSE stands for ......

a. Credit Guarantee Fund Trust for Medium Size Enterprises
b. Central Government Fund Trust for Medium Size Enterprises
c. Credit Guarantee Fund Transfer for Medium Size Enterprises
d. Central Government Fund Transfer for Medium Size Enterprises

Ans - a

Treasury bills are issued in India by ......

a. RBI
b. State Government
c. Government of India
d. SEBI

Ans - c

What is the target for Regional Rural Banks to give to Priority Sector lending?

a. 65%
b. 75%
c. 70%
d. 50%

Ans - b

...... term refers an account in which balances held in the account are freely repatriable.

a. Non-Resident Ordinary Rupee or NRO Account
b. Non-Resident Rupee or NRE Account

c. FCNR Account
d. Retail Account

Ans - b
....

...... term refers an account that cannot be converted and repatriated into foreign currency.

a. Non-Resident Ordinary Rupee or NRO Account
b. Non-Resident Rupee or NRE Account
c. FCNR Account
d. Retail Account

Ans - a
....

Which of the following is a real time settlement system in Europe?

a. Target
b. Fedwire
c. Chips
d. Chaps

Ans - a
....

If Daily Volatility of stock is 2%, how much is the monthly volatility?

a. 42.43%
b. 10.95%
c. 60%
d. 11.14%

Ans - b

Solution
Monthly Volatility=Daily Volatility X Square Root of 30
=2 X 5.4772
=10.95
....

In Exchange Rate Mechanism Spot Rate means settlement & delivery taken place on ...... day

a. Equals to TOM (tomorrow) rate

b. T+1
c. T+2
d. T+3

Ans - c
....

which of the followings can only be issued / originated by Blue Chip (Highly rated) companies?

a. CDs (certificate of Deposits)
b. CPs (commercial Paper)
c. Money market mutual fund instruments(MMMFs)
d. Notice Money

Ans - b
....

Which of the followings is / are not derivative?

a. Swap
b. Cover Deal
c. Option
d. Futures

Ans - b
....

Redeemable Cumulative Preference shares comes under ......

a. Tier – I Capital
b. Tier – II Capital
c. Tier – III Capital
d. None of the above

Ans - b
....

An Indian citizen going abroad for medical treatment is eligible for foreign exchange in addition to the medical expenses as per estimate ......

a. upto USD 10000 per person for meeting boarding, lodging & travel expenses of the patient and the attender
b. upto USD 25000 per person for meeting boarding, lodging & travel expenses of the patient and the attender

c. upto USD 50000 per person for meeting boarding, lodging & travel expenses of the patient and the attender
d. upto USD 100000 per person for meeting boarding, lodging & travel expenses of the patient and the attender

Ans - b

Risk of Reduction in Mark-to-Market value of equities is ......

a. Interest Rate Risk
b. Market Risk
c. Credit Risk
d. Operational Risk

Ans - b

What is IRS (Interest Rate Swaps)? (i) It is an OTC instrument generally issued by a Bank, (ii) This facilitates conversion-of floating rate into fixed and vice-versa, (iii) IRS is also used in Treasury operations to fill the Asset-Liability mismatch

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

Ans - d

As per Article 36 of UCPDC 600, (Force Majeure clause) a bank assumes no liability or responsibility for the consequences arising out of the interruption of its business by Acts of God, riots, civil commotions, insurrections, wars, acts of terrorism, or by any strikes or lockouts or any other causes beyond its control. Which of these items has been added in UCPDC 600?

a. acts of terrorism
b. wars
c. riots
d. Both a & b

Ans - a

Balance sheet of a bank provides the following information:

Fixed Assets - 5000cr
Investment in central Govt Securities - Rs 25000cr

In standard loan accounts
Housing Loans - RS 9000cr (Secured, below Rs 10 lac)
the Retail loan - Rs 7500cr
Other loans - Rs 8000cr

sub-standard secured loans - Rs 2500cr
sub-standard unsecured loans - Rs 1500cr
Doubtful loans (D-1, secured. - Rs 2000cr
Doubtful loans (D-1, unsecured. - Rs 1500cr
Doubtful loans (D-2, secured. - Rs 1000cr
Doubtful loans (D-2, unsecured. - Rs 1500cr
Doubtful loans (D-3, secured. - Rs 900cr
Doubtful loans (D-3, unsecured. - Rs 1200cr
Loss Assets - 50cr and
other assets - Rs 500cr.

Answer the following questions, based on this information, by using standard Approach for credit risk.

1. What is the amount of RWAs for investment in govt securities?

a. Rs 2500cr
b. Rs 5000cr
c. Rs 7500cr
d. Nil

2. What is the amount of RWAs for sub-standard secured accounts?

a. Rs 2500cr
b. Rs 3500cr
c. Rs 3750cr
d. Rs 4250cr

3. What is the amount of RWAs for sub-standard unsecured accounts?

a. Rs 500cr
b. Rs 7500cr
c. Rs 1000cr
d. Rs 1500cr

4. What is the amount of RWAs for doubtful (D-1, Secured. accounts?

a. Rs 1000cr
b. Rs 1500cr
c. Rs 2000cr
d. Rs 2500cr

5. What is the amount of RWAs for doubtful (D-1, unSecured. accounts?

a. Rs 500cr
b. Rs 750cr
c. Rs 900cr
d. Rs 1050cr

6. What is the amount of RWAs for doubtful (D-2, Secured. accounts?

a. Rs 500cr
b. Rs 750cr
c. Rs 1000cr
d. Rs 1500cr

7. What is the amount of RWAs for doubtful (D-2, unSecured. accounts?

a. Rs 500cr
b. Rs 750cr
c. Rs 900cr
d. Rs 1500cr

8. What is the amount of RWAs for doubtful (D-3, Secured. accounts?

a. Rs 300cr
b. Rs 450cr
c. Rs 600cr
d. Rs 900cr

9. What is the amount of RWAs for doubtful (D-3, Secured. accounts?

a. Rs 300cr
b. Rs 500cr
c. Rs 600cr
d. Rs 900cr

10. What is the amount of RWAs for retail loans?

a. 3000cr
b. 5625cr
c. 6250cr
d. 7500cr

11. What is the amount of RWAs for housing loans?

a. 3000cr
b. 4500cr
c. 6000cr
d. 7500cr

Solution :

1. d
RW against Govt Securities = 0 %
So, RWA
= 25000 x 0%
= 0 Cr

2. c
If the provision is less than 20 %, then RW is 150%
If the provision is 20-50 %, then RW is 100%
If the provision is more than 50 %, then RW is 50%

Provision in Sub-Standard Secured - 15 %, and so, RW = 150 %
So, RWA
= 2500 x 150 %
= 3750 Cr

3. d
Provision in Sub-Standard Un-Secured - 25 %, and so, RW = 100 %
So, RWA
= 1500 x 100 %
= 1500 Cr

4. c
Provision in doubtful (D-1, Secured. - 25 %, and so, RW = 100 %
So, RWA
= 2000 x 100 %
= 2000 Cr

5. b
Provision in doubtful (D-1, unsecured. - 100 %, and so, RW = 50 %
So, RWA
= 1500 x 50 %
= 750 Cr

6. c
Provision in doubtful (D-2, Secured. - 40 %, and so, RW = 100 %
So, RWA
= 1000 x 100 %
= 1000 Cr

7. b
Provision in doubtful (D-2, unsecured. - 100 %, and so, RW = 50 %
So, RWA
= 1500 x 50 %
= 750 Cr

8. b
Provision in doubtful (D-3, Secured. - 100 %, and so, RW = 50 %
So, RWA
= 900 x 50 %
= 450 Cr

9. c
Provision in doubtful (D-3, unsecured. - 100 %, and so, RW = 50 %
So, RWA
= 1200 x 50 %
= 600 Cr

10. b
RW on retail loans = 75 %
So, RWA
= 7500 x 75%
= 5625 Cr

11. b
RW on housing loans = 50 %
So, RWA
= 9000 x 50%
= 4500 Cr

…………………………………………

In NRE account, rate of interest is linked to?

a. LIBOR
b. Bank rate
c. PLR
d. MIBOR

Ans - a
....

Which of the following issues LC?

a. Sellers bank
b. Buyers Bank
c. Negotiating Bank
d. Advising Bank

Ans - b
....

which of the following is a real time settlement system in Europe?

a. Target
b. Fedwire
c. Chips
d. Chaps

Ans - a
....

The counter party to every cleared futures or futures option trade is ......

a. The customer's futures commission merchant.
b. The exchange's clearinghouse.
c. The customer who took the opposite side of the trade.
d. all the above

Ans - b
....

A futures option that gives the buyer the right to buy the underlying futures contract is called a ......

a. Straddle
b. Put

c. Call
d. all the above

Ans - c
....

Futures contracts can be settled ......

a. Only by delivery.
b. Only by cash-settlement.
c. Either by delivery or cash settlement
d. none of the above

Ans - c
....

When price of underlying asset increases then best option is ......

a. buy call option
b. sell call option
c. buy put option
d. sell put option

Ans - a
....

Consider call option writing, probability that a buyer would have positive payoff increases with the ......

a. increase in stock price
b. decrease in stock price
c. increase in maturity duration
d. decrease in maturity duration

Ans - b
....

Option that can be exercised only at date of expiration is classified as ......

a. European option
b. Canadian option
c. Australian option
d. American option

Ans – a

Consider buying of put option, probability that a buyer would have negative payoff increases with the ......

a. increase in stock price
b. decrease in stock price
c. increase in maturity duration
d. decrease in maturity duration

Ans - a
....

The markets in which the derivatives are traded are classified as ......

a. assets backed market
b. cash flow backed markets
c. mortgage backed markets
d. derivative securities markets

Ans - d
....

The type of swaps in which the fixed payments of interest are exchanged by two counter parties for floating payments of interest are called ......

a. float-fixed swaps
b. interest rate swaps
c. indexed swaps
d. counter party swaps

Ans - b
....

A seven year 7.50% bond with semi-annual interest yielding 8% has 5 years remaining for Maturity. Macaulay's duration of the bond is 3.9 year. What is the approximate change in price if market yield goes down to 7.90%

a. Price increases by 0.39%
b. Price increases by 0.375%
c. Price increases by 0.406%
d. Price decreases by 0.39%

Ans - b
Solution
Modified Duration=(Macaulay's Duration)/(1+y/n)

=3.9/1.04
=3.75
Difference in yield %
=(8.00-7.90)
=0.10
approximate change in price if market yield goes down = Macaulay Duration
difference in yields
=3.75*0.10 = =0.375
The yield goes down the bond price goes up by 0.375
....

In UCPDC-600 what does 600 mean?

a. It has total 600 rules
b. It is group of 600 countries
c. Publication no 600 is the latest version
d. It is amended 600 times since implemented

Ans - c
....

A 12 yr 9% semi-annual bond having 6 years remaining maturity with market yield of 6.20% has a price of Rs 113.85, which falls to Rs 113.32 at a yield of 6.30%. What is the BPV of the bond?

a. 5.10
b. 5.20
c. 5.30
d. 5.40

Ans – c

Solution
BPV=CHANGE IN VALUE / CHANGE IN YIELD
=(113.85-113.32)/(6.30-6.20)
=0.53/0.10 = 5.30%
Rs.53 per 1000 book value
....

A 10 year 7% semi-annual bond @market yield of 8% has a price of Rs.97.80, which rises to 98.60 at yield of 7.92 %, what is the BPV of the bond ?

a. 10
b. 12
c. 14

d. 16

Ans – a

Solution
BPV=CHANGE IN VALUE / CHANGE IN YIELD
=(97.80-98.60)/(8.00-7.92)
=0.80/0.08 = 10%
if 1% = 100 BPV then 10% =1000 BPV per mio of face value
……………………………….

A company has sales of Rs.500000 with operating costs of Rs. 450000, interest paid of Rs. 6000 and a tax rate of 30%.
Calculate a) the EBIT, b) Net Income, and c) Profit Margin.

Given :
Sales Revenue (R) = Rs. 500000
Operating Expenses (E) = Rs.450000 I
nterest Paid (I) = Rs. 6000
Tax Rate (T) = 30% = 0.3
Solution :
Formula:
EBIT = R - E
EBIT Margin = EBIT / R
Taxable Income = EBIT - I
Tax Amount = Taxable Income x T
Net Income = Taxable Income - Tax Amount
Profit Margin = Net Income / R
Where,
R = Sales Revenue
E = Operating Expenses
I = Interest Paid
T = Tax Rate
EBIT = R - E
= Rs. 500000 - Rs. 450000)
= Rs. 50000

EBIT Margin = EBIT / R
= (Rs. 50000 / Rs. 500000) x 100
= 10 %
Taxable Income = EBIT - I
= Rs. 50000 - Rs. 6000 = Rs. 44000
Tax Amount = Taxable Income x T
= Rs. 44000 x 0.3 = Rs. 13200

Net Income = Taxable Income - Tax Amount
= Rs. 44000 - Rs. 13200 = Rs. 30800
Profit Margin = Net Income / R
= (Rs. 30800 / Rs. 500000) x 100 = 6.16 %
....

A company declares Rs. 2 Dividend on the the equity share of face value of Rs. 5. the share is quoted in the market at Rs. 80 the dividend yield will be ......

a. 20%
b. 4%
c. 40%
d. 2.50%

Ans – d

Solution
Dividend yield = dividend *100/current market price
=2*100/80 = 2.50%
....

The difference between spot rate and forward rate (interest rate differential) is _____ the _____ rate for low-interest yielding currency and this is known as forward ......

a. added to, spot, premium
b. added to, forward, premium
c. subtracted from, spot, discount
d. subtracted from, forward. discount

Ans - a
....

For forward discount, the interest rate differential is ____ from the ____ rate for high-interest yielding currency.

a. added to, spot
b. added to, forward
c. subtracted from, spot
d. subtracted from, forward

Ans - c
....

Which of the following is/are the purpose(s) of Duty Drawback?

a. to refund excise and customs duty
b. to make certain domestic commodities competitive in the overseas market
c. to provide export incentives under the Export Promotion Scheme
d. all of these

Ans - d
....

For foreign currency export bills, the NTP allowed is ...... days at present.

a. 21
b. 25
c. 28
d. 30

Ans - b
....

In case of post shipment finance, the shipping documents along with relative GR form must be submitted to an AD within ...... days from the date of shipment.

a. 7
b. 14
c. 21
d. 30

Ans - c
....

ABC Co. incurs cleanup expense of 5000 on December 30. The supplier's invoice states that the 5000 is due by January 10 and ABC will pay the invoice on January 9. ABC follows the accrual basis of accounting and its accounting year ends on December 31. What is the effect of the cleanup service on the December balance sheet of ABC?

a. Assets Decreased
b. Liabilities Increased
c. No Effect On Owner's Equity
d. None of the above

Ans – b
....

Under floating exchange rate, the value of the currency is decided by ...... for a particular currency.

a. market rate
b. supply and demand factors
c. floating exchange rate system
d. chain rule

Ans - b
....

A company enjoys cash credit account with a bank. It also has a term loan account with o/s balance of Rs. 15 Crores as on 31-03-2015. The bank has also subscribed to the bonds issued by the borrower company amounting to Rs. 3 Crores. As on 31-03-2015, the CC account with o/s balance of Rs 1.20 Crs is required to be classified as NPA. There is no default in payment of interest and installment in the term loan and bonds. What will be the amount that will become NPA on account of this company?

a. Rs. 1.20 Crores
b. Rs. 4.20 Crores
c. Rs. 16.20 Crores
d. Rs. 19.20 Crores

Ans – d
= 15+3+1.20 = 19.20
....

As per basel-II norms which one is not correct?

a. Tier-II capital is restricted to 100% of tier-I capital
b. Long term subordinate debit may not exceed 50% of tier I Capital
c. Tier–III capital will be limited to 250% of tier–I capital
d. None of these

Ans – d
....

Under Standard Approach retail and SME exposures attract a uniform Risk weightage of ......

a. 75%.
b. 50%
c. 85%
d. 100%

Ans – a
....

ABC Co. has current assets of 5,00,000 and total assets of 15,00,000. ABC has current liabilities of 3,00,000 and total liabilities of 8,00,000. What is the amount of ABC's owner's equity?

a. 2,00,000
b. 3,00,000
c. 7,00,000
d. 12,00,000

Ans – c
....

Under Standardized method within each business line gross income is broad indicator for ......

a. Capital Risk exposure
b. Operational Risk exposure.
c. Credit Risk mitigation
d. Financial Risk Exposure

Ans – b
....

The securities contracted basically on account of long term investment relationships or for steady income and statutory obligations are classified under...... (i) Held-To-Maturity, (ii) Held for Trading

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - a
....

Concessional rate of interest in post shipment finance is valid for first ...... days.

a. 30
b. 60
c. 90
d. 180

Ans - c
....

Where the results into a banking or financial crisis for the entire system on account of failure of a large bank, it is called

a. Liquidity Risk
b. Settlement Risk
c. Systematic Risk
d. Legal Risk

Ans - c
....

ECGC provides credit insurance for export allowed by banks/exporters its policies and guarantees fall under the purview of ......

a. EXIM Bank
b. IRDA
c. BCBS
d. DGFT

Ans - b
....

Under FEMA, for contravention of any direction or failure to file any return under this act, in case of continuing contravention an additional penalty, which may extend up to Rs.... Per day for which such contravention continues, may be imposed.

a. 100
b. 500
c. 1000
d. 2000

Ans - d
....

Un-spend foreign exchange can be deposited by the resident in the ....a/c with any authorised.

a. NCFM
b. NRE
c. RFCD
d. NRO

Ans - c
....

Govt security are issued by ......

a. Central finance ministry
b. Ministry of commerce
c. Central govt
d. RBI

Ans - d
....

The basis point value is associated with ......

a. risk pricing
b. risk measurement
c. risk mitigation
d. risk control

Ans - b
....

Debentures are governed by ......

a. Law of contract
b. Company Law
c. Negotiable instrument
d. None of these

Ans - b
....

All exposure limit are reviewed ......

a. once in a qtr
b. once in half yr
c. once in a yr
d. None of these

Ans - c
....

Interest cost of funds locked in a trading position is called ......

a. swap
b. pre-settlement

c. carry
d. Speculation

Ans - c

....

Held for Trading Securities are normally sold in ...... days.

a. 30
b. 60
c. 90
d. 120

Ans - c

....

When Foreign currency is fixed and value of home currency is variable, it is called ......

a. Direct Rate
b. Indirect Rate
c. Cross Rate
d. Variable Rate

Ans - a

....

Who publishes prime rates for major currencies on the monthly basis.

a. RBI
b. Ex-im bank
c. FEDAI
d. FEMA

Ans - c

....

Export bill is generally crystallized on .... from the due date/notional due date.

a. 7
b. 10
c. 21
d. 30

Ans – d

While Red claused Letter of Credit permits packing credit to the exporter, Green Claused letter of credit permit ......

a. Credit Against duty draw back scheme of Govt.
b. Export Credit Guarantee
c. Advance against cost of warehousing in Customs of exportable goods
d. Discounting of Export Bills

Ans - c
....

1 Basis point = ... %

a. 1/10
b. 1/100
c. 10
d. 100

Ans - b
....

INR is ...... currency

a. Non-convertible
b. partly convertible
c. Fully convertible
d. Majority convertible

Ans - b
....

Bond as a subordinated debt under Tier-II capital is discounted @ specified rates depending upon the residual period of maturity and discounted value is reckoned as Tier II component of capital for the purpose of determination of CAR subject of ......

a. 100 % of Tier-I Capital
b. 100% of Tier- II capital
c. 50% of Tier-I capital
d. 50% of Tier-II Capital

Ans - c
....

Who does issue IEC no Export & Import Code)?

a. RBI
b. Custom Authority
c. DGFT
d. Union foreign ministry

Ans - c
....

A person has returned from abroad and is having some unspent foreign exchange with him. What is the maximum amount he can retain ......

a. Nil
b. USD 500
c. USD 2500
d. USD 2000

Ans - d
....

under Basel III, Tier I Capital should be Minimum ...... %

a. 6
b. 7
c. 8
d. None of the above

Ans - b
....

Short duration crop for the purpose of classifying direct agricultural loans either performing or non-performing assets means duration of crops season not exceeding ...... months & for the said purpose in respect of long duration crops it is ...... year

a. 12/1
b. 9/1
c. 6/1
d. 6/9 months

Ans - c
....

Loss assets attracts ...... % provision

a. 150%
b. 125%
c. 100%
d. 50%

Ans - c
....

Calculate the amount of cash if ...... Total assets=100000 Total liabilities=100000 Total Capital=50000

a. 60000
b. 100000
c. 50000
d. 10000

Ans - c
....

Basel III is Associated With ...... Risks

a. Credit
b. Market
c. Operational
d. All the above

Ans - d
....

Provision Coverage Ratio for the Non performing Assets is ...... %

a. 50
b. 60
c. 70
d. 80

Ans - c
....

Capital Conservation Buffer under Basel III is ...... %

a. 1
b. 2

c. 1.5
d. 2.5

Ans - d
....

Under notice money market, the funds are transacted by banks for ......

a. one day
b. over night
c. 2 to 14 days
d. 15 days and above

Ans - c
....

Under ...... market, the funds are transacted by banks on an overnight basis

a. money market
b. call money market
c. notice money market
d. term money market

Ans - b
....

What are Contingent Liabilities?

a. Loans
b. Deposits
c. Guarantees which can become liabilities in future
d. NPA

Ans - c
....

The employees of the bank went on strike and when it comes to risk what do you mean by this?

a. Operational risk
b. Employee risk
c. Credit risk
d. Market risk

Ans – a

Who is eligible to take Export turnover policy from ECGC?

a. Exporters with turnover not exceeding Rs 10 lakhs per year
b. Exporters who contribute not less than Rs. 10 lakhs towards premium
c. Exporters with turnover exceeding Rs 10 lakhs per year
d. Exporters who contribute not more than Rs. 10 lakhs towards premium

Ans - b

....

Which of the following is not a free currency in the foreign exchange market?

a. USD
b. Rupee
c. EUR
d. None of these

Ans - b

....

Mirror accounts are shadows or reflections of ...... account.

a. Loro
b. Vostro
c. Nostro
d. None of these

Ans - c

....

Select the incorrect statement.

a. NRE term deposit is opened for a minimum tenor of 1 year and for a maximum tenor of 3 years
b. NRE account is exempted from income tax, wealth tax and gift tax
c. NRE account can be oponed jointly with a person resident in India
d. The maximum temporary overdrawings permitted in NRE account is Rs 50,000

Ans - c

....

Select the incorrect statement.

a. Power of attorney can be granted by an NRE account holder to residents to operate this account
b. NRO account is exempted from income tax, wealth tax and gift tax

c. NRO account can be oponed jointly with a person resident in India
d. An amount up to Rs 1 lac can be repatriated out of funds held in NRO account

Ans - d

....

In foreign exchange, 'Our Account with You' is known as ...... account.

a. Vostro
b. Nostro
c. Mirror
d. Loro

Ans - b

....

An import bill not retired by the importer should be crystallized by the bank on what day?

a. On 21st day from the date of Bill of Lading
b. On the 10th day from the receipt of documents at the counters of the bank
c. On the expiry of five banking days
d. On the day of receipt of the Bill

Ans - b

....

Authorised persons - Category III was earlier known as ......

a. Full Fledged Money Changers
b. Restricted Money Changers
c. Authorised dealers
d. None of these

Ans - b

....

Debt Service Coverage Ratio (DSCR) indicates ......

a. Excess of Current Assets over Current Liabilities
b. Number of times fixed assets cover borrowed funds
c. Number of times surplus covers interest & instalments of Term Loans
d. Effective utilization of assets

Ans - c

A license to deal in foreign exchange to authorized dealers is not issued by ...... (i) RBI, (ii) DGFT, (iii) FEDAI

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

Ans - c

....

The difference between buying and selling rate quoted by an Authorised Dealer is not called as ...... (i) Dealers spread, (ii) Dealer's Margin, (iii) Dealer's commission

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

Ans - c

....

In a perfect market, with no restriction on finance and trade, the ...... is the basic factor in arriving at the forward rate.

a. Fixed exchange rate
b. Interest factor
c. Interst rate differentials
d. Floating Exchange rate

Ans - b

....

All foreign currency inward remittances upto ......, as per FEDAI guidelines, be converted immediately into Indian Rupees?

a. Rs. 50000 equivalent
b. USD 10000
c. USD 5000
d. £ 1000

Ans - c

....

All foreign exchange transactions in India are governed by :

a. Foreign Exchange Regulation Act, 1973
b. Reserve Bank of India Act, 1934
c. Foreign Exchange Management Act, 1999
d. Banking Regulation Act,1949

Ans - c
....

Risk which arises due to mismatches in the maturity patterns of assets and liabilities is called as ......

a. Liquidity Risk
b. Exchange Risk
c. Market Risk
d. Settlement Risk

Ans - a
....

As per the recommendations of Chore Committee banks have been asked to ensure ......

a. Borrowers deposit 50% of their net profit in time deposits
b. Relax norms prescribed by Tandon Committee
c. Adopt 2nd Method of lending
d. Borrowers do not contribute more than 25% as margin

Ans - c
....

A bank borrows US $ for 03 months @ 3.0% and swaps the same in to INR for 03 months for deployment in CPs @ 5%. The 3 months premium on US $ is 0.5%.

What is the margin(gain/loss) generated by the bank in the transaction?

a. 2%
b. 3%
c. 1.5%
d. 2.5%

Ans - c

Explanation :
Bank borrows US $ for 3 months @ 3%

Same it will invest in CP for 3 months @ 5%
So, it gains 2% by interest rate margin here.
But when bank repay its borrowing in $, it has pay 0.5% extra because US $ will be costly by 0.5% as US $ is at premium.
So it will reduce bank gain by 0.5%.
2.0% - 0.5 % = 1.5%
....

As per Nayak Committee, the margin contribution of the SSI unit is ...... % of the annual projected turnover.

a. 5%
b. 10%
c. 20%
d. 25%

Ans - a
....

Which of the following is not a Foreign Exchange markets participant?

a. Central Banks
b. Commercial Banks
c. Investment Funds/Banks
d. Authorized dealar

Ans - d
....

Capital charge computation is a function of the following parameters. In other words, the IRB calculation of risk weighted assets for exposures to sovereigns, banks or corporate entities relies on the follwing parameters:

PD (Probability of Default)
LGD (Loss Given the Default)
EAD (Exposure at Default)
M (Maturity)

a. 1 and 2
b. 1, 2 and 3
c. all of these
d. none of these

Ans – c

A derivative position may result in credit risk exposure, which is estimated based on:

a. Its current liquidation value
b. Potential upward deviations of liquidation value from the current value during the life of the instruments
c. Both, i.e. a plus b
d. A derivative position results in market risk exposure and not credit risk exposure.

Ans - c
....

A bank is holding a bond having a BPV of 500 per million. The book value of the holding is 9.78 million having present market value of 10.12 million. Total face value of the holding is 10 million. What would be the gain/loss on the holding if market yield on the bond increases by 3 basis points?

a. Gain of 14,670
b. Gain of 15,000
c. Gain of 15,180
d. Loss of 14,670

Ans - b
....

A seven year 7.50% bond with semi-annual interest yielding 8% has 5 years remaining for maturity. Modified duration of the bond is 3.75 years. This would be equivalent to receiving by way of bullet payment

a. 137.50 per bond after 3.9 years
b. 152.50 per bond after 3.9 years
c. 137.50 per bond after 3.75 years
d. 152.50 per bond after 3.75 years

Ans - a
....

A rating model that is based on actuarial calculation of expected and unexpected losses from default is known as ......

a. Altman's Z Score model
b. Credit Metrics model
c. Credit Risk+ model
d. None of these

Ans - c

Zero risk investment would mean an investment which ......

a. Comes with zero cash flow
b. Has zero default probability
c. Is like deep discount bonds with zero interest
d. Comes with a cash flow that does not change

Ans - d
....

Which of the following may be called transaction risk?

a. Default risk and intrinsic risk
b. Credit spread risk and concentration risk
c. Concentration risk and systematic risk
d. Default risk and credit spread risk

Ans - d
....

A seven year 7.50% bond with semi-annual interest yielding 8% has 5 years remaining for maturity. McCauley's duration of the bond is 3.9 years. What is the approximate change in price if market yield goes down to 7.90%?

a. Price increases by 0.39%
b. Price increases by 0.375%
c. Price increases by 0.406%
d. Price decreases by 0.39%

Ans - b
....

The risk that is generally viewed as a transient financial risk associated with trading rather than as standard credit risk?

a. Default risk
b. Intrinsic risk
c. Interest rate risk
d. Counterparty risk

Ans - d
....

Which one is not a Foreign Exchange markets participant ?

a. Central Banks
b. Commercial Banks
c. Investment Funds/Banks
d. Authorized dealer

Ans - d
....

Which of the following cannot participate in the call money market?

1. banks (including co-operative banks)
2. land development banks
3. primary dealers
4. financial institutions
5. mutual funds players

a. 1, 3 and 4
b. 1, 2 and 3
c. 2, 3 and 4
d. 2, 4 and 5

Ans - d
....

Interest rates prevailing in the inter - bank market constitute benchmark rates because ......

a. it does not carry any risk at all.
b. it carries a little risk (counterparty risk).
c. it is floating
d. none of these

Ans - b
....

Tier 2 is also known as ...... capital.

a. core
b. supplementary
c. complementary
d. none of these

Ans - b

When variation in market interest rate causes the NII to contract, the basis risk would move ...... the banks.

a. against
b. in favor of
c. no effect
d. none of these

Ans - a

....

The Forward price of a currency against another can be worked out with the following factors:

a. Spot price of the currencies involved
b. The Interest rate differentials for the currencies
c. The term i.e. the future period for which the price is worked out
d. All of these

Ans - d

....

Risk arising on account of human errors, technical faults, infrastructure breakdown, faulty systems and procedures or lack of internal controls is called as ......

a. Exchange Risk
b. Operational Risk
c. Market Risk
d. Legal Risk

Ans - b

....

ABC Co. performed services for Client Raj in December and billed Raj 40,000 with terms of net 30 days. ABC follows the accrual basis of accounting. In January ABC received the 40,000 from Raj. In January ABC will debit Cash, since cash was received. What account should ABC credit in the January entry?

a. Accounts Receivable
b. Service Revenue
c. Owner's Equity
d. None of the above

Ans - a

....

What is an over the counter product? (i) An instrument which can be directly negotiated and obtained from Banks and investment institutions, (ii) An instrument which is settled over the counter

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - a
....

The significance of index linked bonds is ...... (i) It provides protection against inflation rate rise, (ii) It is inbuilt in the process

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d
....

Risk arising out of mismatch in maturity payment in assets and liability is known as ......

a. Credit
b. Operational transactions
c. Liquidity
d. None of the above

Ans - c
....

Which of the following procedures is essential in validating the VaR estimates?

a. Back Testing
b. Scenario Analysis
c. Stress Testing
d. Once approved by regulators no further validation is required

Ans - a
....

In a perfect market, with no restriction on finance and trade, the .... is the basic factor in arriving at the forward rate.

a. Fixed exchange rate
b. Interest factor
c. Interest rate differentials
d. Floating Exchange rate

Ans - b
....

In which method of calculating VaR, the change in the value of the position is calculated by combining the sensitivity of each component to price changes in the underlying assets(s)?

a. historical simulation method
b. monte carlo simulation method
c. correlation method
d. none of these

Ans - c
....

Under advanced IRB, who provides the inputs on the EAD?

a. bank
b. suprvisor
c. none of them
d. both of them

Ans - a
....

A Bank received an LC for USD 2 Mio issued by MT 700 and opened on Jan 25, 2011. The credit calls for shipment of 200 tonnes of good quality wheat cultivated in Punjab. What is the time available for issuing bank for examination of documents under UCP600?

a. 21 days
b. Reasonable time not exceeding 7 days
c. Reasonable time not exceeding 7 banking days
d. Five banking days

Ans - d
....

The variety of Bonds may include ...... (i) Step up coupons, (ii) Coupons linked to inflation, (iii) Floating rate coupons

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

Ans - d
....

The bank should verify the letter of credit/sale contract for booking a ......

a. forward sale contract
b. forward purchase contract
c. cancelleing a forward contract
d. none of the above

Ans - b
....

Price of liquidity is determined by ...... (i) Market conditions, (ii) Nature of convertible assets on hand, (iii) Market perception of risks

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

Ans - d
....

Risk of having to compensate for non-receipt of expected cash flows by a Bank is called ......

a. Call risk
b. Funding risk
c. Time risk
d .Credit risk

Ans - c
....

....

Which of the following shipments out of India are exempt from export declaration forms?

a. Goods or software, when accompanied by a declaration by the exporter that they are not more than USD 50000 in value
b. Gifts of goods, valuing not over Rs.50000 along with declaration of exports
c. Gifts of goods, valuing not over Rs.500000 along with declaration of exports
d. Goods not exceeding in value USD 10000 per transaction exported to Myanmar under bilateral trade agreement

Ans - c
....

Failure of the counter party during the course of the settlement (due to time zone differences between the two currencies to be exchanged)is the ...... risk.

a. Operational
b. Market
c. Settlement
d. Legal

Ans - c
....

An EEFC account can be opened by ...... with an AD.

a. returning Indians who were non residents earlier and are now returning to India for permanent settlement to keep their foreign currency assets held outside India.
b. resident Indians, companies or firms to transact forex business.
c. a person resident in India to keep his/her foreign currency assets (notes / traveller cheques, etc)
d. diamond exporters

Ans - b
....

The minimum and maximum period of FCNR deposits are ...... and ...... years respectively.

a. 1, 3
b. 1, 5
c. 2, 3
d. 2, 5

Ans - b
....

Select the incorrect statement (s) from the following (if any).

1. NRI can acquire property by purchase out of balances held in NRE accounts.
2. NRI cannot invest in any partnership firm as owners / partners.
3. NRI can acquire shares on repatriable basis.
4. NRI cannot acquire shares or property by way of inheritance from a person resident outside India.

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

Ans - d
....

When currency is bought, the treasury is said to ......

a. go short
b. go long
c. leverage
d. none of these

Ans - b
....

Ability of a business concern to borrow or build up assets on the basis of a given capital is called ......

a. debt service coverage ratio
b. good will
c. reputation
d. Leverage

Ans - d
....

All related book-keeping and submission of periodical returns to RBI is taken care by ......

a. Dealing room
b. back office
c. Risk management
d. none of these

Ans - b
....

....

Restricted money changers are the firms/organizations authorized to undertake ...... (i) purchase of foreign currency notes from the public, (ii) purchase of foreign coins and travellers' cheques from the public, (iii) sale and purchase of foreign currency notes, coins, travellers' cheques to / from the public

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

Ans - a
....

An LC which facilitates financing to the supplier prior to shipment is known as ...... LC.

a. Red Clause
b. Negotiation
c. Back to Back
d. Revocable

Ans - a
....

Under Standard Approach retail and SME exposures attract a uniform Risk weightage of ......

a. 50%
b. 75%
c. 80%
d. 85%

Ans - c
....

The seller agrees to deliver to the buyer a specified security / currency or commodity on specified date, at a fixed price in ......

a. forward contracts
b. futures
c. options
d. swaps

Ans - b
....

As per Basel HI requirements, modified by RBI, call option on Additional Tier 1 instrument (PNCPS and PDI) will be permissible at the initiative of the issuer after the instrument has run for at least ...... years

a. two years
b. three years
c. five years
d. ten years

Ans - c
....

As per Basel III, the risk of losses in on-balance sheet and off-balance sheet positions arising from movements in market prices is called ......

a. credit risk
b. market risk
c. pricing risk
d. liquidity risk

Ans - b
....

The market risk positions, that are subject to capital charge requirement, includes which of the following positions, under Basel III?

a. risk pertaining to interest rate related instruments in the trading book
b. risk pertaining to equities in the trading book
c. forex risk including open positions in precious metal
d. all the above.

Ans - d
....

The trading book of a bank is subject to market risk. As per Basel III, which of the following is not included in the trading book for capital adequacy purpose?

a. securities under HFT and AFS
b. open gold positions and forex positions
c. trading positions in derivatives
d. securities under HTM

Ans - d
....

Liquidation Risk result in ...... (i) Average change in market price, (ii) Inability to liquidate position at a fair market price, (iii) Inability to liquidate position at any price

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

Ans - d
....

If a security has matured and remains unpaid, it attract capital for ...... risk on completion of 90 days delinquency period

a. credit risk
b. market risk
c. operational risk
d. at discretion of the bank

Ans - a
....

Which of the following contributes to Instrument Risk? (i) The nature of hybrid instruments in the market, (ii) Fluctuations in the market conditions, (iii) The prices of various instruments may react differently from one another

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

Ans - d
....

Market risk is the risk of loss in ...... (a) on-balance sheet positions (b) off balance sheet positions (c) arising from movement in market prices

a. a to c all are correct
b. only a and c correct
c. only b and c correct
d. only a and b correct

Ans - a
....

Which of the following statements is not correct?

a. Failed internal process is Transaction Risk
b. When a Bank fails to comply with regulatory requirements, it may face Compliance Risk
c. Compliance Risk is also known as Integrity Risk
d. Reputation Risk is not the Operational Risk

Ans - a
....

The non-compliance of the following may cause Compliance Risk ...... (i) Standards of good practice, (ii) Codes of conduct, (iii) Compliance of applicable loans

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

Ans - d
....

Strategic Risk can be defined ...... (i) A Risk arising from adverse business decisions, (ii) It is a function of compatibility of organizations strategic goals, (iii) This is measured from resources deployed to reach goals and quality of implementation

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

Ans - d
....

The features of Earnings of market portfolio are ...... (i) Profit and loss arising from transactions, (ii) The profit and loss between two dates is the variation of the market value, (iii) Any decline in value results in a market loss

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

Ans - d
....

Financial Risk can be defined as ......

a. Uncertainties in cash flow.
b. Uncertainties resulting in adverse variation of profitability.
c. A risk which may resulting outright losses.
d. Variations in Net Cash Flows.

Ans - b

Ratio of liquid assets to total assets is one of the nine ratios used in ......

a. Flow approach
b. Stock approach
c. Balance Sheet analysis
d. All of the above

Ans - b

'HLM Bank' is encouraging its home loan borrowers to shift to a floating rate option. We can conclude that the bank is ......

a. Trying to maximize interest income from home loans
b. Expecting home loan rates to go down in near future
c. Trying to imitate the international best practices in interest rates
d. Reduce asset sensitivity to interest rates in home loan segment

Ans - d

Which of the following is correct? Collateral is that element of a credit assessment which deals with ......

a. the security available when credit is extended
b. the knock-on effects that credit problems have with the lender
c. the increased rate applied to a loan to reflect credit quality
d. none of the above

Ans - a

What are the features of Net Interest Income?

a. It is a tool for measuring the impact of volatility on the short term profit

b. This indicates difference between interest income and interest
c. Short term profits can be stabilised by minimising fluctuations in Net Interest Income
d. All the above

Ans - d
....

What are indicators that borrower might default?

a. Increase Credit spread risk
b. downgrade of credit Rating
c. Both a and b
d. None of these

Ans - b
....

A rate of exchange established between any two currencies on the basis of the respective quotation of each currency in terms of a third currency is known as ......

a. cross rate
b. merchant rate
c. wash rate
d. composite rate

Ans - b
....

Risk of having to compensate for non-receipt of expected cash flows by a Bank is called ......

a. Call risk
b. Funding risk
c. Time risk
d. Credit risk

Ans - c
....

Portfolio Risk is less than weighted average of individual Risks in the portfolio due to ...... (i) Diversification effect, (ii) Individual Risk do not materialize in an unidirectional manner

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)

d. Both (i) and (ii)

Ans - d

....

If a Bank funds its Assets from a pool of composite liabilities, it may face the following risk in addition to Credit and Operational Risk ......

a. Basis Risk
b. Mismatch Risk
c. Liquidity Risk
d. All these

Ans - a

....

When a Bank sanctions a loan to a large Borrower, which of the following risks it may not face?

a. Liquidity Risk
b. Market Risk
c. Credit Risk
d. Operational Risk

Ans - b

....

The Risk mitigation measures may result in ...... (i) Reducing downside variability, (ii) Reducing upside potential

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - a

....

The banks in India are required to compute Basel III capital ratios in the following manner ...... (1) Common equity Tier I capital ratio (2) Tier I capital ratio (3) Tier 2 capital ratio (4) Total capital to risk weighted asset ratio

a. 1 to 4 all
b. 1,2 and 4 only
c. 1,3 and 4 only

d. 1 and 4 only

Ans - b

....

If a depositor deposits in post office time deposit scheme, it is ......

a. Zero Risk Investment
b. Low Risk Investment
c. Reasonable Risk Investment
d. High Risk Investment

Ans - a

....

Risk that is associated with inability/failure of banks in payment of amount representing clearing cheques presented by different banks ......

a. liquidity risk
b. settlement risk
c. credit risk
d. legal risk

Ans - b

....

To calculate capital adequacy ratio, the banks are to take into account, which of the following risk?

a. credit risk and operational risk only
b. credit risk and market risk only
c. market risk and operational risk only
d. credit risk, market risk and operational risk

Ans - d

....

Which of the following statement regarding the Total regulatory capital under Basel III is correct? (i) Total regulatory capital is sum total of Tier I capital and Tier 2 capital, (ii) Tier I capital is called `going-concern' capital and Tier 2 capital is called 'gone-concern' capital, (iii) Tier I capital comprises common equity Tier I and additional Tier I

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

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

Ans - d

....

Risk that is associated with failure of internal processes of a bank or business organization ......

a. settlement risk
b. procedural risk
c. operational risk
d. credit risk

Ans - c

....

What is Risk Adjusted Returns on investment? (i) It is the process where a Risk in a Business or investment, is netted against the returns from it, (ii) Higher the Risk Adjusted Return on capital higher is the reward for investors, (iii) The investors would have more performance for such investments

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

Ans - d

....

Banks permitted to run option book are required to fulfill the condition of ......

a. Continuous profit for at least 3 years
b. Minimum CRAR of 9%
c. Minimum net worth of Rs. 200 crores
d. All the above

Ans - d

....

30% of a portfolio is having a dass of security with duration of 3.5. 40% of the portfolio is another Class of Security with duration of 4.0. The remaining portion of the portfolio has duration of 5.0. What is the duration of the portfolio?

a. 4.10
b. 4.20
c. 4.00

d. None of these

Ans - d
....

In India, option contracts cannot be used to cover contingency exposure except ......

a. By export houses
b. For submission of bids in foreign exchange
c. By units in SEZs
d. None of the above

Ans - b
....

A knock-in option becomes effective ......

a. When the spot rate reaches a particular level from below
b. When the spot rate reaches a particular level from above
c. Either a or b
d. Neither a nor b

Ans - c
....

This is a barrier option ......

a. Knock-in-option
b. Asian option
c. Plain vanilla option
d. None of the above

Ans - a
....

In October of 2005, the Bankruptcy Reform Act was passed, which made ......

a. made it more difficult for consumers to declare bankruptcy.
b. called for a moratorium on consumer bankruptcies.
c. called for a moratorium on collections of past-due loans.
d. made it easier for consumers to declare bankruptcy.

Ans - a
....

When a bank tries to make a wide variety of loans, to various kinds of borrowers, it is hoping to reap the benefit of ......

a. guaranteed income
b. diversification
c. more firm-specific risk exposure
d. reduced operational risk

Ans - b
....

In 2005, Argentina offered its creditors 30 cents on the dollar for a sizeable amount of its outstanding debt. The offer was non negotiable. Clearly, Argentina's creditors were exposed to ...... risk.

a. sovereign
b. operational
c. technology
d. interest rate

Ans - d
....

In a well diversified portfolio, ... risk is negligible.

a. nondiversifiable
b. market
c. systematic
d. unsystematic

Ans - d
....

The operational Risk can be measured through ...... (i) the Basic indicator approach, (ii) the Standardised approach, (iii) Advanced measurement approach

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

Ans - d
....

Under Basel III, the options available to compute capital for operational risk are ......

a. standardized approach
b. risk management approach
c. advance measurement approach
d. basic indicator approach

Ans - b
....

The features of Internal Rating Based Approach are ...... (i) It is innovative approach to measure capital requirement for credit Risk, (ii) It complies the capital requirement of each exposure directly before computing the Risk weighted assets, (iii) Capital charges are computed based on probability of default, loss given the default and exposure at default

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

Ans - d
....

The conditions under internal rating based approach are ...... (i) It does not allow individual Bank to determine the elements for calculation of capital requirement, (ii) Capital charges are determined through the combinations of quantitative inputs, (iii) It stresses on Banks internal assessment of key Risk drivers as primary inputs to the capital calculations

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 correct regarding Yield Curve Risk? (i) When Interest Rates are floating Banks may price Assets and Liabilities on different instruments such as Treasury Bills, Call Money Rates, MIBOR etc, (ii) A Bank needs to evaluate the movement in Yield Curves and impact of the curve on portfolio value and income, (iii) If a liability is raised through 91 days T Bill and is used to fund on Asset for 364 days it could be a Yield Curve Risk

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

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

Ans - d
....

When a bank is unable to conclude a large transaction in a particular instrument near the current market price, it is called as ......

a. Market risk
b. Market Liquidity risk
c. Default risk
d. counter party risk

Ans - b
....

A bond having a duration of 6 years is yielding 8% at present If yield increases by 0.50%, what would be the impact on price of the bond?

a. Bond price would go up by 2.7%
b. Bond price would fall by 2.7%
c. Bond price would go up by 2.8%
d. Bond price would fall by 2.8%

Ans - d
....

The customers are entitled to write options only by fulfilling the condition ......

a. They make adequate protective measures
b. They write only upto 25% of their exposures
c. That it is done as a cost reduction measure and does not result in net receipt of premium
d. That premium receivable is higher than the premium payable

Ans - c
....

According to the capital asset pricing model, a well-diversified portfolio's rate of return is a function of ......

a. market risk
b. unsystematic risk
c. unique risk

d. reinvestment risk

Ans - a

....

Risk which arises all activities from contingent liabilities and assets is considered as ......

a. off balance sheet risk
b. income statement risk
c. balance of trade risk
d. balance of payment risk

Ans - A

....

According to the capital asset pricing model, a security with a ......

a. negative alpha is considered a good buy
b. positive alpha is considered overpriced
c. positive alpha is considered underpriced
d. zero alpha is considered a good buy

Ans - c

....

Investing in two assets with a correlation coefficient of 1.0 will reduce which kind of risk?

a. Market risk
b. Unique risk
c. Unsystematic risk
d. None of the above

Ans - d

....

Which of the following would bring about "off balance sheet" risk for a financial institution?

a. A bank issues a letter of credit
b. An insurance company buys some corporate bonds
c. A credit union receives a savings deposit
d. A pension fund invests in some common stock

Ans - a

....

When maturities of liabilities and assets are mismatched and risk incurred by financial intermediaries then this risk is classified as ......

a. interest rate risk
b. channel rate risk
c. economic risk
d. issuance risk

Ans - A
....

A banking system under which the banks are to raise low cost funds and invest such funds in low risk assets such as govt. securities, is known as ......

a. narrow banking
b. universal banking
c. rural banking
d. risk management banking

Ans - a
....

An entity established or incorporated outside India which proposes to make investment in India and which is registered as such, in accordance with the SEBI Regulations is called ......

a. Indian Depository Receipt
b. Foreign Institutional Investor
c. Foreign Direct Investment
d. Foreign Currency Convertible Bond

Ans - b
....

A U.S. bank, Stateside Bank, makes some cross-border loans denominated in the euro. Fluctuations in the dollar value of the euro will give rise to ......

a. credit risk
b. off balance sheet risk
c. operational risk
d. foreign exchange risk

Ans - d
....

"Off balance sheet activities" would include ......

a. A letters of credit
b. A loan commitment
c. Purchase of a futures contract
d. A position in an interest rate swap

Ans - a
....

Number of days for Nostro and Vostro account credited (cooling period) ......

a. 10 days
b. 7 days
c. 5 days
d. 15 days

Ans - d
....

Liberalised Remittance Scheme for Resident Individuals of USD 75,000 per financial year is permissible for ......

a. Any permissible current or capital account transactions or a combination of both
b. Acquire and hold immovable property or any other assets outside India
c. Investment in Overseas Companies listed on a recognized stock exchange abroad
d. All the above

Ans - d
....

Payments for retirement of bills against imports into India must be received by ......

a. Directly by exporter
b. Directly by importer
c. Authorised Dealer
d. RBI

Ans - c
....

The rate quoted for issue of Drafts/TTs is ......

a. Bill Selling rate

b. Inter-Office rate
c. Forward rate
d. TT Selling rate

Ans - d
....

The rate quoted for clean instruments returned unpaid is ......

a. TT selling rate
b. DD buying rate
c. Inter-Office rate
d. TT buying rate

Ans - a
....

Which of the following may be adversely affected due to Trading Book Risk? (i) Bank's Earnings, (ii) Net Interest Margin, (iii) Bank's Capital

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

Ans - d
....

What is Trading Liquidity? (i) It is ability to liquidate positions without affecting market prices, (ii) Without attracting the attention of other market participants

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d
....

Interest Rate collar involves ......

a. Simultaneous purchase of interest rate cap and floor
b. Purchasing a series of caps
c. Purchase of cap and sale of floor

d. Purchasing caps for half value

Ans - c

....

Which of the following statements is true?

a. Exchange exposure leads to exchange risk
b. Exchange risk leads to exchange exposure
c. Exchange exposure and exchange risk are unrelated
d. None of the above

Ans - b

....

The following method does not result in sharing of exchange risk between importer and exporter ......

a. Denominating in a third currency
b. Denominating partly in the importer's currency and partly in the exporter's currency
c. Entering an exchange rate clause in the contract
d. Denominating in domestic currency

Ans - d

....

Leading refers to ......

a. Advancing of receivables
b. Advancing of payable
c. Advancing payments either receivables or payables
d. Advancing of receivables and delaying of payables

Ans - c

....

A foreign exchange dealer forgets to square the over bought position in a foreign currency. It is a ......

a. foreign exchange risk
b. settlement risk
c. liquidity risk
d. operational risk

Ans - d

....

Rate applied for a foreign exchange transaction which involves immediate conversion of currency is known as ......

a. ready rate
b. forward rate
c. merchant rate
d. long rate

Ans - a
....

A quotation in which the home currency unit is the standard unit and the rate is expressed in variable units of foreign currency is called ......

a. direct rate
b. spot rate
c. indirect rate
d. forward rate

Ans - c
....

The features of Basis Risk are ...... (i) When interest rates of different Assets, Liabilities and Off Balance Sheet items change in different magnitudes it is called Basis Risk, (ii) When Interest Rates of Asses rise in different magnitudes as compared to interest rate on corresponding liability which may result in variation Net Interest Income, it would be known as Basis Risk, (iii) The Basis Risk is quite visible in a Volatile Interest Rate Scenario

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

Ans - d
....

As per Basel III, Tier 2 capital comprises which of the following? (1) general provisions and loss reserves (2) debt capital instruments issued by bank (3) preference share capital instruments with redeemable or cumulative feature (4) revaluation reserve (5) stock surplus i.e. share premium resulting from issue of Tier 2 eligible instruments

a. 1 to 5 all
b. 1 to 4 only
c. 1,4 and 5 only

d. 1, 2 and 3 only

Ans - a

....

Potential of a bank borrower or counterparty to fail to meet its obligations according to agreed terms is called ......

a. credit risk
b. default risk
c. market liquidity
d. either a or b

Ans - d

....

If the CIF or CIP value cannot be determined from the documents, a nominated bank will accept an insurance document, which covers ......

1. 110% of the gross amount of the invoice
2. 100% of the gross amount of the invoice
3. 110% of the documentary credit amount
4. 110% of the amount for which payment, acceptance or negotiation is requested under the credit

a. 1 and 3 only
b. 2 and 4 only
c. 1, 2 and 4 only
d. 1, 3 and 4 only

Ans - d

....

When conversion/exchange of currencies takes place at some future date at a rate of exchange agreed upon now, such a transaction is known as ......

a. spot transaction
b. cover transaction
c. cash transaction
d. forward transaction

Ans - d

....

Under Basel III, the options available to compute capital for market risk are ......

a. standardized approach
b. risk management approach
c. advanced measurement approach
d. basic indicator approach

Ans - b

....

In case of loans/overdrafts against FCNR deposit the margin requirement should be calculated on the rupee equivalent at ...... rate

a. TT selling rate
b. Bill selling rate
c. Notional rate
d. Others

Ans - d

....

A model determines VaR of 10 years G Sees based on the factors that affect the yield of 10 years G Sees determined through different scenarios analysis. This approach is called ......

a. Monte Carlo Simulation
b. Historical approach
c. Parametric approaches
d. None of these

Ans - a

....

Given interest rate of currency A is more than that of B and interest rate ofcurrency B is more than that of C. Which of the following is true?

a. Forward rate of currency 'A' would be at premium to that of C
b. Forward rate of currency 'A' would be at discount to that of B
c. Forward rate of currency 'C' would be at discount to that of B
d. Forward rate of currency 'B' would be at premium to that of A

Ans - b

....

The maxim applied in respect of Direct Quotation is ......

a. buy low, sell low
b. buy low, sell high
c. buy high, sell low
d. buy high, sell high

Ans - b
....

The fact that a bank's assets tend to be long-term while its liabilities are short term creates the following situation when interest rates rise?

a. The value of assets increases by more than the value of liabilities
b. The value of assets will decrease by more than the value of liabilities
c. The value of assets increases and the value of liabilities decreases
d. The value of assets decreases and the value of liabilities increases

Ans - b
....

What are the basic parameters required for stabilising ALM of Banks?

a. Net Interest Income
b. Net Interest Margin
c. Economic Equity Ratio
d. All these

Ans - c
....

A need for Regulations on Risk management is more important due to ...... (i) The process of deregulation increased the competition which enhances more Risk, (ii) Competition also promoted globalization, (iii) Risk controls are necessary for maintaining level playing field

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 tier-1 of core capital consists? (i) Equity, (ii) Disclosed Reserves

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d

....

The conditions for calculating value at risk are ...... (i) Volatility of price, (ii) Correlation of prices with respect of all other Assets/Liabilities in the portfolio, (iii) Normal circumstances means that the value at risk can not be measured when market is under abnormal conditions

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

....

As per Basel III, the value of revaluation reserve is to be taken at ...... % discount to include in Tier 2 capital

a. 60
b. 55
c. 50
d. 45

Ans - b

....

For market risk, the minimum capital requirement is expressed in terms of two separately calculated charges which are ......

a. specific risk and general market risk
b. special risk and general risk
c. liquidity risk and liquidation risk
d. counterparty credit risk and trading partner's risk

Ans - a

....

The capital requirement for general market risk is designed under Basel III to capture the risk of loss arising from change in ......

a. prices of securities
b. market value securities
c. interest rate on securities
d. all the above

Ans - c
....

The capital charge for specific risk under market risk will be ...... % or capital charge in accordance with the risk warranted by external rating of the counterparty, whichever is higher, under Basel III?

a. 9.00
b. 9.75
c. 10.50
d. 11.25

Ans - d
....

What is the Off Balance Sheet Risk? (i) It is contingent in nature, (ii) It can occur on account of issue of guarantees committed credit lines and issue of letter of credit, (iii) Bank's commitment may happen on account of failure to meet, payment obligations

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

Ans - d
....

The Regulations on Risk management at international level have been taken up by ...... (i) World Bank, (ii) Basel Committee on Banking supervision

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - b
....

1988 Basel Accord was enforced in ......

a. G-10 Countries in 1992
b. Asian Countries in 1991
c. At International Level in 1988
d. none of these

Ans - a
....

The significance of contingent liability is ...... (i) It adds to the Revenue generation of the Bank, (ii) Banks may also have Contingencies Receivables, (iii) The Bank is obliged to meet the commitment only on account of failure to meet the obligation by the person on whose behalf bank has commitment

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

Ans - d
....

A Transaction Risk is ...... (i) Risk arising from fraud either internal or external, (ii) It may be on account of failed Business processes, (iii) When a Business is not able to maintain the continuity, it is known as Transaction Risk

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

Ans - d
....

The capital charge for general market risk under the market risk will be ...... % on gross equity position, under Basel III

a. 9.00
b. 9.75
c. 10.50
d. 11.25

Ans - a
....

Funding liquidity risk is defined as ......

a. Excess of liabilities over assets
b. Excess of long term liabilities over long term assets
c. Excess of short term liabilities over short term assets
d. Inability to obtain funds to meet cash flow obligations

Ans - d
....

Where an asset maturing in two years at a fixed by a liability risk will be ......

a. Basis risk
b. Yield curve risk
c. Gap risk
d. embedded option Risk

Ans - c
....

The risk of adverse variance of the mark to market value of change in market prices of interest rate instruments, equities, is called ...... (i) Price Risk, (ii) Market Risk, (iii) Translation Risk

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

Ans - a
....

The modus operandies of Basic committee on Banking supervision are ...... (i) It is instrumental in standardizing bank regulations across jurisdictions, (ii) It defines the role of regulations, (iii) The committee meets 4 times in the year

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

Ans - d
....

Basel Committee on Banking supervision works under ......

a. ADB
b. Bank for International Settlement
c. World Bank
d. International Finance Corporation

Ans - b
....

When was the Basel accord took place in post deregulation era?

a. 1988
b. 1991
c. 1975
d. 1972

Ans - a
....

The significance of integrated Risk management is ...... (i) It integrates organizations internal and external business processes, (ii) It applies Standard Risk Terminology, (iii) It facilitates reporting which helps in taking optional Risk decisions

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

Ans - d
....

The features of integrated approach for Risk management are ...... (i) The process of supervising risk exposure gets centralized, (ii) Organization can decide how best to transfer Risk, (iii) It is an ongoing Business process

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

Ans - d
....

In the financial market bond prices and yields are ......

a. inversely related
b. directly related
c. inversely or directly related depending on type of bond
d. none of these

Ans - a
....

Which of the following is not an advantage of integrated Risk management?

a. Day to day operational activities are not designed
b. It facilitates greater transparency for the investors
c. Revenue and earnings are enhanced
d. It controls downward Risk potential

Ans - a
....

The Business challenges to manage integrated Risk are ...... (ia. Globalization of market, (ii) Concern about business continuity and operational reliability, (iii) Fast technological changes

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

Ans - d
....

The process of integrated Risk limits will be helpful in ...... (i) Communication Risk appetite in the organization, (ii) Maintenance of overall exposure at acceptable level, (iii) Affecting delegation of authority

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

Ans - d
....

The Central Bank Governors of G-10 countries participate in the Basel committee on Banking supervision. The members are ......

a. 13
b. 12
c. 11
d. 10

Ans - a

....

We issued the L/C as follows: L/C expired: Dec 27, 2018 at beneficiary's country Latest shipment date: Dec 06, 2018 Period of presentation: documents to be presented within 21 days after date of shipment but within the validity of credit, state documents acceptable. Which of the following is acceptable?

a. B/L on board date: Dec 01, 2018, all documents presented on Dec 25, 2018
b. B/L on board date: Dec 01, 2018, all documents presented on Dec 31, 2018
c. B/L on board date: Dec 10, 2018, all documents presented on Dec 25, 2018
d. B/L on board date: Dec 01, 2018, all documents presented on Dec 15, 2018

Ans - d

....

In which type of accounts of NRI, joint account can be opened with resident?

a. FCNR
b. NRE
c. NRO
d. Any of the above

Ans - c

....

As per Basel III implementation in India, Common Equity Tier 1 capital must be ...... % of risk weighted assets on ongoing basis

a. 5.5
b. 7
c. 9
d. 11

Ans - a

....

Which of the following is not a Transaction Risk?

a. Mismatch in Assets, and Liabilities portfolio
b. Credit Risk
c. Price Risk
d. Instrument Risk

Ans - a
....

The features price Risk are ...... (i) It includes the risks of loss due to the change in value of Assets and Liabilities, (ii) It also includes market risk due to fluctuations in price of Assets in the market, (iii) This may happen on account of Issuer Risk which depends on the financial strength of the issuer

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

Ans - d
....

As per Basel III implementation in India, minimum Tier 1 capital must be ...... % of risk weighted assets on ongoing basis

a. 5.5
b. 7
c. 9
d. 11

Ans - b
....

Which of the following statements is not correct regarding Basel III implementation in India?

a. minimum Tier I capital ratio should be 8%
b. Tier 2 capital should be max 2%
c. minimum total capital ratio should be 9%
d. minimum total capital ratio plus capital conservation buffer should be 11.5%

Ans - a
....

As per Basel III, which of the following is an element of Common Equity component of Tier I? (1) common shares i.e. paid up equity capital (2) stock surplus i.e. share premium (3) statutory reserves (4) capital reserves representing surplus arising out of sale proceeds of assets (5) balance in profit and loss account at the end of the previous year

a. 1 to 5 all
b. I to 4 only
c. 1,4 and 5 only
d. 1, 2 and 3 only

Ans - a

....

The features of Zero Risk are ...... (i) It does not have any uncertainty with it, (ii) There is no variation in net cash flow, (iii) Return on such investment would be lower

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 instruments do not contain Zero Risk?

a. Investment in Shares
b. Investment in Bonds-and Debentures
c. Investment in Term Deposits
d. Investment in Government Bonds

Ans - a

....

Which of the following statements is not correct?

a. Large variation in net cash flows happens in the Business with higher Risk.
b. Capital requirement would be lesser in higher Risk Business
c. The profit potential would be lower in a Business with a lower Risk
d. Lower the variation in net cash flow lower the Risk

Ans - b

....

A derivatives contract cannot exist without an ......

a. Exchange
b. Underlying be it equity, interest rate etc.
c. increase in volatility
d. increase in arbitrage

Ans - b
....

NSCCL monitors positions of trading members ......

a. Offline
b. End of the day
c. Once a week
d. Online

Ans - d
....

A convertible option may give the bond-holder option of converting the debt into equity on specified terms. Such options are called ______ and have a direct effect on pricing of the bond.

a. stock option
b. plain vanilla option
c. embedded option
d. barrier option

Ans - c
....

Corprate debt paper refers to _____ - term bonds and debentures issued by corporates and FI, which are tradable.

a. short
b. medium
c. long
d. both b and c

Ans - d
....

Arbitragers take advantage of ...... in the markets?

a. Hedgers
b. Volatility
c. Mispricings
d. Speculators

Ans - c
....

In documentary credit transactions ......

a. all parties deal with documents and not goods
b. all parties deal in documents and goods as well
c. buyer and seller deal in goods and banks in documents
d. all parties deal in goods only

Ans - a
....

According to the mode of settlement, options are divided into ____ types.

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

Ans - a
....

Which of the following is not true regarding OTC?

a. It is a derivative product that can be directly negotiated and obtained from authorized banks and investment institutions.
b. It is mostly used for hedging underlying risks.
c. Settlement is mostly by physical delivery.
d. No counter party risk at all.

Ans - d
....

An American type option can be exercised ......

a. any time before the expiry period
b. any time after the expiry period
c. on the expiry date
d. none of these

Ans - b
....

Bank's investment in government securities are classified in to ......

a. HTM (Held Till Maturity)
b. AFS (Available For Sale)
c. HFT (Held For Training)
d. all of these

Ans - d
....

Which of the following is not true regarding ETD (Exchange Traded Derivatives)?

a. Forward contracts traded on only organized future exchanges are known as future contracts.
b. It is mostly used for trading and speculation.
c. Counter party risk is not present.
d. Price is quoted by the bank, as the pricing is not transparent.

Ans - d
....

The recognition of insurance mitigation is limited to ...... % of total Operational Risk Capital Charge calculated under AMA.

a. 10
b. 20
c. 30
d. 50

Ans - b
....

Tier …… capital bonds issued by banks fall under corporate debt paper.

a. 1

b. 2
c. 3
d. none of these

Ans - b

....

Securities issued by governments are referred to as …… which do not have any credit risk.

a. derivative
b. gilt
c. demat A/C
d. yield

Ans - b

....

Banks maintain their security accounts (exclusively for government securities) with RBI which is known as …… account.

a. CGL
b. SGL
c. BGL
d. none of these

Ans - b

....

Interest rate risk is a type of ...... (i) Credit risk (ii) Market risk

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - b

....

At present, money multiplier moves within a range of 3.5 to 4 times. This money multiplier is calculated as ......

a. M1 * M2
b. M2 + M3
c. M3 ÷ M1

d. M4 ÷ M2

Ans - c

VaR (Value at Risk) measure can be used to assess the following risks. Select the incorrect option.

a. currency
b. liquidity
c. interest rate
d. price

Ans - b

…… swap is also known as a basis swap.

a. fixed rate to floating rate
b. floating rate to fixed rate
c. floating rate to floating rate
d. none of these

Ans - c

Bonds are governed by ......

a. Law of Contract
b. BR Act
c. Company Law
d. none of these

Ans - a

What is the limit up to which an individual is permitted to remit overseas without the approval of RBI?

a. USD 100000
b. USD 200000
c. USD 500000
d. There is no such limit

Ans - b

Balance sheet of a bank provides the following information:

Total advances Rs 100000cr, Gross NPA 12% and Net NPA 6%, Based on this information, answer the following questions?

1. What is the amount of gross NPA?

a. Rs 6000cr
b. Rs 8000cr
c. Rs 10000cr
d. Rs 12000cr

2. What is the amount of net NPA?

a. Rs 6000cr
b. Rs 8000cr
c. Rs 10000cr
d. Rs 12000cr

3. What is the amount of provision for standard loans, if all the standard loan account represent general advance?

a. Rs 300cr
b. Rs 352cr
c. Rs 384cr
d. Rs 392cr

4. What is the provision on NPA accounts?

a. Rs 6000cr
b. RS 6352cr
c. Rs 8400cr
d. Rs 8452cr

5. What is the total amount of provisions on total advances, including the standard accounts?

a. Rs 6000cr
b. RS 6352cr
c. Rs 8400cr
d. Rs 8452cr

6. What is the minimum amount of provision to be maintained to meet the PCR of 70%?

a. Rs 6000cr

b. RS 6352cr
c. Rs 8400cr
d. Rs 8452cr

7. What is the amount of provision for standard loans, if all the standard loan account represent direct advances to agricultural?

a. Rs 220cr
b. Rs 440cr
c. Rs 660cr
d. Rs 880cr

8. What is the amount of provision for standard loans, if all the standard loan account represent advances to SMEs sectors?

a. Rs 220cr
b. Rs 440cr
c. Rs 660cr
d. Rs 880cr

9. What is the amount of provision for standard loans, if all the standard loan account represent advances to CRE sectors?

a. Rs 220cr
b. Rs 440cr
c. Rs 660cr
d. Rs 880cr

10. What is the amount of provision for standard loans, if all the standard loan account represent advances to CRE-RH sectors?

a. Rs 220cr
b. Rs 440cr
c. Rs 660cr
d. Rs 880cr

Solution :

1. d
Gross NPA
= 100000 x 12 %
= 12000 Cr

2. a

Net NPA
= 100000 x 6 %
= 6000 Cr

3. b
Standard Accounts
= Total advances - Gross NPA
= 100000 - (100000 x 12%)
= 100000 - 12000
= 88000

Provision for standard loans (general advance)
= 0.4%
= 88000 x 0.4%
= 352 Cr

4. a
Provision of NPA
= (Gross NPA - Net NPA) x Total Advances
= (12% - 6%) x 100000
= 6% x 100000
= 6000 Cr

5. b
Provision on Total Advances
= Provision of NPA + Provision for standard loans
= 6000 + 352
= 6352 Cr

6. c
Minimum amount of provision to be maintained to meet the PCR of 70%
= Gross NPA x PCR
= 12000 x 70%
= 8400 Cr

7. a
Standard Accounts
= Total advances - Gross NPA
= 100000 - (100000 x 12%)
= 100000 - 12000
= 88000

Provision for standard loans (direct advances to agricultural)
= 0.25%

= 88000 x 0.25%
= 220 Cr

8. a
Standard Accounts
= Total advances - Gross NPA
= 100000 - (100000 x 12%)
= 100000 - 12000
= 88000

Provision for standard loans (SMEs Sector)
= 0.25%
= 88000 x 0.25%
= 220 Cr

9. d
Standard Accounts
= Total advances - Gross NPA
= 100000 - (100000 x 12%)
= 100000 - 12000
= 88000

Provision for standard loans (Commercial Real Estate (CRE) Sector)
= 1%
= 88000 x 1%
= 880 Cr

10. c
Standard Accounts
= Total advances - Gross NPA
= 100000 - (100000 x 12%)
= 100000 - 12000
= 88000

Provision for standard loans (Commercial Real Estate (CRE) Sector)
= 0.75%
= 88000 x 0.75%
= 660 Cr

SME - Small and Micro Enterprises
CRE - Commercial Real Estate (CRE) Sector
CRE - RH - Commercial Real Estate – Residential Housing Sector (CRE - RH)
....

A simultaneous purchase and sale of foreign exchange for two different dates is called ......

a. currency devalue
b. currency swap
c. currency valuation
d. currency exchange

Ans - b
....

Monitoring and control of risks as per bank's approved policies and strategies is the responsibilities of ......

a. Board of directors
b. Senior management
c. Front line staff
d. All of the above

Ans - b
....

Premium on an exchange traded option on a given underlying at a given strike price varies on a day to day basis. This variation does not depend upon ......

a. Price of the underlying
b. Strike price
c. Remaining time to maturity
d. Volatility

Ans - b
....

An individual purchases a call option for 500 shares of 'A' with strike price at Rs. 120 (Present price 100) and remaining maturity of 3 months at a premium of 40. On maturity shares of A was priced at 140. Taking interest cost @ 12% p.a., what is the profit earned by the individual on the transaction?

a. No loss no profit
b. 600 loss
c. 10,600 loss
d. None of these

Ans - c
....

The cost one pay for an option is called as ......

a. Charge
b. Premium
c. Discount
d. Margin

Ans - b
....

A shadow account of the NOSTRO account maintained by the opening bank is called as ...... account.

a. NOSTRO
b. VOSTRO
c. LORO
d. Mirror

Ans - d
....

Downside potential has 2 components. They are ......

a. Potential Losses and Profit Potential
b. Potential Losses and probability of occurrence
c. Profit Potential and probability of occurrence
d. None of the above

Ans - b
....

Which is not to be taken into account for pricing?

a. Operating Expenses
b. Loss Probabilities
c. Profit Probabilities
d. Capital Charges

Ans - c
....

Which type of risk arises When banks have more earnings assets than paying liabilities ?

a. Liquidity
b. Operational

c. Interest rate
d. Market

Ans - a
....

RBI has permitted banks to borrow and invest through their overseas correspondents, in foreign currency subject to a ceiling of ...... % of their ...... capital, or USD ...... million, whichever is higher.

a. 25, Tier - I, 1
b. 25, TIer - II, 5
c. 50, TIer - I, 10
d. 50, TIer - II, 10

Ans - d
....

Banks generally do not maintain a stock of foreign currency for the purpose of merchant business. The residual position of the bank at the end of the day - overbought or oversold - is known as ...... position and it involves ...... risk.

a. open, market
b. open, exchange
c. closed, funding
d. open, liquidity

Ans - b
....

The providing of information to the management (MIS) and to implement risk management systems is created by ......

a. Dealing room
b. Treasury administration
c. middle office
d. none of these

Ans - c
....

The TOD (today) and TOM (tomorrow) rates are generally quoted at a discount to the ...... rate.

a. swap

b. forward
c. spot
d. repo

Ans - c
....

Investment in Post Office time deposit is

a. Low-risk investment
b. Medium-risk investment
c. High-risk investment
d. Zero-risk investment

Ans - d
....

Capital charge component of pricing accounts for

1. Cost of capital
2. Internal generation of capital
3. Loss provision

Which of the following is True?

a. All the statements are correct
b. Statements 1 and 2 are correct
c. Statements 2 and 3 are correct
d. Statements 3 and 1 are correct

Ans - d
....

Risks can be measured based on ......

a. sensitivity
b. volatility
c. downside potential
d. all of these

Ans - d
....

In case of delay in payment of rupee settlement funds, the interest for delayed period at 2 % above the ...... rate is paid for each day.

a. LIBOR
b. MIBOR
c. TT
d. Cross

Ans - b
....

Notice money refers to placement of funds for period not exceeding ...

a. over night
b. two days
c. 7 days
d. 14 days

Ans - d
....

Term money refers to placement of funds for period not exceeding ...

a. 01 yr
b. 02 yr
c. 03 yr
d. 05 yr

Ans - a
....

When there is sale of foreign exchange, but import bills are not handled, which rate will not be applied?
(i) TT Buying Rate, (ii) TT Selling Rate, (iii) Bills Selling Rate

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

Ans - b
....

Treasury Bills are issued by ...

a. RBI
b. GOI
c. IMF
d. IRDA

Ans - b

Select the incorrect statement(s):

a. Downside potential captures possible profits.
b. Downside potential captures possible losses.
c. Downside potential ignores profit potential.
d. Probability of occurrence is one of the two components of downside potential.

Ans - a

Risk pricing is ......

a. portfolio based
b. transaction based
c. both a and b
d. none of these

Ans - b

Which of the following statement is not correct relating to TOD and TOM?

a. Rates are generally quoted at discount to the spot rate
b. Rates are less favorable to the buyer of the currency
c. Rates are generally quoted at a premium to the spot rate
d. None of these

Ans - c

The interest rate differential is added to the spot rate of

a. Low interest yielding currency
b. High interest yielding currency

c. Both
d. None of these

Ans - A

....

Call money refers to placement of fund ...

a. same day
b. overnight
c. next day
d. Two days

Ans - b

....

Buying of USD (with Rupees) in the market and selling same in forward market or vice versa is called ...

a. Spot transaction
b. Forward transaction
c. Swap transaction
d. Convertible transaction

Ans - c

....

Exchange rate risk can be avoided by entering into a ......

a. swap
b. forward rate contract
c. option contract
d. either b or c

Ans - d

....

Treasury uses derivatives ......

a. to manage risks including ALM (Assets Liabilities Management) risk
b. to cater to the requirements of the corporate customers
c. to trade, i.e., to take a trading position in derivative products.
d. all of these

Ans - d

When a bank sanctions a loan to a large borrower, which of the following risks it may face ...... (i) Liquidity, (ii) Market, (iii) Credit

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

Ans - b

....

Treasury bill is issued for 91 days to 364 days by GOI 91 days t bill is auction on weekly basis for amount Rs... crore.

a. 100
b. 200
c. 500
d. 1000

Ans - c

....

If an asset is highly sensitive to interest rate changes, and if we have a view that rates are likely to rise, what should we do?

a. enter into swap
b. enter into forward rate contract
c. enter into option contract
d. none of these

Ans - a

....

SBI maintains USD account with Bank of America, New York and when it conducts transactions through this account, it passes entries in its books at Mumbai through the following account.

a. Nostro account
b. Vostro account
c. Loro account
c. Mirror account

Ans - a

....

An RFCD account can be opened by ...... with an AD.

a. returning Indians who were non residents earlier and are now returning to India for permanent settlement to keep their foreign currency assets held outside India.
b. resident Indians, companies or firms to transact forex business.
c. a person resident in India to keep his/her foreign currency assets (notes / traveller cheques, etc)
d. diamond exporters

Ans - c
....

What are the two reserve requirements that treasury has to comply with?

a. PLR and SLR
b. CRR and SLR
c. Repo and CRR
d. VaR and CRR

Ans - b
....

Ability of a business concern to borrow or build up assets on the basis of a given capital is called...

a. DSCR
b. good will
c. reputation
d. Leverage

Ans - d
....

If Regulatory Authority of the country feels that the Capital held by a bank is not sufficient, it could require the bank to ...... (i) Reduce it's Risk, (ii) Increase it's Capital

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d
....

....

We may say that a market is highly liquid if ......

1. Market participants are able to liquidate ‘ositions at current market prices
2. Market price of assets are much higher than their fair value
3. Market participants are unable to liquidate positions at fair value

a. 1 and 2
b. 3 only
c. 2 only
d. 1 only

Ans - c
....

Which of the following investment has lowest risk?

a. Treasury bills
b. Government bonds
c. Equities of Sensex companies
d. Deposits in post office savings bank

Ans - d
....

Allowable reduction in exposure backed by approved financial collaterals depend upon ......

a. Haircut applicable for exposure
b. Haircut applicable for collateral
c. Both a and b
d. Either a or b

Ans - c
....

Which of the following would not be taken as a trading book exposure?

a. GOl dated securities having defeaserice period of two months
b. Position in derivattve for hedging banking book exposure
c. Position in derivative for hedging trading book exposure
d. Position in derivative for trading purpose

Ans - b
....

Answer the following questions are based on the below given information

a. USD-INR spot and forward rate
Spot USD - 65.60/62
O/N - 1/2
TOM - 2/3
2 weeks - 7/8
1 month - 15/17
2 months - 31/33
3 months - 47/50
6 months - 95/100

b. The AD loads margin of 10 paisa for purchase transactions and 12 paisa for sale transactions

1. What is the bid rate for over night dollar?

a. 65.59
b. 65.60
c. 65.61
d. 65.65

Ans - c
....

2. What is the asking rate for Tom USD?

a. 65.59
b. 65.60
c. 65.61
d. 65.65

Ans - d
....

3. TT buying rate for customer transaction in spot dollar is ......

a. 65.50
b. 65.74
c. 65.81
d. 65.84

Ans - a
....

4. Quote the forward TT buying rate for 2 months USD is ......

a. 65.50
b. 65.74
c. 65.81
d. 65.84

Ans - c

5. USD selling rate for customer transactions in spot dollar is ......

a. 65.50
b. 65.74
c. 65.81
d. 65.84

Ans - b

6. Quote forward TT selling rate for one month USD ......

a. 65.50
b. 65.74
c. 65.81
d. 65.91

Ans - d

Answer the following questions are based on the below given information

a. USD-INR spot and forward rate
Spot USD - 65.60/62
O/N - 1/2
TOM - 2/3
2 weeks - 7/8
1 month - 15/17
2 months - 31/33
3 months - 47/50
6 months - 95/100

b. The AD loads margin of 10 paisa for purchase transactions and 12 paisa for sale transactions

1. What is the rate at which AD can buy spot dollars from market?

a. 65.59
b. 65.60
c. 65.61
d. 65.62

Ans - b

....

2. What is the rate at which AD may sell spot dollars in the market?

a. 65.59
b. 65.60
c. 65.61
d. 65.62

Ans - d

....

3. AD purchases USD 100,000 in a merchant transaction and sells them in the market at 65.63 per dollar. What is the profit that AD earns in the transaction?

a. 10,000
b. USD 10,000
c. 3,000
d. 1,000

Ans - a

....

4. AD sold 1 month forward USD 500,000 to a merchant and then covered up his position by buying in the market one month forward dollars at 65.82 per dollar. What is the profit/loss in the transaction?

a. Profit of 15,000
b. Profit of 35,000
c. Loss of 15,000
d. Loss of 35,000

Ans - b

....

5. What rate the AD will quote for bill buying for a bill maturing in 60 days drawn in USD?

a. 65.50
b. 65.74
c. 65.81
d. 65.84

Ans - c
....

Answer the following questions are based on the below given information

a. USD-INR spot and forward rate
Spot USD - 65.60/62
O/N - 1/2
TOM - 2/3
2 weeks - 7/8
1 month - 15/17
2 months - 31/33
3 months - 47/50
6 months - 95/100

b. The AD loads margin of 10 paisa for purchase transactions and 12 paisa for sale transactions

1. What is the asking rate for over night dollar?

a. 65.59
b. 65.60
c. 65.62
d. 65.64

Ans - d
....

2. What is the bid rate for Tom USD?

a. 65.59
b. 65.60
c. 65.62
d. 65.64

Ans - c
....

3. TT buying rate for customer transaction in TOM dollar is ......

a. 65.50
b. 65.52
c. 65.58
d. 65.62

Ans - b
....

4. Quote the forward TT selling rate for 2 months USD is ......

a. 65.50
b. 65.74
c. 65.77
d. 65.83

Ans - d
....

5. USD selling rate for customer transactions in TOM dollar is ......

a. 65.50
b. 65.74
c. 65.77
d. 65.83

Ans - c
....

6. Quote forward TT buying rate for one month USD ......

a. 65.65
b. 65.70
c. 65.75
d. 65.80

Ans - a
....

A bank having 10 day VaR of 100 million with 99% confidence interval. This implies that under normal circumstances its ......

a. Daily loss may exceed 31.65 million 3 days in a year
b. Daily loss may exceed 100 million 3 days in a year
c. Daily loss may exceed 31.65 million 2 days in a year
d. Daily loss may exceed 100 million 2 days in a year
(Assume 250 working days in a year)

Ans - a
....

Banking book exposures are ......

a. Held until maturity and income is booked on accrual basis
b. Held until maturity and income is booked as and when realized
c. Held for a period and income is booked on accrual basis
d. Held for a period and income is booked as and when realized

Ans - a
....

A considerable adverse deviation is noticed in the market price of a stock from its fair value. This may be termed as ......

a. Down-gradation risk
b. Credit risk
c. Asset lquidity risk
d. Market liquidity risk

Ans - c
....

As per RBI guidelines on Asset Liability Management, the net cumulative negative mismatches during the day 1, 2-7, 8-14 and 15-28 days buckets if exceed the prudential limits may be financed from market by ...... (i) Market borrowings (call/term), (ii) Bills discounting, (iii) Repo

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

Ans - d
....

Exchange rate risk can be avoided by entering into a ...... (i) swap, (ii) forward rate contract, (iii) option contract

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 cannot participate in the call money market? (i) land development banks, (ii) primary dealers, (iii) mutual funds players

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

Ans - c
....

Change in interest rates will not affect ...... (i) Net interest income, (ii) Other income, (iii) Staff expenses

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

Ans - c
....

A 10 year bond with semi annual coupon @ 8% is being traded in the market at 95/-. The YTM of the bond is ......

a. 8.42%
b. It cannot be determined based on data given
c. It may be determined and is expected to be above 8%
d. It may be determined and is expected to be below 8%

Ans - c
....

Which of the following is true?

a. RBI permits trading subject to certain conditions
b. A dealer can deal both in secondary and primary markets
c. A dealer can deal with Primary Markets
d. None of the above

Ans - a
....

The following is not a feature of exchange-traded derivative ......

a. It is a standard size
b. It is available only on specified exchanges
c. The seller is always a bank
d. None of the above

Ans - c
....

ABC Bank, provides following data (in crores) regarding rate sensitive assets and liabilities of the bank as on 31 Mar 2016.

Time Buckets	Assets	Liab	Gap	Cumulative Gap
1-28 days	1300	1500	-200	-200
29D - 3M	1150	950	200	0
3-6 months	2200	2300	-100	-100
6-12 months	700	900	-200	-300
1-3 years	500	450	50	-250
3-5 years	800	700	100	-150
Over 5 years	1600	1400	200	50
Non-sensitive	400	450	-50	0
Total	8650	8650	0	

Now answer the following questions using the details given above

1. If the interest rate falls by 75 bps, in the 1st time bucket, the likely Impact on the NII for the bank shall be ......

a. - 0.25 Cr
b. - 0.50 cr
c. + 1.00 cr
d. + 1.50 cr

2. If the interest rate rises by 25 bps, in the 3rd time bucket (3-6 months), the likely Impact on the NII for the bank shall be ......

a. - 0.25 Cr
b. - 0.50 cr
c. + 1.00 cr
d. + 1.50 cr

3. If the interest rate rises by 50 bps, in the 2nd time bucket (29D - 3M), the likely Impact on the NII for the bank shall be ......

a. - 0.25 Cr
b. - 0.50 cr
c. + 1.00 cr
d. + 1.50 cr

4. If the interest rate falls by 75 bps, in the 4th time bucket (6-12 months), the likely Impact on the NII for the bank shall be ......

a. - 0.25 Cr
b. - 0.50 cr
c. + 1.00 cr
d. + 1.50 cr

5. In rising interest scenario, the bank will have a ...... Impact of interest rate changes on NII

a. Adverse
b. Favourable
c. Neutral
d. Insufficient Input

6. In falling interest scenario, the bank will have a ...... Impact of interest rate changes on NII

a. Adverse
b. Favourable
c. Neutral
d. Insufficient Input

7. The total rate sensitive assets for the bank is Rs. ......

a. 8100
b. 8150
c. 8200

d. 8250

8. The total rate sensitive liabilities for the bank is Rs. ......

Ans : 1-d, 2-a, 3-c, 4-d, 5-b, 6-a, 7-d, 8-c

Explanations

1. -200 x 0.75% = + 1.5 cr (Interest rate falls in Negative gap will always improve the NII)

2. -100 x 0.25% = - 0.25 cr (Interest rate rises in Negative gap will always bring adverse effect in NII)

3. 200 x 0.50% = + 1.0 cr (Interest rate rises in Positive gap will always improve the NII)

4. -200 x 0.75% = + 1.5 cr (Interest rate falls in Negative gap will always improve the NII)

5. Rate sensitive assets – 8250 and liabilities – 8200. So, Bank is asset sensitive. Hence, in a rising interest scenario, the bank will have a favourable Impact of interest rate changes on NII.

6. Rate sensitive assets – 8250 and liabilities – 8200. So, Bank is asset sensitive. Hence, in a falling interest scenario, the bank will have an adverse Impact of interest rate changes on NII.

7. 8650 – 400 = 8250

8. 8650 – 450 = 8200

....

Treasury profits are increasingly derived from market operations involving ...... (i) Buying and Selling of Securities, (ii) Borrowing and lending on securities, (iii) Investing in Loans

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 forex futures are/is not traded in Indian exchanges? (i) USD/EURO, (ii) GBP/AUD, (iii) JPY/INR

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

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

Ans - a
....

As compared to Treasury bonds, trading of municipal bonds in trading market is considered as

a. more index inflation
d. less indexed inflation
c. less active
d. more active

Ans - c
....

Under the forward exchange contract ......

a. The exchange rate is determined on the future date
b. The parties agree to meet at a future date for finalization
c. Delivery of foreign exchange is done on a predetermined future date
d. None of the above

Ans - c
....

Forward contract facility is available only for ......

a. Genuine trade transaction
b. Genuine foreign exchange exposure
c. Exporters
d. Traders in Goods

Ans - b
....

Maturity intermediation results in ...... (i) Liquidity risk, (ii) Net interest income risk, (iii) Net-worth risk

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

Ans - d

The effective interest rate on a Repo transaction should not be ...... (i) Higher than the corresponding money market rate, (ii) Lower than the corresponding money market rate, (iii) Equal to the corresponding money market rate

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

Ans - b

Quanto swaps don't refer to ...... (i) Paying interest in foreign currency at rates applicable to home currency, (ii) Paying interest in home currency at rates applicable to foreign currency, (iii) Paying interest in foreign currency at rates applicable to foreign currency

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

Ans - b

Derivatives can be used by an exporter for managing ......

a. Currency Risk
b. Cargo Risk
c. Credit Risk
d. All of the above

Ans - a

Treasury bonds and notes pays interest rate is classified as

a. LIBOR rate monthly
b. coupon interest monthly
c. coupon interest semiannually
d. coupon interest annually

Ans - c

ABC Bank, provides following data (in crores) regarding rate sensitive assets and liabilities of the bank as on 31 Mar 2018.

Time Buckets	Assets	Liab	Gap	Cumulative Gap
1-28 days	600	800	-200	-200
29D - 3M	700	600	100	-100
3-6 months	1800	1950	-150	-250
6-12 months	500	550	-50	-300
1-3 years	250	300	-50	-350
3-5 years	500	400	100	-250
Over 5 years	900	550	350	100
Non-sensitive	250	350	-100	0
Total	5500	5500	0	

Now answer the following questions using the details given above

1. If the interest rate falls by 50 bps, in the 2nd time bucket, the likely Impact on the NII for the bank shall be ......

a. + 0.50 Cr
b. - 0.50 cr
c. + 1.00 cr
d. - 1.00 cr

2. If the interest rate rises by 50 bps, in the 5th time bucket (1-3 years), the likely Impact on the NII for the bank shall be ......

a. - 0.25 Cr
b. + 0.25 cr
c. - 0.50 cr
d. + 0.50 cr

3. If the interest rate falls by 25 bps, in the 6th time bucket (3-5 years), the likely Impact on the NII for the bank shall be ......

a. - 0.25 Cr
b. + 0.25 cr
c. - 0.50 cr
d. - 2.625 cr

4. If the interest rate falls by 75 bps, in the 7th time bucket (over 5 years), the likely Impact on the NII for the bank shall be ......

a. - 0.25 Cr
b. + 0.25 cr
c. - 0.50 cr
d. - 2.625 cr

5. In rising interest scenario, the bank will have a ...... Impact of interest rate changes on NII

a. Adverse
b. Favourable
c. Neutral
d. Insufficient Input

6. In falling interest scenario, the bank will have a ...... Impact of interest rate changes on NII

a. Adverse
b. Favourable
c. Neutral
d. Insufficient Input

7. The total rate sensitive assets for the bank is Rs. ......

a. 5500
b. 5150
c. 5250
d. 5100

8. The total rate sensitive liabilities for the bank is Rs. ......

a. 5500
b. 5150
c. 5250
d. 5100

Ans : 1-c, 2-a, 3-a, 4-d, 5-b, 6-a, 7-c, 8-b

Explanations

1. -200 x 0.5% = + 1 cr (Interest rate falls in Negative gap will always improve the NII)

2. -50 x 0.5% = - 0.25 cr (Interest rate rises in Negative gap will always bring adverse effect in NII)

3. 100 x 0.25% = - 0.25 cr (Interest rate falls in Positive gap always bring adverse effect in NII)

4. 350 x 0.75% = - 2.625 cr (Interest rate falls in Positive gap always bring adverse effect in NII)

5. Rate sensitive assets – 5250 and liabilities – 5150. So, Bank is asset sensitive. Hence, in a rising interest scenario, the bank will have a favourable Impact of interest rate changes on NII.

6. Rate sensitive assets – 5250 and liabilities – 5150. So, Bank is asset sensitive. Hence, in a falling interest scenario, the bank will have an adverse Impact of interest rate changes on NII.

7. 5500 – 250 = 5250

8. 5500 – 350 = 5150
....

Counterparty risk in a derivative ......

1, Equals the mark to market value if it is in favour of the holder
2. Equals the mark to market value if it is in favour of the counter- party
3. Potential future value of the derivative over its remaining life

a. land 3
b. 2only
c. 1 only
d. 3 only

Ans - a
....

RBI has introduced RTGS to eliminate ......

a. Herstatt risk
b. Settlement risk
c. Counterparty risk
d. Systemic risk

Ans - b
....

Articulating interest rate view of the bank is the responsibility of ......

a. Board of directors
b. Risk management committee of the Board
c. ALCO

d. Mid-office

Ans - c

....

A 5 year 9% semi-annual bond @ market yield of 7.50% has a price of Rs. 106.16, which rises to? 107.45 at a yield of 7.20%. What is the BPVofthe bond?

a. Rs. 43 per Rs. 1000 of book value.
b. Rs. 4.30 per Rs. 1,000 of book value.
c. Rs. 0.43 per Rs. 1,000 of book value.
d. None of these

Ans - a

....

A 8 year 9% semi-annual bond @ market yield of 7.20% has 5 years remaining for maturity. McCauley's duration of the bond is 3.2 years. What is the approximate change in price if market yield goes up to 7.50%?

a. Price increases by 0.93%
b. Price increases by 0.96%
c. Price decreases by 0.93%
d. Price decreases by 0.96%

Ans - c

....

A bank's treasury portfolio is worth Rs. 9,500 Crs. Its 10 day VaR at 90% confidence level is? 265 Crs. What is its weekly VaR at 90% confidence interval? (Assume 5 working days in a week)

a. Rs. 132.50 Crs
b. Rs. 187.41 Crs
c. Rs. 187.38Crs
d. None of these
(Assume 250 working days in a year)

Ans - b

....

Price volatUity is degree of variance in price. This depends upon ......

a. Yield volatility and market value
b. Yield volatility, BPV and market value

c. Yield volatility, market value and yield
d. Yield volatility, market value, BPV and yield

Ans - d

....

A bank is holding a bond portfolio having a BPV of? 51,000 per Cr. The book value of the holding is Rs. 9,780 Crs having present market value of ? 10,543 Crs. Total face value of the holding is ? 10,124 Crs. What would be the gain/loss on the holding if the portfolio yield increases by 12 basis points?

a. Loss of 1265.16
b. Loss of 1214.88
c. Loss of 612,000
d. Insufficient data

Ans - c

....

A 20 year 11% semi-annual bond market yield of 9.80% has 15 years remaining for maturity. McCauley's duration of the bond is 9.2 years, What is the approximate change in price if market yield goes down by 1%?

a. Price increases by 8.70%
b. Price increases by 8.77%
c. Price decreases by 8.87%
d. Price decreases by 9.20%

Ans - b

....

Say Mr. X purchases 2,000 shares of stock 'A' at 125 per share and 1,000 shares of stock 'B' at 90 per share. The price is expected to fluctuate 2% daily for stock 'A' and 1.25% daily for stock 'B' (daily volatility figure estimated from past data). He estimates daily potential loss to be 6,350 approximately. The market factor sensitivity of the portfolio is ......

a. Rs. 6,350
b. Rs. 3,000
c. Rs. 6.35
d. None of these

Ans - b

....

A 10 year 8% semiarmual bond having 6 years remaining maturity with market yield of 920% has a price of 94.56, which falls to 94.34 at a yield of 9.25%. What is the BPV of the bond?

a. 43 per 1,000 of book value
b. 4.30 per I ,000 of book value
c. 0.43 per 1,000 of book value
d. None of these

Ans - d
....

A bond portfolio having a bond A (Market Value 300 Crs and MD of 3.5 years) and bond B (market value 500 Crs and MD of 5 years). What is the BPV of the portfolio?

a. Rs. 44,375 per crore
b. Rs. 4,437.50 per crore
c. Rs. 44,375 per million
d. Rs. 4,437.50 per million

Ans - c
....

You are holding 1000 stocks of a company, present market price being Rs. 250 per share. You may like to use option to hedge the stock from price risk. You would take a position ......

a. Long on call option
b. Long on put option
c. Short on put option
d. None of these

Ans - b
....

Two stocks A and B have negative correlation of 80% between them. The portfolio consists of 100 units of stock A (market price 100) and 200 units of stock B (market price 200). If price of stock A moves up by 10%, what would be gain/loss on the portfolio?

a. Gain 4,200
b. Loss 2,200
c. Loss 600
d. None of these

Ans - b

You are holding 2000 units of stock A and you expect that stock price may fall. You would like to hedge 70% of your exposure using the stock future. You would

a. Go long on 2000 stock futures
b. Go long on 1800 stock futures
c. Go long on 1400 stock futures
d. Go short on 1400 stock futures

Ans - d
....

Implicit volatility of a financial instrument is computed using ......

a. Simulation processes
b. Historical volatility
c. Option prices
d. factor sensitivities

Ans - c
....

Components of portfolio risk are ......

a. Default risk and systematic risk
b. Down-gradation and concentration risk
c. Concentration risk and intrinsic risk
d. Default risk and down-gradation risk

Ans - c
....

Intrinsic value of a call option on forex forward is ......

a. The option premium
b. The difference between strike price and spot price
c. The difference between strike price and current forward rate
d. The difference between spot price and current forward rate

Ans - c
....

Bank XYZ has
Common shares - 500cr
Statutory reserves - 250cr
Capital reserves - 300cr
Balance in P&L Account at the end of the previous FY - 150cr
Revaluation reserves - 200cr
Provisions and Loss Reserves - 300cr
Debt Capital Instruments - 200cr
Perpetual Debt Instruments (PDI) - 50cr
Perpetual Cumulative Preference Shares (PCPS) - 50cr
Redeemable Cumulative Preference Shares (RCPS) - 50cr
RWA for credit and operational risk are Rs 12000cr
RWA for market risk Rs 5000cr
Based on the above information, answer the following questions?

1. what is the amount of Tier-1 capital?

a. 1080cr
b. 1140cr
c. 1250cr
d. 1340cr

Ans - d

Tier-1 = Common shares + Statutory reserves + Capital reserves + Balance in P&L Account at the end of the previous FY + Revaluation reserve at 55% discount + Perpetual Debt Instruments (PDI)
= 500+250+300+150+(200*45%,at 55% discount)90+50
= 1340cr

2. Calculate the amount of Tier-2 capital?

a. 350cr
b. 450cr
c. 540cr
d. 840cr

Ans - b

Tier2 = Provisions and Loss Reserves maximum 1.25% of risk weighted assets + Debt Capital Instruments + PCPS + RCPS
= (12000*1.25%) 150+200+50+50
= 450cr

3. Calculate the amount of capital fund?

a. 1250cr
b. 1380cr
c. 1560cr
d. 1790cr

Ans - d
Total capital fund = Tier-1 capital + Tier-2 capital
= 1340 + 450 = 1790cr

4. What is the capital adequacy ratio of the bank?

a. 10.20 %
b. 10.53 %
c. 11.03 %
d. 11.53 %

Ans - b
Capital adequacy ratio = Total Capital fund / Total RWA
= 1790 / 17000
= 10.53 %

5. What is the amount of minimum capital to support credit and operational risk as per Basel 3 without capital conservation buffer?

a. 1080cr
b. 1140cr
c. 1250cr
d. 1380cr

Ans - a
= 12000 * 9% = 1080cr

6. What is the amount of minimum capital to support credit and operational risk as per Basel 3 with capital conservation buffer?

a. 1080cr
b. 1140cr
c. 1250cr
d. 1380cr

Ans - d
12000 * 11.5% = 1380cr

7. What is the amount of minimum Tier 1 to support the credit and operational risk without capital conservation buffer?

a. 350cr
b. 475cr
c. 540cr
d. 840cr

Ans - d
Tier 1 = 12000 * 7% = 840 cr

8. What is the amount of minimum Tier 1 to support the credit and operational risk with capital conservation buffer?

a. 1080cr
b. 1140cr
c. 1250cr
d. 1380cr

Ans - b
Tier 1 = 12000 * 9.5% = 1140 cr

9. What is the amount of minimum Tier 1 to support the market risk without capital conservation buffer?

a. 350cr
b. 475cr
c. 540cr
d. 840cr

Ans - a
Tier 1 = 5000 * 7% = 350 cr

10. What is the amount of minimum Tier 1 to support the market risk with capital conservation buffer?

a. 350cr
b. 475cr
c. 540cr
d. 840cr

Ans - b
Tier 1 = 5000 * 9.5% = 475 cr
....

The components of broad money(M3) are

a. Cash in circulation with the public
b. Cash in currency chests with RBI and Banks
c. Credit availed by Central Government from RBI
d. Currency in circulation, demand and time deposits with banks and post office saving deposits

Ans - b
....

How many Diamond Dollar Accounts can an Exporter maintain?

a. Only one
b. Two accounts
c. It is matter of discretion for the bank
d. Five

Ans - d
....

Exchange of payments in different currencies at pre-determined exchange rates are called as ...... Swaps.

a. Financial
b. Interest
c. Currency
d. Forex

Ans - c
....

Due to vastness of the market, operating in different time zones, most of the Forex deals in general are done on ....

a. TOM basis
b. SPOT basis
c. Ready or cash
d. Forward

Ans - b
....

The forward premium and discount are generally based on the ....of the two currencies involved.

a. Market rate

b. Future rate
c. Interest rate differentials
d. Ready or cash

Ans - c
....

When the strike price is equal to the spot price for the put option, the option is ......

a. at the money
b. out of money
c. in the money
d. any of the above

Ans - a
....

Normally, who makes the payment against the documents in a LC transaction?

a. Negotiating Bank
b. Confirming Bank
c. Opening Bank
d. Advising Bank

Ans - a
....

A bond with a coupon rate of 9% maturing in 2015 and trading at Rs 180 will have yield of ......

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

Ans - b
Explanation :
Current yield = Coupon rate/Prevailing market value
= 9/180= 5%
....

The risk arising owing to non-enforceability of contract against a counter party is the ...... risk.

a. Legal
b. Systematic

c. Credit
d. Liquidity

Ans - a
....

A Bank received an LC for USD 2 Mio issued by MT 700 and opened on Jan 25, 20The credit calls for shipment of 200 tonnes of good quality wheat cultivated in Punjab. What is the time available for issuing bank for examination of documents under UCP600?

a. 21 days
b. Reasonable time not exceeding 7 days
c. Reasonable time not exceeding 7 banking days
d. Five banking days

Ans - d
....

In foreign exchange, 'His account with Them' is known as ...... account

a. Vostro
b. Nostro
c. Mirror
d. Loro

Ans - d
....

The seller bank has to pay interest at ...... % above the prime rate of the currency of the specified banks in case of delayed payment of interbank foreign currency funds.

a. 1
b. 1.5
c. 2
d. 4

Ans - c
....

Which of the following is not quoted as 100 unit of foreign curency = INR?

a. Kenyan Sheiling
b. Indonesian Rupaih
c. Irani Dinar

d. JPY (Japanese Yen)

Ans - c

....

Which of the following shipments out of India are exempt from export declaration forms?

a. Goods or software, when accompanied by a declaration by the exporter that they are not more than USD 50000 in value
b. Gifts of goods, valuing not over Rs.50000 along with declaration of exports
c. Gifts of goods, valuing not over Rs.500000 along with declaration of exports
d. Goods not exceeding in value USD 10000 per transaction exported to Myanmar under bilateral trade agreement

Ans - c

....

All contract which have matured and have not been collected, shall be automatically cancelled on the .....working day after the maturity date.

a. 5th
b. 7th
c. 10 th
d. 15th

Ans - b

....

Which is not a function of the Forex dealing room ?

a. A service branch to meet the requirement of customers of other branches/divisions to buy or sell foreign currency,
b. Manage foreign currency assets and liabilities,
c. Fund Manager for Nostro Accounts as also undertake proprietary trading in currencies.
d. Processing of Deals, Account, reconciliation etc

Ans – d

....

The beneficiary gets the payment on presentation of documents at nominated bank's counters under ...... LC.

a. Acceptance
b. Deferred payment

c. Revocable
d. Sight

Ans - d

The bill of exchange or draft is drawn under ...... LC.

a. Acceptance
b. Deferred payment
c. Both a and b
d. None of these

Ans - b

...... LC is opened for procurement of goods on the backing of an export LC.

a. Transferable
b. Red clause
c. Back to back
d. Negotiation

Ans - c

The set of international rules (published by ICc. for the interpretation of trade terms are known as ......

a. UCDPC
b. Incoterms
c. ISP
d. URR

Ans - b

The concessional rate of interest in case of PCL is ...... and is valid for first ...... days.

a. maximum PLR - 2.50 %, 120
b. maximum PLR - 2.50 %, 180
c. maximum PLR - 2.50 %, 120
d. minimum PLR - 2.50 %, 180

Ans – b

In case of PCL being on CIF basis, if the despatch is through sea, the FOB value is arrived at by deducting __ % (representing freight and insurance) from the CIF value.

a. 5 % to 10 %
b. 10 % to 12 %
c. 13 % to 14 %
d. 25 % to 35 %

Ans - c
....

In case of PCL being on CIF basis, if the despatch is through air, the FOB value is arrived at by deducting __ % (representing freight and insurance) from the CIF value.

a. 5
b. 10
c. 15
d. 25

Ans - d
....

In case where advances for PCL are covered under Whole Turnover Policies of ECGC, the disbursing branch should inform ECGC the details of limit sanctioned in the prescribed format within ...... days.

a. 7
b. 10
c. 21
d. 30

Ans - d
....

When the strike price is above the spot price for the call option, the option is ......

a. at the money
b. out of money
c. in the money
d. any of the above

Ans – b
....

Export proceeds from any of the ACU countries is settled through a separate ...... account maintained by the AD for this purpose.

a. Rupee
b. EEFC
c. Dollar / Euro
d. DDA

Ans - c

....

The total period of PCL should not exceed ...... days and this period can be extended by banks up to ...... days (for availing concessional rate of interest).

a. 30, 60
b. 60, 120
c. 120, 180
d. 180, 360

Ans - d

....

Which of the following is not exempt from EDF (Export Declaration Forms)?

a. Goods or software exceeding USD 25,000 in value
b. Gifts of goods worth not over Rs 5, 00, 000
c. Goods not exceeding USD 1000 per transaction, exported to Myanmar, under bilateral trade agreement
d. All are exempted from EDF

Ans - a

....

Sight bills drawn under import letters of credit would be crystallized on the ...... day after the day of receipt if not yet paid.

a. 10 th
b. 11 th
c. 15 th
d. 30 th

Ans - a

....

Exchange of streams of interest structures are called as ...... Swaps.

a. Financial
b. Interest
c. Currency
d. Forex

Ans - b

....

Fortnightly data on forex operations is submitted to the RBI in ...... form.

a. R Return
b. NRDCSR
c. FEMIS
d. BES

Ans - a
....

Data on transactions related to FCNRB deposits is submitted to the RBI in ...... form.

a. STAT 5
b. STAT 8
c. NRDCSR
d. IBS

Ans - a
....

Data on transactions related to NRE and NRO deposits is submitted to the RBI in ...... form.

a. STAT 5
b. STAT 8
c. NRDCSR
d. IBS

Ans - b
....

Daily data on forex dealing room operations are submitted to the RBI in ...... form.

a. STAT 5

b. FEMIS
c. NRDCSR
d. IBS

Ans - b
....

Commercial bills which are authorised to deal in foreign exchange can rediscount their shortterm export bills with a usance period of ...... days.

a. 90
b. 120
c. 180
d. 360

Ans - c
....

What is the statutory time limit for export proceeds to be treated as deferred payment exports?

a. 3 months
b. 6 months
c. 9 months
d. 12 months

Ans - b
....

The goods eligible for deferred payment export are classified into two categories - group A and group B. Select the correct pair.

Group A - capital goods and production goods
Group A - consumer durables and industrial manufacture
Group B - production goods and industrial manufacture
Group B - capital goods and consumer durables

a. both 1 and 2
b. both 1 and 3
c. both 2 and 3
d. both 2 and 4

Ans - a
....

The sponsoring bank can approve finance against exports on deferred payment basis for a maximum amount of ......

a. 1 crore
b. 10 crore
c. 25 crore
d. 50 crore

Ans - c
....

Select the incorrect sentence / sentences from the following:

In direct quotes, local currency is variable.
In direct quotes, local currency is fixed.
In indirect quotes, local currency is variable.
In indirect quotes, local currency is fixed.

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

Ans - c
....

Which one is not to be quoted per unit Foreign Currency against 100 Units?

a. JPY
b. Indonesian Rupiah
c. GBP
c. Kenyan Schilling
c
....

Who manages Export Marketing Fund in India....

a. EXIM bank
b. RBI
c. GOI
d. ECGC

Ans - a
....

...... is the possibility of a major bank failing and the resultant losses to counter parties reverberating into a banking crisis.

a. Sovereign Risk
b. Contrary risk
c. Legal risk
d. Systematic Risk

Ans - d

....

Export bills drawn in foreign currency, purchased/ Discounted/ negotiated, must be crystallized into rupee liability. The same would be done at

a. Market price
b. TT selling rate.
c. TT buying rate
c. Forward rate

Ans - b

....

Indian working with foreign govt abroad is a ......

a. PIO
b. NRI
c. Resident Indian
d. Foreigner

Ans - b

....

The exposure relates to valuation of foreign currency assets and liabilities at the end of accounting year at current realizable values.

Foreign exchange risk
Transaction exposure
Translation exposure
Operating exposure

Ans - c

....

Forex transactions are classified according to date of deal and date of delivery. Which of the following are correct regarding type of exchange transaction? (i) TOM: delivery of foreign exchange takes place on the next working day of the contract, (ii) spot: which is to be settled on the same day, (iii) Forward: delivery of foreign exchange takes place beyond second working day of the contract

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

Ans - b
....

In risk measurement, the parameter that is used to capture deviation of a target variable due to unit movement of a single market parameter, say 1% change in interest rate is called......

a. Downside potential
b. Volatility
c. Sensitivity
d. Mitigation

Ans - c
....

Yield curve risk with respect to different maturity sectors, is a type of a ......

a. Liquidity risk
b. Interest rate risk
c. Basis risk
d. Market risk

Ans - c
....

Market Risk involves ...

a. Risk Identification
b. Risk Measurement
c. Risk monitoring and control
d. All of them

Ans - d
....

Trading book includes ......

a. All assets
b. All liabilities
c. All marketable assets
d. All long term liabilities

Ans - c

A PCL allowed without prior lodgment of LC or firm export order is called ...... account facility.

a. incoterm
b. rupee
c. running
d. rediscount

Ans - c

In Credit Running Account facility provided to commodities covered under 'Selective Credit Control', the LC or firm order should normally be produced in the bank within ...... from the date of sanction.

a. 7
b. 15
c. 21
d. 30

Ans - d

Methods of assessment of Market risk are ...

1. Basis Point Value
2. Duration method

a. Only 1
b. Only 2
c. Both 1 and 2
d. None of these

Ans - c

Bank XYZ has
Common shares - 600cr
Statutory reserves - 250cr
Free reserves - 200cr
Revaluation reserves - 200cr
General Provisions and Loss Reserves - 350cr
Debt Capital Instruments - 250cr
Perpetual Non-Cumulative Preference Shares (PNCPS) - 50cr
Perpetual Debt Instruments (PDI) - 50cr
Perpetual Cumulative Preference Shares (PCPS) - 50cr
Redeemable Non-Cumulative Preference Shares (RNCPS) - 50cr
Redeemable Cumulative Preference Shares (RCPS) - 50cr
RWA for credit and operational risk are Rs 16000cr
RWA for market risk Rs 6000cr
Based on the above information, answer the following questions?

1. what is the amount of Tier-1 capital?

a. 1080cr
b. 1150cr
c. 1250cr
d. 1380cr

Ans - b

Tier-1 = Common shares + Statutory reserves + Free reserves + Perpetual Non-Cumulative Preference Shares (PNCPS) + Perpetual Debt Instruments (PDI)
= 600+250+200+50+50
= 1150cr
....

2. Calculate the amount of Tier-2 capital?

a. 350cr
b. 475cr
c. 550cr
d. 840cr

Ans - c

Tier2 = Provisions and Loss Reserves maximum 1.25% of risk weighted assets + Debt Capital Instruments + PCPS + RNCPS + RCPS
= (16000*1.25%) 200+200+50+50+50
= 550cr

3. Calculate the amount of capital fund?

a. 1250cr
b. 1380cr
c. 1560cr
d. 1700cr

Ans - d

Total capital fund = Tier-1 capital + Tier-2 capital
= 1150 + 550 = 1700cr
....

4. What is the capital adequacy ratio of the bank?

a. 7.23 %
b. 7.73 %
c. 8.23 %
d. 8.73 %

Ans - b

Capital adequacy ratio = Total Capital fund / Total RWA
= 1790 / 22000 = 7.73 %
....

5. What is the amount of minimum capital to support credit and operational risk as per Basel 3 without capital conservation buffer?

a. 1240cr
b. 1440cr
c. 1640cr
d. 1840cr

Ans - b

= 16000 * 9% = 1440cr
....

6. What is the amount of minimum capital to support credit and operational risk as per Basel 3 with capital conservation buffer?

a. 1240cr
b. 1440cr

c. 1640cr
d. 1840cr

Ans - d

16000 * 11.5% = 1840cr

....

7. What is the amount of minimum Tier 1 to support the credit and operational risk without capital conservation buffer?

a. 1120cr
b. 1320cr
c. 1520cr
d. 1720cr

Ans - a

Tier 1 = 16000 * 7% = 1120 cr

....

8. What is the amount of minimum Tier 1 to support the credit and operational risk with capital conservation buffer?

a. 1120cr
b. 1320cr
c. 1520cr
d. 1720cr

Ans - c

Tier 1 = 16000 * 9.5% = 1520 cr

....

9. What is the amount of minimum Tier 1 to support the market risk without capital conservation buffer?

a. 420cr
b. 470cr
c. 520cr
d. 570cr

Ans - a
Tier 1 = 6000 * 7% = 420 cr

10. What is the amount of minimum Tier 1 to support the market risk with capital conservation buffer?

a. 420cr
b. 470cr
c. 520cr
d. 570cr

Ans - c

Tier 1 = 6000 * 9.5% = 520 cr
....

Answer the following questions are based on the below given information

a. USD-INR spot and forward rate
Spot USD - 65.60/62
O/N - 1/2
TOM - 2/3
2 weeks - 7/8
1 month - 15/17
2 months - 31/33
3 months - 47/50
6 months - 95/100

b. The AD loads margin of 10 paisa for purchase transactions and 12 paisa for sale transactions

1. What is the asking rate for over night dollar?

a. 65.59
b. 65.60
c. 65.62
d. 65.64

Ans - d
....

2. What is the bid rate for Tom USD?

a. 65.59
b. 65.60
c. 65.62
d. 65.64

Ans - c

3. TT buying rate for customer transaction in TOM dollar is ......

a. 65.50
b. 65.52
c. 65.58
d. 65.62

Ans - b

....

4. Quote the forward TT selling rate for 2 months USD is ......

a. 65.50
b. 65.74
c. 65.77
d. 65.83

Ans - d

....

5. USD selling rate for customer transactions in TOM dollar is ......

a. 65.50
b. 65.74
c. 65.77
d. 65.83

Ans - c

....

6. Quote forward TT buying rate for one month USD ......

a. 65.65
b. 65.70
c. 65.75
d. 65.80

Ans - a

....

Given below are cash flow of 4 different business options.

Options - Mean of Cash Flow over last 4 years - Standard Deviation
option A - 24 lacs - 2.50

option B - 32 lacs - 2.50
option C - 20 lacs - 1.50
option D - 10 lacs - 0.50

1. Based on the data given above, business option with highest risk is ......

a. A
b. B
c. C
d. D

Ans - a
....

2. The standard deviation of the cash flows of the portfolio containing all the business options is ......

a. 1.75
b. Around 0.30
c. 7
d. Can't be determined based on the data given

Ans - d
....

3. Based on the data given above, business option with lowest risk is ......

a. A
b. B
c. C
d. D

Ans - d
....

Assets are divided into three categories: Current Assets, Fixed Assets, and .... Assets.

a. Current fixed
b. Different
c. Fixed current
d. Other

Ans - d
....

Liabilities are debts or .... stemming from goods or services received by the company.

a. obligations
b. others
c. outstandings
d. owed

Ans - a
....

Daily volatility of a stock is 1%. What is its 9 days volatility?

a. 3%
b. 9%
c. 1%
d. 4%

Ans - a
....

Quanto swaps don't refer to ...... (i) Paying interest in foreign currency at rates applicable to home currency, (ii) Paying interest in home currency at rates applicable to foreign currency, (iii) Paying interest in foreign currency at rates applicable to foreign currency

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

Ans - b
....

As per RBI guidelines on Asset Liability Management, the net cumulative negative mismatches during the day 1, 2-7, 8-14 and 15-28 days buckets if exceed the prudential limits may be financed from market by ...... (i) Market borrowings (call/term), (ii) Bills discounting, (iii) Repo

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

Ans - d
....

If RBI announces an increase in Reverse repo rate to 7%, it means the rate at which Banks can park funds with RBI has gone up to 7%. What effect can this have on the Bond markets?

a. Bond prices may go up
b. Bond prices may go down
c. There will be no effect on the prices in Bond markets
d. The effect depends on how often the RBI would conduct the auction

Ans - b
....

A major limitation of the VaR is that ......

a. It requires long term historical data
b. It is a tedious process
c. It assumes extreme conditions
d. It assumes normal market conditions

Ans - d
....

If the assets of a company are greater than its liabilities, then the equity of the business is the positive .... between the two numbers.

a. calculation
b. difference
c. dividend
d. sum

Ans - b
....

A customer requests for a forward contract for import bills maturing after 5 months in a currency that is at a premium to Indian rupee. Will you pass on the premium to customer and if so, then how much?

a. No premium would be passed on to the customer
b. Yes, 4 months forward premium would be passed on to the customer
c. Yes, 5 months forward premium would be passed on to the customer
d. Yes, 6 months forward premium would be passed on to the customer

Ans - c
....

Which of the following is a major risk in speculative trading?

a. Operational risk
b. Credit risk
c. Price risk
d. None of the above

Ans - c

A customer requests for a forward contract for export bills after 5 months in a currency that is at a discount to Indian Rupee. How much discount you will apply on the spot rate?

a. 4 months discount
b. 5 months discount
c. 6 months discount
d. None of these

Ans - c

Risk mitigation results in ......

Reduction of downside potential
Reduction in profit potential
Which of the following is true?

a. All the statements are correct
b. Statement 1 is correct
c. Statement 2 is correct
d. Both are incorrect

Ans - a

Zero-risk investment implies ......

a. Investment in government securities
b. Investment in zero coupon bonds
c. Zero variation in cash flow from investment
d. Investment in bank fixed deposit

Ans - c

Which of the following statements is correct?

a. Higher the risk-higher would be risk premium
b. Higher the risk-lower would be risk premium
c. Lower the risk-higher would be risk premium
d. None of the statements is correct

Ans - a

Standard policy of ECGC covers ...... and the period covered under commercial risk is ...... months.

a. exporters for long-term exports, 2
b. exporters for short-term exports, 4
c. importers for short-term exports, 6
d. importers for long-term exports, 8

Ans - b

Which of the methods below may be viewed as most effective in protecting against economic exposure?

a. Futures market hedging
b. Forward contract hedges
c. Geographical diversification
d. Money market hedges

Ans - c

Which of the following derivatives are the off balance sheet exposure ?

a. Swaps
b. Futures
c. Forward contracts
d. Options

a. a,b, & d only
b. b & d only
c. a & c only
d. All of them

Ans - d

The value of the currency is decided by supply and demand factors for a particular currency under ......

a. Direct exchange rate
b. Indirect exchange rate
c. Fixed exchange rate
d. Floating exchange rate

Ans - d

Treasury Bills are not issued by ...... (i) RBI, (ii) IRDA, (iii) GOI

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

Ans - a

An arbitrage transaction conducted between two centers only is known as ......

a. Three point arbitrage
b. Direct arbitrage
c. Compound arbitrage
d. None of the above

Ans - b

Which of the currencies is not been quoted as indirect rates ?

a. GBP
b. YEN
c. EURO
d. AUD

Ans - b

The exposure relates to valuation of foreign currency assets and liabilities at the end of accounting year at current realizable values.

a. Foreign exchange risk

b. Transaction exposure
c. Translation exposure
d. Operating exposure

Ans - c

....

The treasury is segragated into three main divisions. Of the three divisions, the front office is also known as ......

a. Dealing room
b. Treasury administration
c. Risk management
d. none of these

Ans - a

....

Buying or selling an asset only for the purpose of making profit from movement of the asset price over a period of time is known as ......

a. leveraging
b. speculation
c. arbitrage
d. deployment

Ans - b

....

A combination of two forward transactions is called a ......

a. spot
b. forward
c. swap
d. none of these

Ans - c

....

...... settlement takes place on the third day (two working days from trade days).

a. swap
b. forward
c. spot

d. repo

Ans - c

....

What are the two reserve requirements that treasury has to comply with?

a. PLR and SLR
b. CRR and SLR
c. Repo and CRR
d. VaR and CRR

Ans - b

....

The treasury is segragated into three main divisions. Of the three divisions, the back office is also known as ......

a. Dealing room
b. Treasury administration
c. Risk management
d. none of these

Ans – b

....

Calculation of capital for market risk

International Bank has paid up capital of Rs.100 cr, free reserves of Rs.300 cr, provisions and contingencies reserves reserve of Rs.300 cr, Perpetual non-cumulative preference shares of Rs.400 cr, and subordinated debt of Rs.300 cr. The risks for credit and operational risk are Rs.10000 cr and for market risk Rs.4000 cr. Based on the above information, answer the following questions?:

1. What is the amount of Tier-1 capital?

a) 900 cr
b) 800 cr
c) 750 cr
d) 610 cr

Ans – b

solution :
Paid up capital + free reserves + perpetual non cumulative preferences shares (pncp)

= 100+300+400
= 800
....

2. Calculate the amount of Tier-2 capital?

a) 900 cr
b) 800 cr
c) 750 cr
d) 610 cr

Ans – d

solution :
Tier 2 capital
= subordinate debt + 45% of revaluation reserve (discount of 55%) + 1.25 % of rwa (for contingency reserve & provision whichever is lower)
= 300 + 45% of 300 + 1.25% of 14000
= 300 + 135 + 175 = 610
....

3. Calculate the amount of capital fund.

a) 800 cr
b) 1200 cr
c) 1410 cr
d) 1620 cr

Ans – c

solution :
Total capital. .
= tier 1 + tier 2
= 800+610 = 1410
....

4. What is the capital adequacy ratio of the bank?

a) 9%
b) 9.65%
c) 10.05%
d) 10.07%

Ans – d

Solution :
Capital adequacy ratio= (tier 1 + tier 2)/rwa
=800+610/14000
= 1410 / 14000
= 0.10071
= 10.07 %
....

5. What is amount of minimum capital to support credit and operational risk?

a) 900 cr
b) 950 cr
c) 1000 cr
d) 1250 cr

Ans – a

solution :
Minimum capital required for credit & operation risk together is..
= 9% of 10000
=10000X9/100
= 900
....

6. What is the amount of minimum Tier 1 and Tier 2 to support the credit and operational risk?

a) 900 cr, 900 cr
b) 600 cr, 900 cr
c) 450 cr, 450 cr
d) 300 cr, 450 cr

Ans - c
....

7. What is the amount of Tier-1 capital fund, to support market risk?

a) 450 cr
b) 350 cr
c) 250 cr
d) 185 cr

Ans - b
....

8. What is the amount of Tier-2 capital fund, to support market risk?

a) 450 cr
b) 350 cr
c) 250 cr
d) 160 cr

Ans - d

....

The treasury is segragated into three main divisions. Of the three divisions, the mid office is also known as ......

a. Dealing room
b. Treasury administration
c. Risk management
d. none of these

Ans - c

....

Forward exchange rates are arrived at on the basis of interest rate differentials of two currencies, ... from spot exchange rate.

a. added
b. deducted
c. either of the two
d. none of these

Ans - c

....

Buying and selling is performed under ......

a. Dealing room
b. Treasury administration
c. Risk management
c. Risk management

Ans - a

....

Integrated Treasury in Banking set up refers to ......

a. Computerization of all bank branches
b. Computerization of all treasury operations
c. Centralization of all back office operations of forex branches
d. Integration of money market, securities market and foreign exchange operations

Ans - d
....

As per a call option, You can buy USD 50000 at a strike price of Rs. 65 per USD with expiry at the end of 2 months. In this case,

1. If the spot price of USD is Rs. 66 on the expiry day, it is an :

a. in-the-money option
b. out-of-money option
c. at-the-money option
d. american option

Ans - a
....

2. If the spot price of USD is Rs. 64 on the expiry day, it is an :

a. in-the-money option
b. out-of-money option
c. at-the-money option
d. american option

Ans - b
....

3. If the spot price of USD is Rs. 65 on the expiry day, it is an :

a. in-the-money option
b. out-of-money option
c. at-the-money option
d. american option

Ans - c
....

……

What is most critical function of Risk Management?

a. Controlling the level of risk to an organization's capacity
b. Identification of risks
c. Estimating the costs of risk
d. Measurement of risk

Ans - a
……………………………………..

A bond having a McCauley's duration of 8 Yr is yielding 10% at present. What will be the modified duration?

a) 8.8181
b) 8.2323
c) 7.5353
d) 7.2727

Ans - d

Modified duration is McCauley's duration discounted by one period yield to maturity
Here we are talking McCauley's duration is 8 years.
Modified duration =McCauley's duration / (1 + yield)
= 8 /(1 + 10%)
= 8/(1 +0.1)
= 8/(1.1)
= 7.2727
…………………………………………………

Which of following statements are correct relating to TOD and TOM? (i) Rates are generally quated at a premium to the spot rate, (ii) Rates are generally quoted at discount to the spot rate, (iii) Rates are less favorable to the buyer of the currency

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

Ans - c
……………………………………..

Tier III capital will be limited to ......% of bank's Tier –I Capital

a. 200

b. 250
c. 300
d. 350

Ans - b
....

Risk of Reduction in Mark-to-Market value of equities is ......

a. Interest Rate Risk
b. Market Risk
c. Credit Risk
d. Operational Risk

Ans - b
....

If the exporter has opted for commercial and political risks cover, failure of the LC opening bank in respect of exports against LC will be covered for the banks with World Rank up to ...... as per latest Banker's almanac.

a. 1000
b. 2000
c. 15000
d. 25000

Ans - d
....

Export turnover policy can be availed by exporters whose projected turnover is expected to exceed the premium payable to ECGC by ...... in a year.

a. 10 lacs
b. 15 lacs
c. 20 lacs
d. 25 lacs

Ans - a
....

The validity period of export turnover policy is ......

a. 6 months
b. 1 year

c. 15 months
d. 18 months

Ans - b
....

A loan given to an exporter for the manufacture, processing, purchasing or packing of goods meant for export against a firm order or LC qualifies for ...... insurance / guarantee.

a. Export finance guarantee
b. Export performance indemnity
c. Packing credit insurance
d. Transfer guarantee

Ans - c
....

Redeemable Cumulative Preference shares comes under ......

a. Tier – I Capital
b. Tier – II Capital
c. Tier – III Capital
d. None of the above

Ans - b
....

Central Bank Governors of G-10 countries participate in the Basel Committee on Banking Supervision. Total number of members is:

a. 10
b. 11
c. 12
d. 13

Ans - d
....

What will be the annualized yield of the treasury bill face value Rs. 1 lac with maturity after 85 days which is being traded at Rs 98000/-?

a. 8.59
b. 8.76
c. 8.19

d. 8.26

Ans - b
Explanation :
Fv-pp/pp x 365/85
[(100000-98000)/98000) x (365/85) = 8.76
....

An exposer of Rs 100 lakhs is backed by lien on fixed deposit of Rs 30 lakhs. There is no maturity mismatch. What should be Hair cut for credit risk mitigation?

a. 70 lakhs
b. 0.70 lakh
c. 0.00 lakh
d. 30 lakhs

Ans - c

Hair cut for collateral under banks FDR is 0.
....

The interest rate differential is added to the spot rate of ...... (i) Low interest yielding currency, (ii) High interest yielding currency

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - a
....

Call money refers to placement of fund ......

a. same day
b. overnight
c. next day
d. Two days

Ans - b
....

What is the risk capital if the traded value is of 200 million and volatility is 8%?

(a) 18.67 million
(b) 37.28 million
(c) 16.00 million
(d) 39.12 million

Ans - b

Explanation :

Risk capital = 200 million* 0.08*2.33= 37.28 million
2.33 is the factor to be used while calculating risk capital
....

If the YTM is 6% and the coupon rate of 7% is payable semi-annually, the value of the bond to be ?
(PVIFA (3%,14)=11.296, PVIF (3%,14)=.661

a. Rs 1451.72
b. Rs 1056.36
c. Rs 1112.84
d. Rs. 1231.04

Ans - b

Explanation :

Bond valuation=i (PVIFAkd,n) + F (PVIFkd,n)
Since, it is semi annually, 1000*7% / 2 = 35. So,
35*11.296 + 1000 * 0.661
= 395.36 + 661
= 1056.36
....

Under Basel II, capital requirement under the accord is

a. The maximum capital that is required to be maintained
b. The minimum capital that is required to be maintained
c. The minimum capital as specified by the regulatory authority is required to be maintained
d. None of the above

Ans - c
....

....

Interest rate Risk can be reduced by ......

a. Accepting Collaterals
b. Entering into Forward Contracts
c. Derivatives of Interest Rate Swaps
d. Diversification of Advances

Ans - c
....

Which of the following statements is correct?

a. Higher the risk in a business, higher would be return expectation
b. Higher the risk in a business, higher would be capital requirement
c. Higher the risk in a business, higher would be capital requirement and higher would be return expectation
d. None of the statements is correct

Ans - b
....

Premature payment of a term loan will result in which type of interest rate risk ?

a. Basis risk
b. Yield curve risk
c. Embedded option risk
d. Mismatch risk

Ans - c
....

Tier – II capital should not be more than ......% of Total Capital.

a. 25
b. 50
c. 75
d. 100

Ans - b
....

ABC co has following data as on 31-03-2015 Value in cr

Paid up capital (for 2 crore share with face value of Rs 10) - 20

....

Reserve - 60
Long term Loans - 80
PBIDT - 50
Paid interest - 12
Depreciation - 10
Tax - 08
Price earning ratio - 10

On this basis, ans the following qtns

Its net profit would be ......

a. Rs. 38 Cr
b. Rs. 40 Cr
c. Rs. 42 Cr
d. Rs. 20 Cr

Ans – d

PBIDT-I-D-T
= 50-12-10-8
= 20 cr
....

Diversification occurs at ...... level.

1. obligor (borrower)
2. geographical
3. trades
4. industries

a. 1
b. 1 and 2
c. 1, 2 and 3
d. 1, 2, 3 and 4

Ans - d
....

A bank holds a security that is rated A+. The rating of the security migrates to A. What is the risk that the bank has faced?

a. Market risk
b. Market liquidation risk

c. Operational risk
d. Credit risk

Ans - d

....

The most critical function of risk management is ......

a. risk identification
b. estimating risk cost
c. measuring risk
d. controlling the level of risk

Ans - d

....

Risks may arise at ......

a. transaction level
b. portfolio level
c. both a and b
d. none of these

Ans - c

....

Select the incorrect statement:

a. The rate of discount at which the present value equals the market price of a bond is known as YTM (Yield To Maturity).
b. Duration is a weighted average measure of life of a bond. where the time of receipt of a cash flow is weighted by the future value of the cash flow.
c. MD (Modified Duration) indicates price sensitivity of a bond per unit of change in the yield levels.
d. Difference in the duration of assets and duration of liabilities is expressed as duration gap and is useful for macro-hedging of balance sheet risk.

Ans - b

....

A contract to deliver foreign currency on a future date at a fixed exchange rate is known as ......

a. forward contracts
b. futures
c. options

d. swaps

Ans - a

....

For currency market to be more liquid, the buy-sell spread should be ......

a. narrower
b. wider
c. equal
d. none of these

Ans - a

....

Select the incorrect statement:

a. FRA (Forward Rate Agreement) is for a single payment in future.
b. IRS covers a series of periodical interest payments.
c. The floating rate of interest is always linked to a benchmark rate.
d. The fixed rate of interest is always linked to a benchmark rate.

Ans - d

....

...... swap refers to exchange of floating rate in one currency to fixed rate in another currency.

a. Quanto
b. Coupon
c. Swaptions
d. Plain vanilla

Ans - b

....

Building up large volumes of business on relatively small capital is known as ......

a. derivative
b. arbitrage
c. swapping
d. leveraging

Ans - d

....

Exchange rates ......

a. are always fixed
b. fluctuate to equate the quantity of foreign exchange demanded with the quantity supplied
c. fluctuate to equate imports and exports
d. fluctuate to equate rates of interest in various countries

Ans - b
....

For protecting against the _______ risk, the bank has to resort to control the mismatches between maturities of assets and liabilities.

a. Liquidity
b. Interest
c. Basis
d. Net interest position

Ans - a
....

In the foreign exchange market, the ________ of one country is traded for the ________ of another country.

a. currency; currency
b. currency; financial instruments
c. currency; goods
d. goods; goods

Ans - a
....

Which of the following examples definitely illustrates a depreciation of the U.S. dollar?

a. The dollar exchanges for 1 pound and then exchanges for 1.2 pounds.
b. The dollar exchanges for 250 yen and then exchanges for 275 francs.
c. The dollar exchanges for 100 francs and then exchanges for 120 yen.
d. The dollar exchanges for 120 francs and then exchanges for 100 francs

Ans - d
....

Which of the following is not a type of foreign exchange exposure?

a. Tax exposure
b. Translation exposure
c. Transaction exposure
d. Balance sheet exposure

Ans - a
....

A documentary credit is a link provided by an _______between a buyer and a seller to facilitate international trade.

a. Opening Bank
b. Advising Bank
c. Confirming Bank
d. Reimbursing bank

Ans - a
....

If portable disk players made in China are imported into the United States, the Chinese manufacturer is paid with ......

a. international monetary credits.
b. dollars.
c. yuan, the Chinese currency.
d. euros, or any other third currency.

Ans - c
....

An LC which allows the openers/opening bank to bank out, and cancel the LC is called _______ Letter of Credit.

a. Irrevocable
b. Revocable
c. Transferable
d. Red clause

Ans - a
....

Which of the followings are components of portfolio risk are?

a. Default risk and systematic risk
b. Down - gradation and concentration risk
c. Concentration risk and intrinsic risk
d. Default risk and down -gradation risk

Ans – c
....

For retail exposures, ... IRB approach is prescribed.

a. only foundation
b. only advanced
c. both
d. none of these

Ans - c
....

In general, banks' required capital would ...... with respect to credit risks and ...... with respect to operational risks.

a. increase, increase
b. decrease, decrease
c. increase, decrease
d. decrease, increase

Ans - d
....

Advance against undrawn balance can be made at a concessive rate of interest for a maximum period of ...... days.

a. 30
b. 45
c. 60
d. 90

Ans - d
....

How capital charge is calculated under basic indicator approach for operational risk?

a. capital charge equals internally generated measure based on internal and external loss data
b. 15% of average gross income over 3 years
c. sum of capital charges across business lines
d. none of these

Ans - b
....

Which of the following publish(es) benchmark T-bill yields for one week to one year based on residual maturity of T-bills in circulation?

a. RBI
b. GOI
c. FIMMDA and Reuters
d. SEBI

Ans - c
....

In which method of calculating VaR, the change in the value of a position is calculated using the actual historical movements of the underlying assets, but starting from the current value of the asset.

a. historical simulation method
b. monte carlo simulation method
c. correlation method
d. none of these

Ans - a
....

A coupon Swap is defined as ...... (i) interest rate swap, where underlying benchmark interest rates are exchanged, (ii) Interest rate swap, where fixed rate is exchanged with floating rate

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - c
....

Which of the following T-bills are issued weekly on each Wednesday?

a. 91 days T-bill
b. 182 days T-bill
b. 364 days T-bill
d. both b and c

Ans - a
....

Which of the following is true of foreign exchange markets?

a. The futures market is mainly used by hedgers while the forward market is mainly used for speculating
b. The futures market and the forward market are mainly used for hedging
c. The futures market is mainly used by speculators while the forward market is mainly used for hedging
d. The futures market and the forward market are mainly used for speculating

Ans - c
....

If one anticipates that the pound sterling is going to appreciate against the US dollar, one might speculate by _______ pound call options or ______ pound put options.

a. buying; buying
b. selling; buying
c. selling; selling
d. buying; selling

Ans - d
....

The risk of failure of the counter party before maturity of the contract and hence the exposure of the other party to cover the transaction at the ongoing market rates is the ...... risk.

a. Country
b. Liquidity
c. Pre settlement
d. Settlement

Ans - c
....

Propular bank has provide following details

Tier 1 capital = 2000 cr
Tier 2 capital =2400 cr
Risk weight assets for credit risk =20000 cr
Risk weight assets for market Risk =1000 cr
Capital charge for operational Risk 600 cr
(if the Regulatory CRAR is 9%)

What are the risk weighted assts for market Risk?

a. 11110
b. 10000
c. 15000
d. 9000

Ans - a
....

What are the risk weighted assts for operational Risk?

a. 7000
b. 6667
c. 5500
d. 4500

Ans - b
....

Calculate the amount of total risk weight assets?

a. 21600
b. 23200
c. 33457
d. 37779

Ans - d
....

Calculate the amount of tier I capital ratio of the bank

a. 6%
b. 5.81%
c. 5.29%

d. 4.89%

Ans - c

....

What is the total capital adequacy ratio

a. 9%
b. 10.59%
c. 11.12%
d. 11.67%

Ans - b

....

Minimum variation In the Risk capital required is noticed in case of

a. Payment & settlement
b. retail Brokerage
c. Agency service
d. Retail Banking

Ans - b

....

Pillar 3 disclosures as per Basel 3 have become effective from

a. 01.01.13
b. 01.04.13
c. 01.07.13
d. 01.10.13

Ans - c

....

Banks are required to maintain a capital conservation buffer of

a. 1%
b. 2%
c. 2.5%
d. 5%

Ans - c

....

Authorised persons - Category I was earlier known as ......

a. Full Fledged Money Changers
b. Restricted Money Changers
c. Authorised dealers
d. None of these

Ans - c
....

What is the limit for crystallisation period?

a. 15 days
b. 30 days
c. 45 days
d. 60 days

Ans - d
....

A proportion per thousand is called as ......

a. per cent
b. per mile
c. chain rule
d. none of the above

Ans - b
....

Mr. X purchases a put option for 300 shares of A with strike price of Rs. 2000 having maturity after 02 months for Rs. 50. On maturity, shares of A were priced at Rs. 1900. What is the profit/lost for the individual on the transaction (without taking the interest cost and exchange commission into calculation)?

a. Profit of Rs. 30000
b. Profit of Rs. 15000
c. Loss of Rs. 30000
d. Loss of Rs. 15000
b

Explanation.

This is put option, so it is assumed that,

He will sell 300 shares of A at a price of 2000
Total value of shares is = 600000

Then he will buy the total shares in the market at a price of 1900.
300 × 1900 = 570000
So profit of 30000 in the transaction. .

But he has to paid Rs. 50 per share to buy put options.
=300 × 50 = 15000
Total profit or loss = 600000 - 570000 - 15000
= 15000
....

VaR is used to measure and manage ...... risks in trading portfolio and ...... portfolio.

a. market, business
b. market, investment
c. credit, legal
d. operational, stress

Ans - b
....

The process where model based VaR is compared with the actual performance of the portfolio is known as ......

a. stress testing
b. back testing
c. volatility
d. simulation

Ans - b
....

Which method is also known as variance / covariance matrix method?

a. historical simulation method
b. monte carlo simulation method
c. correlation method
d. all of these

Ans - c
....

Middle East or other Islamic Countries, Forex markets usually operate ......

a. From Monday to Friday
b. From Monday to Saturday but are closed on Friday
c. From Monday to Sunday
d. From Saturday to Thursday (but function on Saturday and Sunday with restrictions)

Ans - d
....

The NDD of the usance bill (foreign currency export bill) is ...... days.

a. 21
b. usance period + 21 days NTP
c. 25
d. usance period + 25 days NTP

Ans - d
....

When banks have more earning assets than paying liabilities, ... risk arises.

a. market
b. credit
c. liquidity
d. interest

Ans - d
....

When assets are sold before their stated maturities, ... risk occurs.

a. price
b. liquidity
c. market
d. both a and c

Ans - d
....

Turning of performing assets into NPA, i.e., non receipt of expected cash inflow arises ......

a. funding risk
b. time risk

c. call risk
d. market risk

Ans - b
....

Changing of interest rate of different assets, liabilities and off-balance sheet items in different magnitude is termed as ...... risk.

a. gap
b. basis
c. yield curve
d. embedded option

Ans - b
....

Suppose a sight bill is drawn in USD and is submitted to the bank on 01.04.2015, the NTP allowed will be __ days and NDD will be ...... (date).

a. 21, 21.04.2015
b. 25, 25.04.2015
c. 28, 28.04.2015
d. 30, 30.04.2015

Ans - b
....

Specific shipment short term policy cover against commercial and political risks involved in export of goods on short term credit not exceeding ...... days.

a. 120
b. 180
c. 360
d. 365

Ans - b
....

Currency futures are forward contracts ...... (i) With standard size, (ii) With standard maturity date, (iii) Traded on the exchange

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

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

Ans - d
....

Case study for calculation of capital for market risk

Bank has paid up capital 100
free res. 300
prov and conti res 200
reveluation of res. of 300
p n c p share 400
subordinate debt 300
r.w.a. for credit and operational risk 10000
for market risk 4000

Based on the data given above, answer the following questions.

Tier-1 capital ?

a) 900
b) 800
c) 750
d) 610

Ans – b
....

Tier-2 capital ?

a) 900
b) 800
c) 750
d) 610

Ans – d
....

Capital fund ?

a) 895
b) 1250
c) 1410

d) 1575

Ans – c

hint : Formula : Tier 1 + Tier 2
…………………………………….

Capital adequacy ratio ?

a) 9 %
b) 9.75 %
c) 10.50 %
d) 10.07 %

Ans – d

CAR = T1+T2/RWA
…………………………………….

Minimum capital to support credit and opr. risk ?

a) 900
b) 950
c) 1000
d) 1250

Ans – a
…………………………………….

Rewards of proper management of operational risks are

a. Lesser risk capital
b. Cost reductions in operations
c. Competitive edge

Which of the following is true

a. All of them
b. None of them
c. a. and (c)
d. a. and (b)

Ans - a
…………………………………….

If daily volatility of a stock is 1.5%, what would be its monthly volatility?

a. 8.22
b. 4.50
c. 36.74
d. none of these

Ans - a
....

In the call money (a money market instrument), funds borrowed by banks need to be repaid ......

a. on the same day
b. on the next working day
c. within a fortnight
d. within a year

Ans - b
....

An SSI unit has been sanctioned Working Capital limit of Rs.60 Lac. What is the annual projected turnover of the unit?

a. Rs. 2.40 Cr.
b. Rs. 3.00 Cr.
c. Rs. 4.00 Cr.
d. Rs. 5.00 Cr.

Ans - b
....

Entities which are authorised only to buy foreign currency notes and traveller's cheques are known as ......

a. Authorised Person - Category I
b. Authorised Person - Category II
c. Authorised Person - Category III
d. Authorised Person - Category IV

Ans - c
....

What is the maximum time period for crystallisation period?

a. 15 days
b. 30 days
c. 45 days
d. 60 days

Ans - d

....

Failure of the counter party during the course of the settlement (due to time zone differences between the two currencies to be exchanged is the ...... risk.

a. Operational
b. Market
c. Settlement
d. Legal

Ans - c

....

How forward rates are calculated?

a. By adding a mark up to spot rates
b. By adding premium or discount to spot rates
c. By deducting premium or discount from spot rates
d. By adding premium to and deducting discount from spot rates

Ans - d

....

An exporter approaches the ABC Bank for pre-shipment and post-shipment loan with estimated sales of Rs. 500 lakh. The bank sanctions a limit of Rs. 200 lakh, with 30 % margin for pre-shipment loan on FOB value and margins on bills of 15 % on foreign demand bills and 20 % on foreign usance bills.

The firm gets an order for USD 60,000 (CIF) to Australia. On 1.1.2015 when the USD/INR rate was Rs.65.50 per USD, the firm approached the Bank for releasing pre-shipment loan (PCL), which is released.On 31.5.2015, the firm submitted export documents,
drawn on sight basis for USD 30,000 as full and final shipment.

The bank purchased the documents at Rs.65.85, adjusted the PCL outstanding and credited the balance amount to the firm's account, after recovering interest for Normal Transit Period (NTP).The documents were realized on 30.6.2015 after deduction of foreign bank charges of USD 350. The bank adjusted the outstanding post shipment advance against the bill.

Bank charged interest for pre-shipment loan @ 6 % up to 90 days and, @ 7 % over 90 days up to 180 days. For Post shipment credit the Bank charged interest @ 8 % for demand bills and @ 8.5 % for usance (D/A) documents up to 90 days and @ 9.50 % thereafter and on all overdues interest @ 12%.

01. What is the amount that the Bank can allow as PCL to the exporter against the given export order, considering the profit margin of 5% and insurance and freight cost of 10% ?

a. 2352105
b. 3360150
c. 3537000
d. 3930000

Ans - a

Explanation :

FOB value = 60000 x 65.50 = 3930000 — 393000 (10 % of 3930000 (insurance and freight cost))
= 3537000 — 176850 (5 % profit margin)
= 3360150 - 1008045 (30% margin)
= 2352105

So, the Bank can allow Rs. 2352105 as PCL to the exporter against the given export order.

02. What is the amount of post shipment advance that can be allowed by the Bank under foreign bills purchased, for the bill submitted by the exporter?

a. 3360150
b. 2352105
c. 1975500
d. 1750500

Ans - c

Explanation :

30000 x 65.85 = 1975500
So, the Bank can allow Rs. 1975500 as post shipment advance under foreign bills purchased, for the bill submitted by the exporter.

03. In the above case, when should the bill be crystallized (latest date), if the bill remains unrealised for over two months, from the date of purchase (ignore holidays)?

a. 24.06.2015
b. 25.06.2015

c. 24.07.2015
d. 25.07.2015

Ans - c

Explanation :

Crystallisation will be done when the bill becomes overdue after 25 days of normal transit period. Date of overdue will be 25.6.2015. If bill remains overdue, it will be crystallised within 30 days i.e. up to 24.7.2015.

04. What rate of interest will be applicable for charging interest on the export bill at the time of realisation, for the days beyond Normal Due Date (NDD)?

a. 8.50%
b. 9.5 %
c. 10 %
d. 12 %

Ans - c

Explanation :
Rate of interest will be 12% as the overdue interest is stated as 12%
....

Spot Rate - 66.6000/6500.
Forward 1M=3500/3000 2M=5500/3000 3M=8500/8000.
Transit Period - 20 days.
Exchange Margin - 0.2%.
Find 2 M Forward Buying Rate.

a. 65.6168
b. 65.6185
c. 67.5332
d. 67.6315

Ans – b

Explanation :

Bcz, it is having Transit Period - 20 days and 2 M Forward, 3 Month Forward Buying Rate will be applied. 20 days + 2M.
Spot Rate = 66.6000
Less Forward Discount of 3M (0.8500)

Less Exchange Margin (0.1315 = 0.20% of 65.7500 (66.6000 - 0.8500))

i.e. 66.6000-0.8500-0.1315 = 65.6185 Ans.

....

An import bill not retired by the importer should be crystallized by the bank on what day?

a. On 21st day from the date of Bill of Lading
b. On the 10th day from the receipt of documents at the counters of the bank
c. On the expiry of five banking days
d. On the day of receipt of the Bill

Ans - b

....

Systemic risk is the risk of

a. Failure of a bank, which is not adhering to regulations
b. Failure of two banks simultaneously due to bankruptcy of one bank
c. Failure of entire banking system
d. Where a group of banks fail due to contagion effect

Ans - c

....

A bank's G sec portfolio has 100 day VaR at 95% confidence level of 4% based on yield.
What is the worst case scenario over 25 days?

a. Increase in yield by 0.4%
b. Decrease in yield by 0.4%
c. Increase in yield by 2%
d. Decrease in yield by 2%

Ans - c

Solution :

100 day VaR is 4 %. So one day Var is,
4 = one day VaR × square root of 100
4 = one day VaR × 10
One day VaR = 0.4 %25 day VaR = 0.4 × suare root of 25
= 0.4 × 5
= 2 %
In worst case scenario yield will always increase. .

Because this will decrease the market price or value. .
Answer is increase in yield by 2 %
....

An exchange of specific streams of payments over an agreed period of time is known as ......

a. Future
b. Swap
c. Premium
d. Option

Ans - b
....

A contract traded on an exchange to make or take delivery of a commodity is known as ......

a. Future
b. Swap
c. Premium
d. Option

Ans - a
....

Currently RBI has extended fixed rate Repo of …… days to improve liquidty of banks.

a. 30
b. 60
c. 90
d. 120

Ans - c
....

RTGS has been fully activated by RBI from ......

a. Aug 2003
b. Oct 2004
c. Oct 2003
d. Aug 2004

Ans - b
....

Data relating to balance sheet as on 14 Mar 2017 banks reveals its capital at Rs. 1110 cr, Reserve 2150 cr, demand deposit 6500 cr, SB deposit 20500 cr, term deposits from banks 1300 cr, term deposit from public 30800 cr, borrowing from RBI nil, borrowing from other institutions 200 cr, refinance from NABARD 150 cr, bills payable 50 Cr, accrued 20 cr, sub ordinatted debt 200 cr and credit balance in suspense a/c 30 cr (Total Being 63000)

1. Total amt of liabilities not to be included in computing DTLs in RS

a. 3250 cr
b. 3300 cr
c. 4600 cr
d. 4700 cr

Ans - d

(1100+2150+150+1300=4700)
In time liabilities capital and reserve + refinance from NABARD + term deposit of banks are not to be included
....

2. Total amount of DTL on which CRR is to be maintained

a. 58100 cr
b. 63000 cr
c. 58300 cr
d. 67100 cr

Ans - c

=6500+20500+30800+200+50+20+200+30 = 58300
other than those not included while calculating DTL
....

3. Bank would require to maintain average CRR amounting to ...... , if the rate of CRR is 5%

A 2915
B 2905
C 1749
D 3150

Ans - a
5% of amt of DTL that is 58300 and 5% is 2915
....

4. PCFC can be allowed initially for a maximum period of ...... days.

a. 90
b. 120
c. 180
d. 360

Ans - c
....

5. Physical movements of goods into India is regulated by ......formulated by the ......

a. DGFT, exim policy
b. exim policy, DGFT
c. exim policy, RBI
d. RBI, trade policy

Ans - b
....

Which of the following is not a trading limit in the context of foreign exchange?

a. deal size
b. exposure ceiling
c. stop loss
d. open position

Ans - b
....

Which of the following risks is also known as price risk?

a. market
b. liquidity
c. credit
d. country

Ans - a
....

Which is not an approach to measure Credit Risk?

a. Basic Indicator Approach
b. Standardized approach

c. IRB (Internal Rating Based. Foundation approach
d. IRB (Internal Rating Based. Advanced approach

Ans - a
....

Concessional rate of interest for post-shipment finance is allowed for ...... days in case of demand bills.

a. 21
b. 25
c. 90
d. 180

Ans - b
....

Which of the following is not included in Tier I capital?

a. disclosed reserves
b. undisclosed reserves
c. equity
d. both a and c

Ans - b
....

Which of the following is not included in Tier II capital?

a. disclosed reserves
b. undisclosed reserves
c. equity
d. both a and c

Ans - d
....

Which of the following is not included in (risk) pricing ?

a. Cost of Deploying funds
b. Operating Expenses
c. Profit Probabilities
d. Capital Charge

Ans - c

Credit Risk can't be mitigated by ......

a. Accepting Collaterals
b. Credit Derivatives
c. Entering into Forward Contracts
d. Diversification of Advances

Ans - c
....

In case of a 90 days DA (Usance) bill in GBP tendered to the bank on 01.04.2015, the NTP will be ...... days and NDD will be ...... (date).

a. 21, 25.04.2015
b. 25, 25.04.2015
c. 25, 24.07.2015
d. 30, 30.04.2015

Ans - c
....

Which of the following risks is not included in capital requirement under Basel II?

a. liquidity risk
b. interest risk (of banking book)
c. strategic and business risks
d. all of these

Ans - d
....

For the organization point of view treasury is considered to be ......

a. Investment centre
b. Fund management department
c. service centre
d. commercial bank

Ans - c
....

Which act relating to foreign exchange has replaced earlier one ?

a. Foreign Exchange Management Act

b. Foreign Exchange Regulation Act
c. Both the above
d. None of these

Ans - a
....

What is the important operational feature of integrated treasury ?

a. Having a common dealing room
b. Having a common Mid/back offices
c. Looking for interest arbitrage across currency markets and be in a position to shift swiftly, a placement in Rupee denominated commercial paper to lending in USD in global interbank market and also being to source funds in global markets and swap the funds into domestic currency or vice versa depending on market opportunities
d. All the above

Ans - d
....

For ensuring effective risk control, RBI expects banks to facilitate functional segregation between ......

a. their head office branches
b. treasury and head office
c. front office and IT department
d. front office, mid office and back office

Ans - d
....

The value of a derivative is determined by ......

a. the value of the underlying
b. notional principal amount
c. FIMMDA
d. FEDAI

Ans - a
....

“Prudential Write Off” means ......

a. An NPA account which is written off at H.O level even though the account is outstanding in the book of the bank. However the required provision as per the classification should have been made.

b. A fully provided account written off at branch level but maintained at H.O.
c. An N.P.A. account transferred to A.R.M. Branch
d. None of the above

Ans - a

....

In case of free currencies, forward premium or discount is exactly equal to the difference between ......

a. risk-free interest rate of the two currencies
b. inflation rate in both the countries
c. Spot rate and Tom rate
d. LIBOR and RBI reference rate

Ans - a

....

Globalization refers to ......

a. Full convertibility of all currencies in the world
b. Removal of all trade barriers in the world
c. The process of integrating domestic market with global markets, characterized by free capital flows and minimum regulatory intervention
d. Fixed rate of exchange for all currencies of the world

Ans - c

....

Which of the following T-bills are issued fortnightly on Wednesday preceding non-reporting Friday?

a. 91 days T-bill
b. 182 days T-bill
c. 364 days T-bill
d. both b and c

Ans - b

....

Which of the following are macro-economic factors? (i) GDP growth rate, (ii) stock markets and commodity markets, (iii) relative inflation

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

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

Ans - a

....

Your importer customer has to retire his import bill. The rate of exchange to be applied will not be ......
(i) Bills buying, (ii) Bills selling, (iii) TT selling

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

Ans - b

....

If the strike price is same as the forward rate on the start date, the option is known to be ......

a. ATM (at the money)
b. ITM (in the money)
c. OTM (out of money)
d. none of these

Ans - a

....

_____ swap refers to paying interest in home currency at rates applicable to a foreign currency.

a. Quanto
b. Coupon
c. Swaptions
d. Plain vanilla

Ans - a

....

A put option is in the money (ITM) if ......

a. the strike price is less than the market price
b. the strike price is more than the market price
c. the strike price is equal to the market price
d. a put option can never be in the money

Ans - b

The time limit for issuing a CP is ...... (i) Minimum maturity 7 days, (ii) Maximum maturity one year

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d

The parameters that are important in ALM are ...... (i) NIM, (ii) Net Interest Income, (iii) Economic Equity Ratio

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

Ans - d

Collateral is that element of a credit assessment which deals with ......

a. the security available when credit is extended
b. the knock-on effects that credit problems have with the lender
c. the increased rate applied to a loan to reflect credit quality
d. none of the above

Ans - a

The requirements for issuing a commercial paper are ...... (i) The company issuing CP should have minimum credit rating of P2, (ii) Banks can invest in CP only if it is issued in D-mat form, (iii) The minimum amount of CP is Rs. 5 lac

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

Ans - d

In India. market for currency futures commenced in ……

a. August 2008
b. August 1993
c. October 2004
d. the market yet to commence operations

Ans - a
……………………………………..

Net Worth - Rs. 1500 Crs
T1 + T2 Capital Rs 3500 Crs
RSA Rs 22500 Crs
RSL Rs 21000 Crs
DA WT Modified Duration of Assets 1.80
DL WT Modified Duration of Liability 1.10

Duration of GAP for Bank is estimated at

a. 0.77
b. 0.73
c. 0.62
d. NONE

Ans - a

DWAP = DA-W*DL
= First calculate W=RSL/RSA=21000/22500=.933
= 1.80-.933*1.10 = 0.77
……………………………………..

Leverage Ratio is ……

a. 6.43
b. 15
c. 14.33
d. 6.14

Ans - a

Leverage Ratio = RSA/(TIER1+TIERII)
= 22500/3500
= 6.428
……………………………………..

Modified duration of Equity is ……

a. 4.97
b. 5.99
c. 3.68
d. 9.56

Ans - b

Modified duration = DGAP*leverage ratio
= 0.933*6.43
= 5.99
……………………………………

Which of the following methods of calculating VaR does not need a variance / covariance matrix?

a. historical simulation method
b. monte carlo simulation method
c. correlation method
d. none of these

Ans - a
……………………………………

In the notice money (a money market instrument), funds borrowed by banks need to be repaid ......

a. on the same day
b. on the next working day
c. within a fortnight
d. within a year

Ans - c
……………………………………

In the term oney (a money market instrument), funds borrowed by banks need to be repaid ......

a. on the same day
b. on the next working day
c. within a fortnight
d. within a year

Ans - d
……………………………………

The minimum amount for which CP is to be issued is Rs ......

a. 1 lac
b. 2 lacs
c. 5 lacs
d. 10 lacs

Ans – c

....

Banks using the Basic Indicator approach must hold capital for operational risk equal to the average over the previous ...... years of 15% of positive annual gross income.

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

Ans - b

....

Which of the following statements regarding CP is not correct?

a. CP is a negotiable instrument.
b. CP is issued in the form of a promissory note.
c. Banks can invest in CP if it is issued in demat form
d. CP, being a tradable instrument, carries liquidity risk.

Ans - d

....

Since all assets and liabilities in the banking book are held until maturity, maturity mismatch between assets and liabilities result in excess or shortage of liquidity. This is known as ...... risk.

a. market
b. interest
c. operational
d. liquidity

Ans - d

....

Indexed return on CP is used as a benchmark rate for _____ - term advances.

a. short
b. mid
c. long
d. all of these

Ans - a
....

Interest risk can be mitigated in which of the following way(s)?

a. by using interest rate swaps
b. by forward rate agreements
c. by financial futures
d. none of these

Ans - d
....

Debentures are classified as ......

a. Long Term Debt
b. Short Term Loan
c. Owned funds
d. Owned funds if raised from shareholders

Ans - a
....

The maturity period of CDs (Certificate of Deposit) issued by banks should not be less than _____ and not more than _____, from the date of issue.

a. 7 days, 6 months
b. 7 days, 1 year
c. 15 days, 6 months
d. 15 days, 1 year

Ans - b
....

Balance sheet of a bank provides the following information:

Fixed Assets - 1000cr
Investment in central Govt Securities - Rs 10000cr

In standard loan accounts
Housing Loans - RS 6000cr (Secured, below Rs 10 lac)
the Retail loan - Rs 4000cr
Other loans - Rs 8000cr

sub-standard secured loans - Rs 1000cr
sub-standard unsecured loans - Rs 500cr
Doubtful loans (D-1, secured) - Rs 800cr
Doubtful loans (D-1, unsecured) - Rs 600cr
Doubtful loans (D-2, secured) - Rs 500cr
Doubtful loans (D-2, unsecured) - Rs 1000cr
Doubtful loans (D-3, secured) - Rs 1000cr
Doubtful loans (D-3, unsecured) - Rs 600cr
Loss Assets - 50cr and
other assets - Rs 500cr.

Answer the following questions, based on this information, by using standard Approach for credit risk.

1. What is the amount of RWAs for investment in govt securities?

a. Rs 5000cr
b. Rs 3500cr
c. Rs 2500cr
d. Nil

2. What is the amount of RWAs for sub-standard secured accounts?

a. Rs 500cr
b. Rs 7500cr
c. Rs 1000cr
d. Rs 1500cr

3. What is the amount of RWAs for sub-standard unsecured accounts?

a. Rs 500cr
b. Rs 7500cr
c. Rs 1000cr
d. Rs 1500cr

4. What is the amount of RWAs for doubtful (D-1, Secured) accounts?

a. Rs 300cr
b. Rs 500cr
c. Rs 800cr
d. Rs 900cr

5. What is the amount of RWAs for doubtful (D-1, unSecured) accounts?

a. Rs 300cr
b. Rs 500cr
c. Rs 800cr
d. Rs 900cr

6. What is the amount of RWAs for doubtful (D-2, Secured) accounts?

a. Rs 300cr
b. Rs 500cr
c. Rs 800cr
d. Rs 900cr

7. What is the amount of RWAs for doubtful (D-2, unSecured) accounts?

a. Rs 300cr
b. Rs 500cr
c. Rs 800cr
d. Rs 900cr

8. What is the amount of RWAs for doubtful (D-3, Secured) accounts?

a. Rs 300cr
b. Rs 500cr
c. Rs 800cr
d. Rs 900cr

9. What is the amount of RWAs for doubtful (D-3, Secured) accounts?

a. Rs 300cr
b. Rs 500cr
c. Rs 800cr
d. Rs 900cr

10. What is the amount of RWAs for retail loans?

a. 3000cr
b. 4000cr
c. 5000cr
d. 6000cr

11. What is the amount of RWAs for housing loans?

a. 3000cr
b. 4000cr
c. 5000cr
d. 6000cr

Solution :

1. d
RW against Govt Securities = 0 %

So, RWA
= 10000 x 0%
= 0 Cr

2. d
If the provision is less than 20 %, then RW is 150%
If the provision is 20-50 %, then RW is 100%
If the provision is more than 50 %, then RW is 50%

Provision in Sub-Standard Secured - 15 %, and so, RW = 150 %
So, RWA
= 1000 x 150 %
= 1500 Cr

3. a
If the provision is less than 20 %, then RW is 150%
If the provision is 20-49 %, then RW is 100%
If the provision is 50% or more, then RW is 50%

Provision in Sub-Standard Un-Secured - 25 %, and so, RW = 100 %
So, RWA
= 500 x 100 %
= 500 Cr

4. c
If the provision is less than 20 %, then RW is 150%
If the provision is 20-49 %, then RW is 100%
If the provision is 50% or more, then RW is 50%

Provision in doubtful (D-1, Secured) - 25 %, and so, RW = 100 %

So, RWA
= 800 x 100 %
= 800 Cr

5. a
If the provision is less than 20 %, then RW is 150%
If the provision is 20-49 %, then RW is 100%
If the provision is 50% or more, then RW is 50%

Provision in doubtful (D-1, unsecured) - 100 %, and so, RW = 50 %

So, RWA
= 600 x 50 %
= 300 Cr

6. b
If the provision is less than 20 %, then RW is 150%
If the provision is 20-49 %, then RW is 100%
If the provision is 50% or more, then RW is 50%

Provision in doubtful (D-2, Secured) - 40 %, and so, RW = 100 %

So, RWA
= 500 x 100 %
= 500 Cr

7. b
If the provision is less than 20 %, then RW is 150%
If the provision is 20-49 %, then RW is 100%
If the provision is 50% or more, then RW is 50%

Provision in doubtful (D-2, unsecured) - 100 %, and so, RW = 50 %

So, RWA
= 1000 x 50 %
= 500 Cr

8. b
If the provision is less than 20 %, then RW is 150%
If the provision is 20-49 %, then RW is 100%
If the provision is 50% or more, then RW is 50%

Provision in doubtful (D-3, Secured) - 100 %, and so, RW = 50 %

So, RWA
= 1000 x 50 %
= 500 Cr

9. a
If the provision is less than 20 %, then RW is 150%
If the provision is 20-49 %, then RW is 100%
If the provision is 50% or more, then RW is 50%

Provision in doubtful (D-3, unsecured) - 100 %, and so, RW = 50 %

So, RWA
= 600 x 50 %
= 300 Cr

10. a
RW on retail loans = 75 %

So, RWA
= 4000 x 75%
= 3000 Cr

11. a
RW on housing loans = 50 %

So, RWA
= 6000 x 50%
= 3000 Cr
....

Following are the Inter bank quotes on a certain date:

Spot USD INR 64.60/65

1 month 8/10
2 month 18/20
3 month 28/30

Spot GBP USD 1.7500/7510

1 month 30/20
2 month 50/40
3 month 70/60

All the above difference are for the month and fixed dates and the bank margin is 3 paise.

1. An exporter has presented an export demand bill (sight document) for USD 300000 under irrevocable LC. What will be the rate at which the documents will be negotiated?

a. 64.5700
b. 64.6000
c. 64.6500
d. 64.6800

Ans - a

Explanation :
64.60 - 0.03 = 64.57

2. An exporter has submitted 60 days usance bill for USD 25000 for purchse. At what rate the document will be purchsed?

a. 64.7500
b. 64.7800
c. 64.8400
d. 64.8700

Ans - a

Explanation :
64.60 + 0.18 = 64.78 - 0.03 = 64.75

3. Your bank has opened a LC for import at the end of 2 months for GBP 30000. At what rate, the forward exchange will be booked?

a. 78.3830
b. 98.3230
c. 113.3230
d. 128.3320

Ans – c

Explanation :
64.65 + 0.20 = 64.85
1.7510 - 0.0040 = 1.7470

68.85 * 1.7470 = 113.293
113.2930 + 0.0300
= 113.3230

4. If the exchange margin is 3 paise for buying as well as selling, What is the bank's spread in % on customer transaction?

a. 0.2465
b. 0.2175
c. 0.1702
d. 0.1352

Ans - c

Explanation :
Interbank Buying Rate = 64.6000 - 0.0300 = 64.5700
Interbank Selling Rate = 64.6500 + 0.0300 = 64.6800

% Spread = [(Selling Rate - Buying Rate) x 100] / [(Selling Rate + Buying Rate) / 2]
= [(64.6800 - 64.5700) x 100] / [(64.6800 + 64.5700) /2]
= (0.11 x 100) / (129.25 / 2)
= 11 /64.6250 = 0.1702
....

"Our account is with you" refers to ...... account.

a. NOSTRO
b. VOSTRO
c. LORO
d. Mirror

Ans - a
....

A bank’s G sec portfolio has 100 day VaR at 95% confidence level of 4% based on yield. What is the worst case scenario over 25 days?

a. Increase in yield by 0.4%
b. Decrease in yield by 0.4%
c. Increase in yield by 2%

d. Decrease in yield by 2%

Ans -c

Solution :

100 day VaR is 4 %. So one day Var is,
4 = one day VaR × square root of 100
4= one day VaR × 10
One day VaR = 0.4 %
25 day VaR = 0.4 × suare root of 25
= 0.4 × 5
= 2%
In worst case scenario yield will always increase.
Because this will decrease the market price or value.
Answer is increase in yield by 2 %
....

In case of free currencies, forward premium or discount is exactly equal to the difference between

a. Risk-free interest rates of the two currencies
b. Inflation rates in both the countries
c. Spot rate and Tom rate
d. LIBOR and RBI reference rate

Ans - a
....

A bond having duration of 8 Yr is yielding 10% at present.
If yield increase by .60%, what would be the impact on price of the bond?

a) Bond price would go up by 4.36%
b) Bond price would fall by 4.36%
c) Bond price would go up by 2.82%
d) Bond price would fall by 2.82%

Ans – b

Modified duration is McCauley's duration discounted by one period yield to maturity
Here we are talking McCauley's duration is 8 years.
Modified duration =McCauley's duration / (1 + yield)
= 8 /(1 + 10%)
= 8/(1 +0.1)
= 8/(1.1)

= 7.2727

% change in price =- modified duration × yield change

= - 7.2727× (0.60%)
= (-)4.3636 %
= (-) 4.36%
(-)means decrease in price
4.36 % decrease in price. .
....

Net Stable Funding Ratio (NSFR) are to be introduced in ......

a. 2017
b. 2016
c. 2018
d. 2019

Ans - c
....

The tenor of state government securities is normally ......

a. Five year
b. seven years
c. thirty years
d. Ten year

Ans - d
....

Prudential exposure limits for single and group borrowers other than infrastructure projects is ......

a. 15% of the capital (Tier I and Tier II Capital) of the Bank for single and 40% for the group of borrowers
b. 25% for individual borrowers and 50% for group of borrowers
c. 20% of the capital of the Bank for individual and 50% for the group of borrowers
d. None of the above

Ans - a
....

Which of the following risks may occur at portfolio level in addition to transaction level?

a. credit risk
b. market risk
c. operational
d. all of these

Ans - d
....

The value of derivative depends on ______ market.

a. spot
b. forward
c. TOM
d. ready

Ans - a
....
In case of post shipment finance, the shipping documents along with relative GR form must be submitted to an AD within ...... days from the date of shipment.

a. 7
b. 14
c. 21
d. 30

Ans - c
....

AD should forward a detailed report to RBI on half-yearly basis in the form of BEF consisting of defaulter (importers) who do not submit bill of entry within __ days from the date of issue of registered reminder (which is 1 month from the date of remittance).

a. 14
b. 21
c. 28
d. 30

Ans - b
....

Credit directly extended by the overseas supplier of goods to the importer is called ......

a. supplier's credit
b. buyer's credit
c. import letter of credit
d. None of these

Ans - a

....

If the overseas supplier of goods extends credit to the importer for a period of more than 6 months but for less than 3 years, it is called ...... and if the period is more than 3 years, it is called ......

a. PCL, PCFC
b. Trade Credit, ECB
c. ECB, Trade Credit
d. EBR, trade credit

Ans - b

....

Credit arranged by the importer from a bank / FI outside his country, to settle the payment of imports is called ...... Here no period is prescribed.

a. supplier's credit
b. buyer's credit
c. import letter of credit
d. None of these

Ans - b

....

An arbitrage transaction conducted between more than two centers is known as ......

a. Simple arbitrage
b. Direct arbitrage
c. Compound arbitrage
d. None of the above

Ans - c

....

In Forex Markets, on an average the exchange rates of major currencies fluctuate every ...... seconds.

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

Ans - c
....

Which is not a function of Back Office ?

a. Deals
b. Account
c. Funds position
d. Reconciliation

Ans - c
....

Banks can approve proposals for availing buyer's credit for a period with maturity up to ......, for import of all items remissible under the Exim Policy, up to US ...... million per import transaction.

a. 3 months, 10
b. 6 months, 20
c. 1 year, 10
d. 1 year, 20

Ans - d
....

Book value of shares of the company as on 31-03-2015

a. Rs. 10 cr
b. Rs. 30 cr
c. Rs. 40 cr
d. Rs. 80 cr

Ans – c

Book value of shares = (paid up capital + reserve)/no of shares
= (20+60)/2
= 40
....

The earning per share would be ......

a. Rs. 40 cr
a. Rs. 30 cr
a. Rs. 20 cr
a. Rs. 10 cr

Ans – d

EPS=NPAT/paid up capital* face value
= 20/20*10
= 10
....

Market price of the share of the co......

a. Rs. 50 cr
a. Rs. 100 cr
a. Rs. 200 cr
a. Rs. 300 cr

Ans – b

Market price = PER * EPS
= 10*10
= 100
....

If there is an assets of Rs. 120 in the doubtful-I cat and the realization value of security is Rs. 100 only, what will be the provision requirement?

a. Rs. 40
b. Rs. 45
c. Rs. 50
d. Rs. 60

Ans – b

Since it a doubtful-I cat asset, so 25% of realization value Rs.100 i.e Rs. 25 and 100% of short Fall that is 120-100=20 so ans will be 20+25=45
....

Data relating to balance sheet as on 14 Mar 2017 banks reveals its capital at Rs 1110 cr, reserve 2150 cr, demand deposit 6500cr,SB deposit 20500 cr, term deposits from banks 1300 cr, term deposit from public 30800 cr, borrowing from RBI nil, borrowing from other institutions 200 cr, refinance from NABARD 150 cr, bills payable 50 Cr, accrued 20 cr, subordinated debt 200 cr and credit balance in suspense a/c 30 cr (Total Being 63000)

Answer the following based on the data given above.

1. Total amt of liabilities not to be included in computing DTLs in Rs

a. 3250 cr
b. 3300 cr
c. 4600 cr
d. 4700 cr

Ans - d

Capital and reserve + refinance from NABARD + term deposit of banks not to be included
= 1100+2150+150+1300 = 4700
....

2. Total amount of DTL on which CRR is to be maintained

a. Rs. 58100 cr
b. Rs. 63000 cr
c. Rs. 58300 cr
d. Rs. 67100 cr

Ans – c

6500+20500+30800+200+50+20+200+30=58300 (other than those not included while calculating DTL)
....

3. Bank would required to maintain average CRR amounting to, if the rate of CRR is 5%

a. 2915
b. 2905
c. 1749
d. 3150

Ans - c

= 5% of 58300 = 2915
....

In most banks, ... are integrated to various extents to manage the SLR regulations. (i) funds department, (ii) planning department, (iii) treasury

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

Ans - d
....

The ultimate responsibility for designing and implementation of ICAAP lies with ......

a. Banks' board of directors
b. RBI
c. FEDAI
d. BCBG

Ans – a
....

Deferred credits will appear on the balance sheet with the

a. Assets
b. Liabilities
c. Owner's/Stockholders' Equity
d. None of the above

Ans – b
....

SLR approved securities are ...... (i) Risk free instruments, (ii) Carry lesser yields.

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d
....

Who among the following must avoid investing in high risk investment?

a. Salaried people
b. Speculators
c. Retired persons
d. Any person not having risk bearing capacity

Ans - d

A bank's treasury portfoho is worth 9,500 Crs. Its 10 day VaR at 90% confidence level is 265 Crs. This implies that under normal circumstances its ......

a. Daily loss may not exceed 83.80 Crs for 225 days in a year.
b. Daily loss may exceed 265 Crs for 25 days in a year.
c. Daily loss may exceed 83.80 Crs. For 20 days in a year.
d. Daily loss may exceed 26.50 Crs for 25 days in a year.
(Assume 250 working days in a year)

Ans - a

Identify which of the following sentences is incorrect.

a. Funding liquidity risk arises due to asset-liability mismatch
b. Asset liquidation risk refers to a situation where a specific asset faces lack of trading liquidity
c. Market liquidation risk refers to a situation where the market faces lack of trading liquidity
d. Liquidation risk and liquidity risk are same

Ans - d

The risk arising owing to non-enforceability of contract against a counter party is the ...... risk.

a. Legal
b. Systematic
c. Credit
d. Liquidity

Ans - a

The gap between the buying rate and selling rate of a currency is called as ......

a. Dealer's Margin
b. Exchange Margin
c. Bid-Ask Spread
d. None of the above

Ans - c
....

Entities which are authorised only to buy foreign currency notes and traveller's cheques are known as ……

a. Authorised Person - Category I
b. Authorised Person - Category II
c. Authorised Person - Category III
d. Authorised Person - Category IV

Ans - c
....

The seller of goods shipped the goods on time but due to some mistake, the goods have been delivered at some other destination. Such risk to the buyer is called

a. Seller Risk
b. Buyer risk
c. Market Risk
d. Shipping Risk

Ans - d
....

In the raising interest rate scenario, a prudent and aggressive banker would follow the following strategy ......

a. Reprice assets more frequently
b. Reprice liabilities more frequently
c. Match assets and liabilities closely
d. All of the above

Ans - a
....

Operations in forex carried to cover the risk of fluctuations in forex rates is called as ......

a. Hedging
b. Arbitration
c. Swap
d. Speculation

Ans - a
....

Liquidity risk is reflected as ...... (i) Maturity mismatch, (ii) cash inflow and outflow, (iii) NPAs, total assets and performing loans

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

Ans - a
....

On 15th June, Customer presented a sight bill for USD 100000 for Purchase under LC.
Transit period is 20 days and Exchange margin is 0.15%.
The spot rate is 34.80/90.
Forward differentials: July - .65/.57 Aug - 1.00/.97 Sep - 1.40/1.37
How much amount will be credited to the account of the Exporter?

a. 28.0988
b. 34.0988
c. 40.0988
d. 44.0988

Ans - b

Solution :

Bill Buying rate will be applied.
Spot Rate = 34.80 Less discount .65 = 34.15
Less Exchange Margin O.15% i.e. .0512

=34.80-0.60-0.0512
=34.0988
....

All rates quoted in foreign exchange are generally ____ rates.

a. Spot
b. Tom
c. Forward
d. Value

Ans - a

....

Inflow of USD 200,000.00 by TT for credit to your exporter's account, being advance payment for exports (credit received in Nostro statement received from New York correspondent). What rate you will take to quote to the customer, if the market is 55.21/25?

a. 55.21
b. 55.21-Bank commission
c. 55.25
d. 55.25- Bank commission
b

Explanation :

It will be purchase of USD from customer for which USD will have to be sold in the market.
Say when USD/Rs is being quoted as 55.21/25, meaning that market buys USD at Rs 55.21 and sells at Rs 55.25.
We shall have to quote rate to the customer on the basis of market buying rate, i.e. 55.21, less our margin, as applicable, to arrive at the TT Buying Rate applicable for the customer transaction.

....

Which of the following currency is not quoted as indirect quote (rate)?

a. NZD
b. USD
c. GBP
d. Euro

Ans - b

....

An LC provides for warehouse storage of good and also pre shipment credit for the beneficiary. It is called ......

a. Confirmed LC
b. Red clause LC

c. Green clause LC
d. Transferable LC

Ans - c

The uniform rules for bank to bank reimbursement have been framed by ......

a. RBI
b. World bank
c. ICC
d. FEDAI

Ans - c

Popular Bank made an investment in govt. Bonds worth Rs 5 cr. The maturity period of the bonds is 5 years, the face value id Rs 100 and the coupon rate is 8 %. The bond has a market yield of 10% and the price is 92.00. due t o change in interest rates, the market yield change to 9.90% and market value to Rs 92.50.

Based on the above information,

Calculate the basis point value of the bond

a. 0.02
b. 0.05
c. 0.10
d. 0.20

Ans - b

What will be the change in value of investment for the total investment of Rs 5 cr for per basis point change in the yield

a. Rs 25000
b. Rs 20000
c. Rs 15000
d. Rs 10000

Ans - a

If there is 0.10% change in the the yield , what will be change in the value of the bond on an investment of RS 5 cr

a. 100000
b. 200000
c. 250000
d. 500000

Ans - c
....

The amount of insurance is not stated in the LC and ......

a. No insurance is required
b. It should be 110% of CIF
c. It's at the discretion of the beneficiary
d. Such LC is not valid as it gives rise to higher risk

Ans - b
....

A bank has entered into an option forward contract with an export customer. That means ......

a. The bank has the option to accept or not to accept delivery under the contract
b. The customer has the option delivery or not to delivery foreign exchange under the contract
c. The customer has the option to deliver the foreign exchange during the option period
d. The bank has the option to accept foreign exchange under the contract during the option period
Objective Type Questions

Ans - c
....

Sub-standard NPAs are placed in ...... bucket

a. Over 5 years
b. 3-5 years
c. Non-sensitive
d. None of these

Ans - b
....

A textile exporter, with estimated export sales of Rs. 300 lacs during the last year and projected sales of Rs.500 lacs for the current year, approaches the bank for granting credit facilities. The bank sanctions following facilities in the account:

PCL/FBP/FUBD/FBN Rs. 100.00 lacs

Sub limits:

PCL (25 % margin on fob value) Rs. 50.00 lacs FBP (10 % margin on bill amount) Rs. 50.00 lacs FUBD (15 % margin on bill amount) Rs. 50.00 lacs FBN (nil margin) Rs. 100.00 lacs. He gets an order for USD 50,000.00 CF, for exports of textiles- dyed/hand printed, to UK, with shipment to be made by 15.9.2014. On 2.6.2014 he approaches the bank for releasing PCL against this order of USD 50,000.00. The bank releases the PCL as per terms of sanction.

On 31.8.2014, the exporter submits export documents for USD 48,000.00, against the order for USD 50,000.00. The documents are drawn on 30 days usance (D/A) as per terms of the order The bank discounts the documents at the days applicable rate, adjusts the PCL outstanding and credits the balance to the exporter's account, after recovering interest up to notional due date. Interest on PCL recovered separately.

The documents are realized on 29.10.2014, value date 27.10.2014, after deduction of foreign bank charges of USD 250.00. The bank adjusts the outstanding post shipment advance allowed against the bill on 31.8.2014.

Bank charges interest at - PCL- 8.50 % upto 180 days, and post shipment at 8.50 % upto 90 days and 10.50 % thereafter. Overdue interest is charged at 14.50%.

The USD/INR rates were as under:
— 2.6.2014: Bill Buying 48.20, bill Selling 48.40.
— 31.08.2014: TT buying 47.92, Bill buying 47.85, TT selling 48.08, Bill selling 48.15., premium for 30 days was quoted as 04/06 paise.
Now answer the following:

1. What is the amount that the bank allows as PCL to the exporter against the given export order, considering insurance and freight costs of 12%.

(i) Rs. 15,90,600
(ii) Rs. 24,10,000
(iii) Rs. 21,20,800
(iv) Rs. 18,15,000

2. What exchange rate will the bank apply for purchase of the export bill for USD 48,000.00 tendered by the exporter:

(i) 47.89
(ii) 47.85
(iii) 47.91
(iv) 47.96

3. What is the amount of post shipment advance allowed by the bank under FUBD. for the bill submitted by the exporter:

(i) Rs. 19,54,728
(ii) Rs. 19,52,280
(iii) Rs. 19,53,912
(iv) Rs. 22,98,720

4. What will be the notional due date of the bill submitted by the exporter:

(i) 30.10.2014
(ii) 30.9.2014
(iii) 25.10.2014
(iv) 27.10.2014

5. Total interest on the export bill discounted, will be charged up to;

(i) notional due date 25.10.2014
(ii) value date of credit 27.10.2014
(iii) date of realisation 30.10.2014
(iv) date of credit to nostro account 29.10.2014

Ans. 1: USD 50,000.00 @ 48.20 = Rs.. 2410000.00 - less 12% for insurance and freight cost i.e Rs. 289,200 = Rs.21,20,800.00 (for value of the order. Less margin 25% i.e. Rs.530,200.00 balance Rs 15,90,600.00)

Ans. 2: 47.89 - Bill buying rate on 31.8.2008 - 47.85 plus 4 paise premium for 30 days, this being a DA bill.

Ans 3: USD 48,000.00 @ 47.96 =Rs. 23,02,080.00, less 15% margin on DA bill, i.e. Rs. 345312.00 = Rs 19,56,768.00

Ans 4: Bill submitted on 31.8.2014- drawn on 30 days DA plus normal transit period of 25 days - 31.8.2014 plus 30 days plus 25 days, i.e. total 55 days from 31.3.2014 i.e. 25.10.2014

Ans 5: Interest is charged up to the date the funds have been credited to the banks nostro account, the effective date of credit is the value date of credit, i.e. 27.10.2014.
....

Right to buy at a fixed price on or before a fixed date in an option is called as ......

a. Option
b. Call Option
c. Put Option
d. Future Option

Ans - b

....

Unanticipated withdrawal / non-renewal of deposits in wholesale or retail segment is called ......

a. funding risk
b. time risk
c. call risk
d. market risk

Ans - a

....

Interest Rate Risk refers to potential adverse impact on ...... Select the correct option.

a. NII
b. NIM
c. MVE
d. all are correct

Ans - d

....

Derivatives can be used to hedge aggregate risks as reflected in the asset-liability mismatches. In this case a dynamic management of hedge is necessary not because ...... (i) The risks are dynamic, (ii) The composition of assets and liabilities is always changing, (iii) A close monitoring of hedge is an RBI requirement

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

Ans – b

....

The participants in the derivatives market generally exchange the following agreement ......

a. IFEMA
b. ICON
c. ISDA
d. A stamped agreement devised by respective banks

Ans - c
....

Which of the following are free currency in the foreign exchange market? (i) USD, (ii) Rupee, (iii) EUR

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

Ans - b
....

Notice money refers to placement of funds for period not exceeding ......

a. over night
b. two days
c. 7 days
d. 14 days

Ans - d
....

Term money refers to placement of funds for period not exceeding ......

a. 01 yr
b. 02 yr
c. 03 yr
d. 05 yr

Ans - a
....

Unexpected changes in the level of market interest rates due to ...... creates gap or mismatch risk.

a. different principal amounts
b. different maturity dates

c. different repricing dates
d. all are correct

Ans - d
....

What is the maximum amount of foreign currency notes that a person resident in India can possess or retain?

a. USD 1000
b. USD 1500
c. USD 2000
d. no such limit

Ans - c
....

In a rising interest rate scenario, which of them following are least preferred? (i) Deposits with fixed rates and advances with fixed rates, (ii) Advances with floating rate of interest and Deposits with fixed rate of interest, (iii) Deposits with floating rates and advances with fixed rates

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

Ans - b
....

When there is outward remittance and handling of import bills is involved, which of the following rates will not be applied? (i) Bills Buying Rate, (ii) Bills Selling Rate, (iii) TT Selling Rate

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

Ans - b
....

Balance sheet of a bank provides the following information:

Total advances Rs 60000cr, Gross NPA 8% and Net NPA 2%, Based on this information, answer the following questions?

1. What is the amount of gross NPA?

a. Rs 4000cr
b. Rs 4800cr
c. Rs 5400cr
d. Rs 6000cr

2. What is the amount of net NPA?

a. Rs 1000cr
b. RS 1200cr
c. Rs 1500cr
d. Rs 1800cr

3. What is the amount of provision for standard loans, if all the standard loan account represent general advance?

a. Rs 180cr
b. Rs 200cr
c. Rs 220cr
d. Rs 240cr

4. What is the provision on NPA accounts?

a. Rs 3000cr
b. RS 3600cr
c. Rs 4200cr
d. Rs 4800cr

5. What is the total amount of provisions on total advances, including the standard accounts?

a. Rs 3300cr
b. Rs 3360cr
c. Rs 3800cr
d. Rs 3820cr

6. What is the minimum amount of provision to be maintained to meet the PCR of 70%?

a. Rs 3300cr

b. Rs 3360cr
c. Rs 3800cr
d. Rs 3820cr

7. What is the amount of provision for standard loans, if all the standard loan account represent direct advances to agricultural?

a. Rs 138cr
b. Rs 276cr
c. Rs 414cr
d. Rs 552cr

8. What is the amount of provision for standard loans, if all the standard loan account represent advances to SMEs sectors?

a. Rs 138cr
b. Rs 276cr
c. Rs 414cr
d. Rs 552cr

9. What is the amount of provision for standard loans, if all the standard loan account represent advances to CRE sectors?

a. Rs 138cr
b. Rs 276cr
c. Rs 414cr
d. Rs 552cr

10. What is the amount of provision for standard loans, if all the standard loan account represent advances to CRE-RH sectors?

a. Rs 138cr
b. Rs 276cr
c. Rs 414cr
d. Rs 552cr

Solution :

1. b
Gross NPA
= 60000 x 8 %
= 4800 Cr

2. b

Net NPA
= 60000 x 2 %
= 1200 Cr

3. c
Standard Accounts
= Total advances - Gross NPA
= 60000 - (60000 x 8%)
= 60000 - 4800
= 55200

Provision for standard loans (general advance)
= 0.4%
= 55200 x 0.4%
= 220 Cr

4. b
Provision of NPA
= (Gross NPA - Net NPA) x Total Advances
= (8% - 2%) x 60000
= 6% x 60000
= 3600 Cr

5. d
Provision on Total Advances
= Provision of NPA + Provision for standard loans
= 3600 + 220
= 3820 Cr

6. b
Minimum amount of provision to be maintained to meet the PCR of 70%
= Gross NPA x PCR
= 4800 x 70%
= 3360 Cr

7. a
Standard Accounts
= Total advances - Gross NPA
= 60000 - (60000 x 8%)
= 60000 - 4800
= 55200

Provision for standard loans (direct advances to agricultural)
= 0.25%

= 55200 x 0.25%
= 138 Cr

8. a
Standard Accounts
= Total advances - Gross NPA
= 60000 - (60000 x 8%)
= 60000 - 4800
= 55200

Provision for standard loans (SMEs Sector)
= 0.25%
= 55200 x 0.25%
= 138 Cr

9. d
Standard Accounts
= Total advances - Gross NPA
= 60000 - (60000 x 8%)
= 60000 - 4800
= 55200

Provision for standard loans (Commercial Real Estate (CRE) Sector)
= 1%
= 55200 x 1%
= 552 Cr

10. c
Standard Accounts
= Total advances - Gross NPA
= 60000 - (60000 x 8%)
= 60000 - 4800
= 55200

Provision for standard loans (Commercial Real Estate (CRE) Sector)
= 0.75%
= 45000 x 0.75%
= 414 Cr

SME - Small and Micro Enterprises
CRE - Commercial Real Estate (CRE) Sector
CRE - RH - Commercial Real Estate – Residential Housing Sector (CRE - RH)
…………………………………………

Which of the following may be participants in the foreign exchange markets?

a. bank and nonbank foreign exchange dealers
b. central banks and treasuries
c. speculators and arbitragers
d. All of the above

Ans - d
....

Select the correct sentence.

a. Banking book is exposed to market risk because it is open to market.
b. Banking book is exposed to market risk because it is not open to market.
c. Banking book is not exposed to market risk because it is open to market.
d. Banking book is not exposed to market risk because it is not open to market.

Ans - d
....

Funding risk, time risk and call risk are the types of ...... risk.

a. market
b. credit
c. liquidity
d. operational

Ans - c
....

An economist will define the exchange rate between two currencies as the ......

a. Amount of one currency that must be paid in order to obtain one unit of another currency
b. Difference between total exports and total imports within a country
c. Price at which the sales and purchases of foreign goods takes place
d. Ratio of import prices to export prices for a particular country

Ans - a
....

The Purchasing Power Parity should hold ......

a. Under a fixed exchange rate regime
b. Under a flexible exchange rate regime

c. Under a dirty exchange rate regime
d. Always

Ans - b

....

Arbitrageurs in foreign exchange markets ......

a. attempt to make profits by outguessing the market
b. make their profits through the spread between bid and offer rates of exchange
c. take advantage of the small inconsistencies that develop between markets
d. need foreign exchange in order to buy foreign goods

Ans - c

....

It is very difficult to interpret news in foreign exchange markets because ......

a. very little information is publicly available
b. most of the news is foreign
c. it is difficult to know which news is relevant to future exchange rates
d. it is difficult to know whether the news has been obtained legally

Ans - c

....

Covered interest rate parity occurs as the result of ......

a. the actions of market-makers
b. interest rate arbitrage
c. purchasing power parity
d. stabilising speculation

Ans - b

....

If the currency is costlier in forward, it is said to be at a ......

a. Discount
b. Premium
c. Forward rate
d. None of the above

Ans - b

The date of settlement of funds is known as __________ date.

a. Due
b. Settlement
c. Maturity
d. Value

Ans - d

....

The rate at which the quoting party is ready to buy the currency is called ______ rate.

a. Offer
b. Spot
c. Bid
d. Currency

Ans - c

....

Exchange Fluctuation risk of ECGC

a. Covers all exports payments upto six months period.
b. Covers 100% exchange fluctuation of India exporters.
c. Covers exchange fluctuation above 2% and upto 50% only
d. Covers exchange fluctuation above 2% and upto 35% only.

Ans – d

....

The dealers are official, who are actually involved in the _______ of currencies.

a. Buying
b. Selling
c. Buying & Selling
d. None of the above

Ans - c

....

The section which handle processing of deals, reconciliation is called _______ .

a. Dealing room
b. Back office

c. Mid office
d. None of the above

Ans - b
....

Import bills drawn under Letter of Credit must be crystallized into Rupees on the ____ day from the date of receipts of documents, if not paid by that date.

a. 7th
b. 30th
c. 10th
d. 21st

Ans - c
....

In terms of FEDAI rules, besides, Japanese Yen, ______ , is the other currency which is quoted as 100 units = so much Rupee

a. Indonesian Rupaih
b. Kenyan Schilling
c. Both of the above
d. None of the above

Ans - c
....

A contract of GBP 25000 is traded at LIFFE for delivery on 28 March, say at 1.6650, as against spot exchange rate of 1.60. The contract implies that on 28th March the seller would deliver to the holder of the contract, GBP 25000 against payment of equivalent USD at the rate of 1.6650. On the settlement date, if the market rate of GBP is 1.70, the seller will pay to the holder the difference in contracted price and spot price on that date

a. USD 0.035 per pound
b. USD 0.065 per pound
c. USD 3.265 per pound
d. USD 3.365 per pound

Ans - a

Solution
= 1.70 - 1.6650
= USD .035 per Pound

In case of excess of assets over the liabilities, the dealer will have __________ position.

a. Short
b. Long
c. Top
d. Down

Ans - b
....

General policies of ECGC do not cover ......

a. Commercial dispute between the buyers and the sellers.
b. Insolvency of the buyer.
c. Restrictions imposed by buyers country.
d. Default by buyer to pay for goods already accepted.

Ans - a
....

Which of the following would normally be a current liability?

a. Note Payable Due In Two Years
b. Unearned Revenue
c. Both a and b
d. None of the above

Ans - b
....

As per the Basel-II norms, total capital ratio should not be lower than......

a. 5%
b. 8%
c. 10%
d. 12%

Ans - b
....

In India, settlement risk is largely mitigated by settlement through _______.

a. NSDAL
b. RBI

c. CCIL
d. None of the above

Ans - c

....

The currency with lower interest rate would be at a _______premium in future.

a. Lower
b. Higher
c. Double
d. Zero

Ans - b

....

_______option can be exercised only at maturity date (fixed date).

a. American
b. European
c. Both a & b
d. None of the above

Ans - b

....

_______banking eliminates the need to have a global network of branches.

a. Interest
b. Retail
c. Correspondent
d. Wholesale

Ans - c

....

If your local currency is in variable form and foreign currency is in fixed form the quotation will be ......

a. Indirect
b. Direct
c. Local form
d. Foreign form

Ans - b

Off balance sheet exposures is not exposed to ...... risk.

1. market
2. liquidity
3. credit or default
4. operational
5. interest

a. only 1
b. only 3
c. both 2 and 4
d. none of these

Ans - d

....

When a bank is unable to undertake profitable business opportunities when it arises, ... risk occurs.

a. funding risk
b. time risk
c. call risk
d. market

Ans - c

....

Funding of long term assets by short term liabilities creates ...... risk.

a. market
b. credit
c. liquidity
d. interest

Ans - c

....

The risk of settlement that arises due to time zone differences is known as ......

a. credit
b. operational
c. herstatt
d. reputation

Ans – c

Deregulation started in India in ......

a. 60s
b. 70s
c. 80s
d. 90s

Ans - d
....

Banks of which countries were permitted an extended period to be in confirmation to 1988 Basel Accord which were enforced a law by G-10 countries in 1992?

a. American
b. England
c. Japan
d. India

Ans - c
....

What are the parameters on which assets of a bank are classified?

a. counterparty
b. collateral
c. maturity
d. all of these

Ans - d
....

Bank assets are grouped under ...... categories according to the credit risk they carry.

a. 3
b. 4
c. 5
d. 7

Ans - c
....

Rewards of proper management of operational risks are

a. Lesser risk capital

b. Cost reductions in operations
c. Competitive edge

Which of the following is true

a. All of them
b. None of them
c. a. and (c)
d. a. and (b)

Ans - a
....

According to 1988 Basel accord, banks were required to hold capital equal to ......% of the risk weighted value of assets. This requirement is still the same according to Basel II accord.

a. 7
b. 8
c. 9
d. 13

Ans - b
....

Bank debts are categorized at ......% risks.

a. 0
b. 10
c. 20
d. 50

Ans - c
....

The country risk classification is updated and published by ECGC on ...... basis.

a. weekly
b. monthly
c. fortnightly
d. quarterly

Ans - d
....

The balance sheet of x bank provide the following information as on 31 mar 2013 Rs , Cr) capital 1000, reserves-6000, current account deposit 30000, saving bank deposit 3000, term deposit, term deposit 30000 and borrowings 3000 on the assts side the cash -6900, bal with banks-15000, investment-15000, bills purchased =-20000, cash credit- 20000, term loans-20000 and fixed assets 3100. Total-100000. Earning assets out of total assets are 90000 cr. Cash credit , bill purchased and investments are affected by change in interest rate. Term loans carry fixed interest rate . SB an d TD are affected by change in interest rate.

Rate sensitive assts of the bank are

a. 55000
b. 75000
c. 85000
d. none

Ans - a

A Rate sensitive liabilities of the abnk are

a. 63000
b. 93000
c. 60000
d. none

Ans -c

The above bank has ......

a. positive gap
b. negative gap
c. marginal gap
d. zero gap

Ans - b

Tier-I capital of the bank

a. 1000
b. 7000
c. 10000
d. none

Ans - b
....

Taking advantage by selling and buying of a currency in two different markets to take advantage of price differential prevailing at these markets is called as ......

a. Hedging
b. Arbitration
c. Swap
d. Speculation

Ans - b
....

Right to sell at a fixed price on or before a fixed date in an option is called as ......

a. Option
b. Call Option
c. Put Option
d. Future Option

Ans - c
....

Notes Payable could not appear as a line on the balance sheet in which classification?

a. Current Assets
b. Current Liabilities
c. Long-term Liabilities
d. None of the above

Ans – a
....

On December 1, ABC Co. hired Juanita Perez to begin working on January 2 at a monthly salary of 40,000. ABC's balance sheet of December 31 will show a liability of

a. 40,000
b. 4,80,000
c. No Liability
d. None of the above

Ans – c
....

ECGC of india classifies the country into seven categories, in that B2 indicates ......

a. insignificant risk
b. low risk
c. moderately low risk
d. moderate risk

Ans - d
....

Export bill is generally crystallized on ...... th day from the due date / notional due date.

a. 07
b. 10
c. 21
d. 30

Ans - d
....

A bank funds its assets from a pool of composite liabilities. Apart from credit and operational risks, it faces ......

a. Basis risk
b. Mismatch risk
c. Market risk
d. Liquidity risk

Ans - a
....

Which of following instruments not eligible for Credit risk Mitigation?

a. Cash
b. Gold
c. Life Insurance
d. OTC

Ans - d
....

Trading in currency and interest rate derivatives is restricted to ......

a. individuals

b. authorised banks
c. corporates
d. none of these

Ans - b

....

There are basically three kinds of derivatives. Which of the following is not one of them?

a. forward contracts
b. futures
c. options
d. swaps

Ans - b

....

The investments on the securities made to earn profits from the short-term price movements are classified under ...... (i) Held-To-Maturity, (ii) Held for Trading

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - b

....

In which method of calculating VaR, the change in the value of a portfolio is calculated using a sample of randomly generated price scenarios.

a. historical simulation method
b. monte carlo simulation method
c. correlation method
d. none of these

Ans - b

....

Standardized Approach allows banks to measure Credit Risk in a Standardized manner based on ......

a. Internal Rating Based (IRB)
b. Export Credit Agency (ECA)
c. Risk Weighted Assets

d. External Credit Assessment.

Ans - d

……… is the variability of the price, upward or downward.

a. swap
b. deal
c. volatility
d. duration

Ans - c

If the yield on a bond with BPV of 2000 declines by 8 BPs, it would result in a ......

a. profit of Rs 16,000 per crore of face value
b. loss of Rs 16,000 per crore of face value
c. neither loss nor gain
d. none of these

Ans - a

Which of the following method is used to calculate VaR?

a. historical simulation method
b. monte carlo simulation method
c. correlation method
d. all of these

Ans - d

Under advanced IRB, who provides the inputs on the M?

a. bank
b. suprvisor
c. either of them
d. none of these

Ans - c

Futures related to exchange rates are known as ......

a. currency futures
b. bond futures
c. stock/index futures
d. none of these

Ans - a

....

Central Bank Governors of G-10 countries participate in the Basel Committee on Banking Supervision. Total number of members is:

a. 10
b. 11
c. 12
d. 13

Ans - d

....

As per Basel III, the value of revaluation reserve is to be taken at ...... % discount to include in Tier 2 capital

a. 60%
b. 55%
c. 50%
d. 45%

Ans - b

....

As per Basel III, adjustments / deductions are required to be made from Tier I and Tier 2 capital, relating to which of the following (i) goodwill and other intangible assets (ii) deferred tax assets (iii) Investment in own shares (treasury stock)

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

Ans - d

....

Basel - II accord prescribes that housing loan portfolio be given risk weight of ......

a. 100%
b. 75%
c. 35%
d. 150%

Ans - c

....

As per Basel III, general provisions and loss reserves are included in Tier-2 capital maximum to the extent of:

a. 1.25% of total risk weighted assets under standardized approach and 0.6% of total risk weighted assets under IRB approach
b. 0.6% of total risk weighted assets under standardized approach and 0.6% of total risk weighted assets under IRB approach
c. 0.6% of total risk weighted assets under standardized approach and 1.25% of total risk weighted assets under IRB approach
d. 1.25% of total risk weighted assets under standardized approach and 1.25% of total risk weighted assets under IRB approach

Ans - a

....

Under Simplified Standardised Approach (SSA), risk weight for corporates is prescribed as ......

a) 150%
b) 100%
c) 50%
d) 20%

Ans - b

....

For Substandard Secured Assets, the provision required is ...... of the outstanding amount.

a) 15%
b) 20%
c) 10% of the realizable value of security (RVS)
d) None of these

Ans - a

....

Exchange Rate means the ...... at which one currency is exchanged for another currency.

a. Price
b. Ratio
c. Value
d. Any one of the above

Ans - d

Under AMA approach (Estimated Probability of Occurrence), Probability is mapped on scale of ......

a. 3
b. 4
c. 5
d. 6

Ans - c

Portfolio risk is called the risk at ......

a. Branch level
b. Regional/Zonal level
c. Aggregated level
d. None of these

Ans - c

Sight bills drawn under import letters of credit would be crystallized on the...day, after the day of receipt if not yet paid.

a. 10 th
b. 11 th
c. 15 th
d. 30 th

Ans - a

The Forward price of a currency against another can be worked out with the following factors:

a. Spot price of the currencies involved

b. The Interest rate differentials for the currencies.
c. The term i.e. the future period for which the price is worked out.
d. All of these

Ans - d

....

FEDAI is a ..... body.

a. Statutory
b. Non-statutory
c. Self oriented body
d. Non-profit making body

Ans - d

....

Which of the currencies are not been quoted as indirect rates?

a. GBP
b. YEN
c. EURO
d. AUD

Ans - b

....

Which of the following statements is correct?

a. Higher the risk in a business, higher would be return expectation
b. Higher the risk in a business, higher would be capital requirement
c. Higher the risk in a business, higher would be capital requirement and higher would be return expectation
d. None of the statements is correct

Ans - b

....

For market risk the minimum capital requirement is expressed in terms of two separately calculated charges which are

a. specific risk and general market risk
b. special risk and general risk
c. liquidity risk and liquidation risk

d. counterparty credit risk and trading partners risk

Ans - a

....

Failure of the whole banking system is known as ...... risk.

a. strategic
b. systemic
c. bank
d. operational

Ans - b

....

Tier 1 is also known as ...... capital.

a. core
b. supplementary
c. complementary
d. none of these

Ans - a

....

The FIs can issue CDs for a period not less than _____ and not exceeding _____ from the date of issue.

a. 7 days, 6 months
b. 15 days, 1 year
c. 1 year, 3 years
d. 1 year, 5 years

Ans - c

....

Notice money refers to ......

a. funds placed overnight
b. funds placed after giving a notice of placement
c. funds placed for periods in excess of 3 months but not exceeding 1 year
d. placement of funds beyond overnight but not exceeding 14 days

Ans - d

....

Banks can borrow and lend (under call money) overnight up to a maximum of ____ % and ____ % respectively of their capital funds.

a. 10, 25
b. 50, 75
c. 100, 25
d. 100, 50

Ans - c
....

Which of following documents does not contain Zero risk ?

a. Investments in shares
b. Investment in bonds and debentures
c. Investment in term deposit
d. Investment in government bonds

Ans - a
....

As per the Reserve Bank of India in the draft guidelines for implementation of the new capital adequacy framework has modified the Gross Income definition slightly. The Net Interest Income has been replaced by ......

a. Net Profit
b. Operating Profit
c. No Changes made
d. Interest Expended

Ans - a
....

A bond with remaining maturity of 5 years is presently yielding 6%. Its modified duration is 5 years. What is its McCauley's duration?

a. 5.05%
b. 3.77%
c. 5.30%
d. 6.00%

Ans - c
....

Match the following beta factors with the business liness under standardised approach:
Corporate finance a. 12%
Retail banking b. 15%
Commercial banking c. 18%

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

Ans - c

Basel Committee will test a minimum Tier 1 leverage ratio of___% during the parallel run period from 01.01.13 to 01.01.17

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

Ans - b

As per Basel 3 implementation in India Common equity tier 1 capital must be _____%of risk weighted assets on ongoing basis:

a. 5.5%
b. 7%
c. 9%
d. 11%

Ans - a

As per Basel 3 the value of revaluation reserve is to be taken at _____% discount to include in tier 2 capital

a. 60%
b. 55%
c. 50%
d. 45%

Ans - b

A bank borrows 50 crs from call money market on a daily basis to fund the following assets.

a. A 2 month loan for 10 Crs to one AAA rated client (i.e. zero default probability over one year) at a rate of interest 2.50% over call money rate to be reset on a daily basis.
b. 5 year government of India bonds with YTM of 7.10% having market value of 40 Crs, with a plan to sell these bonds within 20 days.

Answer the following questions based on the information given above.

1. The bank may see variation in its net interest income over 10 days in respect of asset 'a' because the transaction is associated with ......

a. Market risk
b. Gap risk
c. Operational risk
d. Funding risk

Ans - b
....

2. The asset acquired under item 'b' above would have the following risk ......

a. Market risk
b. Gap risk
c. Operational risk
d. Funding risk

Ans - a
....

3. The bond could not be sold within 10 days due to over sight and as a result the bank had to incur loss. This loss would be the result of ......

a. Market risk
b. Gap risk
c. Operational risk
d. Funding risk

Ans - c
....

4. The bank may face liquidity problem because the entire transaction is associated with ......

a. Market risk

b. Gap risk
c. Operational risk
d. Funding risk

Ans - d

....

5. There is a sudden rise in interest rates. The bank would ......

a. Gain due to asset 'a'
b. Suffer losses due to asset 'a'
c. Gain due to asset 'b'
d. Suffer losses due to asset 'b'

Ans - d

....

Interest rate swaps are usually possible because international financial markets in different countries are ......

a. Efficient
b. Perfect
c. Imperfect
d. Both a & b

Ans - c

....

A/An ...... is an agreement between a buyer and seller that a fixed amount of one currency will be delivered at a specified rate for some other currency

a. Eurodollar transaction
b. import/export exchange
c. foreign exchange transaction
d. interbank market transaction

Ans - c

....

In case the portfolio size of the bank's (mentioned above) G Sec portfolio is 10,000 crores with average modified duration of 3, then worst case loss that the bank may suffer overnight is ......

a. 120 crores in terms of market value
b. Loss of 40 crores by way of interest income

c. Gain of 40 crores by way of interest income
d. None of these

Ans - a

....

Savings bank deposits are placed in bucket ......

a. Non sensitive
b. 3-6 months
c. Over 5 years
d. None of these

Ans - b

....

What is the day count convention in the treasury bill markets?

a. 30/360
b. Actual/Actual
c. Actual/360
d. Actual/365

Ans - d

....

Which of the following participants in the call markets are allowed to lend as well as borrow?

a. Mutual Funds
b. Banks and Primary Dealers
c. Corporates
d. Financial Institutions

Ans - b

....

The underlying of Interest rate future in a given currency is ......

a. The currency
b. Bonds issued by respective sovereigns
c. Bonds issued by corporate in the given currency
d. Gold

Ans – b

XYZ company has declared a dividend of Rs.1 per share. The face value of the share is Rs.10 and the currentmarket price is Rs.25. The dividend yield will be ......

a. 10%
b. 40%
c. 10%
d. 4%

Ans - c
....

Which of the following may be participants in the foreign exchange markets?

a. bank and non bank foreign exchange dealers
b. central banks and treasuries
c. speculators and arbitragers
d. All of the above

Ans - d
....

Foreign exchange transactions involve monetary transactions ......

a. among residents of the same country
b. between residents of two countries only
c. between residents of two or more countries
d. among residents of at least three countries

Ans - c
....

The date of settlement for a foreign exchange transaction is referred to as ......

a. Clearing date
b. Transaction date
c. Maturity date
d. Value date

Ans - d
....

Hedging is used by companies to ......

a. Decrease the variability of tax paid

b. Decrease the spread between spot and forward market quotes
c. Increase the variability of expected cash flows
d. Decrease the variability of expected cash flows

Ans - d
....

A speculator in foreign exchange is a person who ......

a. buys foreign currency, hoping to profit by selling it at a higher exchange rate at some later date
b. earns illegal profit by manipulation foreign exchange
c. causes differences in exchange rates in different geographic markets
d. None of the above

Ans - a
....

A forward currency transaction ......

a. Is always at a premium over the spot rate
b. Means that delivery and payment must be made within two business days after the transaction date
c. Calls for exchange in the future of currencies at an agreed rate of exchange
d. Sets the future date when delivery of a currency must be made at an unknown spot exchange rate

Ans - c
....

Which of the following is not a type of foreign exchange exposure?

a. Tax exposure
b. Translation exposure
c. Transaction exposure
d. Balance sheet exposure

Ans - a
....

Answer the following questions based on the fInancial results of an International Bank provided below as on Mar 31, 2017.

Interest earned - Rs. 60000 cr
Interest paid — Rs. 30000 cr
Income on sale of Yd party products — Rs. 400 cr
Other non-interest income — Rs. 6000 cr

ProfIt on sale of fixed assets — Rs. 800 cr
Operating expense — Rs. 12000

1. What is the amount of gross income as per Basic Indicator Approach for operational risk?

a. Rs.5400 cr
b. Rs.25200 cr
C. Rs.36000 cr
d. Rs.46596 cr

Ans - c
....

2. What is the amount of capital charge for operational risk under basic indicator approach?

a. Rs.5400 cr
b. Rs.25200 cr
C. Rs.36000 cr
d. Rs.46596 cr

Ans - a
....

3. What is the amount of operating profit?

a. Rs.5400 cr
b. Rs.25200 cr
C. Rs.36000 cr
d. Rs.46596 cr

Ans - b
....

4. What is the amount of risk weighted assets for operational risk under basic indicator approach as per Basel III in India (RBI requirement)?

a. Rs.5400 cr
b. Rs.25200 cr
C. Rs.36000 cr
d. Rs.46596 cr

Ans - d
....

Explanation:

1. Gross income = Net interest income + net non-interest income
Net interest income = Interest earned - Interest paid
= 60000 — 30000 = 30000
Gross income = 30000 + 6000
= 36000

2. Capital charge for operational risk = Gross income x l5%
Gross income = Net interest income + net non-interest income
Net interest income = Interest earned - Interest paid
= 60000 — 30000 = 30000
Gross income = 30000 + 6000 = 36000
Capital charge for operational risk = 36000 x 15%
= 5400 cr

3. Operating profit = Interest earned + other non-interest income + profit on sale of fixed assets + income on sale of 3 party products — interest paid — operating expense
= 60000 + 6000 + 800 + 400 - 30000 - 12000
= 25200

4. RWA = Capital charge / minimum Basel-3 CAR
RWA = 5400 / 11.5% = 46596 cr
....

Ask quote is for ......

a. Seller
b. Buyer
c. Hedger
d. Speculator

Ans - a
....

Fixed assets are saleable, but are not expected to be converted to cash in the .... course of business.

a. average
b. equal
c. final
d. normal

Ans - d
....

Which of the following financial papers are option contracts?

a. Shares issued by joint stock companies
b. FCCBS
c. Debentures issued by a company repayable in 3 instalments
d. GOI bonds

Ans - b
....

Objective of the liquidity management is to ......

a. Ensure profitability of banks
b. Protect banks from reputation loss
c. Create the maturity ladder of assets and liabilities
d. None of the above

Ans - a
....

A model determines VaR of 10 years G Secs based on the factors that affect the yield of 10 years G Secs determined through descriminant analysis. This approach is called ......

a. Monte Carlo Simulation
b. Historical approach
c. Parametric approaches
d. None of these

Ans - c
....

Capital and reserves are placed in ...... bucket

a. Over 5 years
b. Upto one month
c. Residual maturity
d. Non sensitive

Ans - d
....

In a market where a given security's price is falling, profits can be earned by ......

a. Call option buyer and Call option seller
b. Call option seller and put option buyer
c. Put option buyer and put option seller
d. Put option seller and call option buyer

Ans - b
....

A balance sheet shows the financial .... that a company has at a point in time and where they came from.

a. records
b. resources
c. returns
d. revenues

Ans - b
....

The difference between the value of a call option and a put option with the same exercise price is due primarily to ......

a. The greater liquidity of call options
b. The use of continuous as opposed to discrete discounting
c. The differential between the current stock price and the exercise price in present value terms
d. The effect of dividends on the two securities e) The volatility of the price of the underlying stock

Ans - c
....

The demand for domestic currency in the foreign exchange market is indicated by the following transactions in balance of payment ......

a. Export of goods and services
b. Import of goods and services
c. Export of goods and services and capital inflows
d. Import of goods and services and capital outflows

Ans - c
....

The effect of speculation on exchange rate is ...... (i) It causes violent fluctuations in exchange rate, (ii) It aggravates the market trends

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - c
....

_______ rates indicate liquidity available in the inter-bank market.

a. call money
b. notice money
c. term money
d. all of these

Ans - a
....

The wisely used benchmark rate for floating rate debt paper as well as for OIS (Overnight Interest rate Swaps) is ......

a. LIBOR
b. O/N MIBOR
c. both of these
d. none of these

Ans - b
....

Volatility of exchange rates arises in case of ......

a. currency
b. securities
c. rupee account
d. all of these

Ans - a
....

Purchase or sale of an asset or a currency, not for an end-use but only for resale or repurchase of the same asset with a profit is known as ......

a. leverage
b. hedging
c. speculation
d. carry

Ans - c

....

The geographically distributed area or zone where the economic laws are more liberal as compared to other parts of the country is called ......

a. EOU
b. SEZ
c. AEZ
d. FTZ

Ans - b

....

VaR is not enough to assess market risk of a portfolio. Stress testing is desirable because ......

a. It helps in calibrating VaR module
b. It helps as an additional risk measure
c. It helps in assessing risk due to abnormal movement of market parameters
d. It is used as VaR measure is not accurate enough

Ans - c

....

If the forward value of the currency is cheaper, it is said to be at a ......

a. Discount
b. Premium
c. Forward rate
d. None of the above

Ans - a

....

A bank identified 4 assets (a, b, c and d) with a view to reduce risk. it has to choose one of them Which one of the following criteria would be most relevant for the purpose? (June 2016)

a. Risk capital required for each assets
b. Return on risk capital vis-à-vis that for the portfolio
c. Correlation of assets with the portfolio
d. Income earned on assets

Ans - c

A type of derivative where the customer has options to exercise his option at any time during the period covered by the contract is ......

a. American Options
b. European Options
c. Hybrid Options
d. Vanilla Options

Ans - a

An export bill has been 'Crystallized'. The bill was retired by the importer abroad later. The rate to be applied for crediting exporter's a/c is ......

a. Bill buying rate
b. Bill selling rate
c. TT buying rate
d. TT Selling rate

Ans - C

Full fledged money changers are the firms/ organizations authorized to undertake ...... (i) purchase of foreign currency notes, coins and travellers' cheques from the public (ii) sale of foreign currency notes, coins and travellers' cheques to the public

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d

Special Purpose Vehicle (SPV) mechanism is suggested in the budget for development of ......

a. Infrastructure
b. Money Market
c. Govt. Security Market
d. Gold Market

Ans - a

....

Repo transaction refers to ......

a. Absorption of liquidity by RBI
b. Sale of security which is Held To Maturity (HTM)
c. Injection of liquidity by RBI
d. Sale of security which is Available for Sale

Ans - c

....

Reverse Repo transaction refers to ......

a. Injection of liquidity by RBI
b. Absorption of liquidity by RBI
c. Sale of security which is Held To Maturity (HTM)
d. Sale of security which is Available for Sale

Ans - b

....

The capacity of a bank or business organization to absorb losses on account of market risk.

a. Risk absorption capacity
b. Risk aversion capacity
c. Risk taking capacity
d. Risk appetite

Ans - d

....

Custom certified copy of invoice to be obtained and to be forwarded to RBI with in ... days of effecting the shipment of goods by AD.

a. 10

b. 15
c. 20
d. 21

Ans - b
....

Foreign Exchange markets participants are except one

a. Central Banks
b. Commercial Banks
c. Foreign banks
d. Investment Funds/Banks

Ans - c
....

The Forward price of a currency against another can be worked out with the following factors. Pick up odd one

a. Spot price of the currencies involved
b. The Interest rate differentials for the currencies.
c. The term i.e. the future period for which the price is worked out.
d. none of these

Ans - d
....

Which of the following is correct regarding classification of correspondent accounts? (i) Nostro: Our account with you, (ii) Vostro: Your account with us, (iii) Loro: Their account with them

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

Ans - d
....

A situation where the depositor of a bank lose confidence in the bank and withdraw their balances immediately, is called ......

a. liquidation of the bank
b. failure of bank

c. run on the bank
d. out of the money

Ans - c
....

On acceptance of an order for supply of goods to the buyer, the seller may face the situation of non acceptance of goods by the buyer, such risk is called ……

a. seller Risk
b. buyer Risk
c. Market Risk
d. Shipping Risk

Ans - b
....

The expiry of a letter of credit is 15.07.2016. The last date of shipment mentioned in the LC is 30.06.2016. The shipment was actually made on 17.06.2016 and documents were presented on 15.07.2016. Choose the best option out of the following as per provisions of UCPDC, 600.

a. The documents should have been presented within 7 days from date of shipment
b. The documents can be accepted as they are presented within the validity of the letter of credit
c. The documents should have been presented within 15 days from date of shipment
d. The documents should have been presented within 21 days from date of shipment

Ans - d
....

As per UCPDC 600, if there is no indication in the credit of the insurance coverage required, the amount of insurance coverage must be at least value of the goods.

a. 110% of CIF value
b. 110% of FOB value
c. 100% of FOB value
d. 100% of CIF value

Ans - a
....

Under floating exchange rate, the value of the currency is decided by .....for a particular currency.

a. Market rate
b. Supply and demand factors
c. Floating exchange rate system
d. Chain rule

Ans - b
....

Since 1973, the world economies have adopted floating exchange rate system, India switched to a floating exchange rate regime in .....

a. 1973
b. 1981
c. 1990
d. 1993

Ans - d
....

The payments made in same day, so that no gain or loss of interest accrues to either party is called as.....

a. Valuer Compense
b. simply here and there
c. a & b
d. none of these

Ans - c
....

Who issued Internal Control Guidelines (ICG) for Foreign Exchange Business ?

a. FEDAI
b. RBI
c. EX-IM bank
d. SEBI

Ans - b
....

If Mr. Alex want to send money to his brother robin in US in Federal Reserve bank through FEDWIRE by using ... code/number.

a. Swift
b. RTGS
c. ABA
d. CHIPS

Ans - c
....

When seller fails to ship the goods on receipt of advance payment, the risk to the buyer under such a situation is called:

a. Seller Risk
b. Buyer Risk
c. Market Risk
d. Shipping Risk

Ans - a
....

The International Chamber of Commerce (ICC)was established in 1919 headquartered at

a. Newyork
b. Paris
c. Brussels
d. switzerland

Ans - b
....

Foreign Exchange transaction is a .... To exchange funds in one ...for funds in another currency at an agreed rate and on arranged basis.

a. currency, currency
b. Arrangement, currency
c. Currency and arrangement
d. Contract, currency

Ans - d
....

Which of the following is not a correct statement.

a. A deficit in balance of payment leads to a stronger currency
b. A higher economic growth leads to a higher import
c. high interest attract foreign investment and local currency appreciated in the short run
d. steady political conditions lead to a steady currency.

Ans - a
....

All foreign currency inward remittances upto ......, as per FEDAI guidelines, be converted immediately into Indian Rupees?

a. Rs. 50000 equivalent
b. USD 10000
c. USD 5000
d. £ 1000

Ans - c
....

In UCPDC-600 what does 600 mean?

a. It has total 600 rules
b. It is group of 600 countries
c. Publication no 600 is the latest version
d. It is amended 600 times since implemented

Ans - c
....

All rates quoted in foreign exchange are generally ...... rates.

a. Spot
b. Tom
c. Forward
d. Value

Ans - a
....

The schemes of ECGC are governed by ......

a. SEBI

b. RBI
c. IRDA
d. ICC

Ans - c
....

Under the financial guarantees, banks are required to file with ECGC, a notice of default within ...... months from the due date or ...... month(s) from the date of recall, and the claims are to be filed within ...... months from the date of lodging default notice.

a. 2, 3, 5
b. 4, 1, 6
c. 4, 2, 3
d. 2, 4, 6

Ans - b
....

For a majority of countries, the corporation places a limit for covering political risks, such countries are referred to as ......

a. open cover countries
b. closed cover countries
c. restricted countries
d. None of these

Ans - a
....

Exim bank has been permitted by RBI to facilitate financing of medium term export bills through ......

a. factoring
b. forfeiting
c. both of these
d. none of these

Ans - b
....

When the delivery under forex deal is completed on the 2nd working day following the date of contract the rate is called

a. TT Rate

b. Bills Rate
c. Forward Rate
d. Spot rate

Ans - d
....

Forward Rate=Spot rate (+) ......(-).....

a. Discount, Commission
b. Premium, Discount
c. Premium, Commission
d. Discount, Premium

Ans - b
....

To grant extension of an export bill beyond 12 months from the date of export, the total export outstanding of the exporter should not be more than USD ...... or __ % of the average of export realizations during the preceding __ years, whichever is higher.

a. USD 1.00 million, 5, 1
b. USD 2.00 million, 5, 2
c. USD 1.00 million, 10, 3
d. USD 2.00 million, 10, 4

Ans - c
....

In case of Rupee bills, the effective date of realization of an export bill is the date of ...... in banks's ...... account.

a. debit, vostro
b. debit, nostro
c. credit, vostro
d. credit, nostro

Ans - a
....

On the recommendations of the Finance Manager, the board of directors will accept the project if ......

a. Benefit Cost Ratio is less than one
b. Net Present Value is greater than zero

c. Internal Rate of Return is less than cost of capital
d. Pay Back Period is greater than target period

Ans – b
....

The balances in temporary foreign accounts (which are opened by participants in international trade fairs / exhibitions) have to be repatriated to India within ...... month from the ...... of the exhibition / trade fairs.

a. 1, opening
b. 1, closing
c. 3, opening
d. 6, closing

Ans - b
....

If there is an assets of Rs. 150 only in the doubtful-III cat and the realization value of security is Rs. 100 only, what will be the provision requirement.

a. Rs. 50
b. Rs. 95
c. Rs. 110
d. Rs. 150

Ans – d

Since it a doubtful-III Cat asset,
100% provision is required for the entire asset.
So, 150 is the right ans.
....

Cumulative negative mismatches maximam charges taken for the period of 8-14 days in ALM risk will be ......

a. 5%
b. 10%
c. 15%
d. 20%

Ans – c
....

Advance against export bill, when the shipment is already made, is called ......

a. PCL
b. PCFC
c. PSEF
d. EBRD

Ans - c
....

Concessional rate of interest for post-shipment finance is allowed for __ days in case of demand bills.

a. 21
b. 25
c. 90
d. 180

Ans - b
....

If there is an assets of Rs. 120 only in the doubtful-II cat and the realization value of security is Rs. 100 only, what will be the provision requirement ?

a. Rs. 40
b. Rs. 50
c. Rs. 60
d. Rs. 70

Ans – c
Since it a doubtful-II Cat asset, so 40% realization value of Rs. 100 i.e Rs.40 and 100% of short Fall that is 120-100=20 so ans will be 40+20=60
....

Outstanding export dues can be written off by exporters and the prescribed period of realization can be extended provided the aggregate value of such exports bills written off does not exceed ...... % of the export proceeds during the ...... year.

a. 5, 2
b. 1, financial
c. 10, 3
d. 10, financial

Ans - d
....

In case of foreign currency bills, the effective date of realization of an export bill is the date of ...... in the banks's ...... account.

a. debit, vostro
b. debit, nostro
c. credit, vostro
d. credit, nostro

Ans - d
....

Buffer capital means...

a. To take over other banks
b. To cover total credit and market risk
c. To cover uncertainties related to the market
d. None of these

Ans – c
....

Which of the following is a category or element of the balance sheet?

a. Expenses
b. Gains
c. Liabilities
d. Losses

Ans – c
....

Which of the following is an asset account?

a. Accounts Payable
b. Prepaid Insurance
c. Unearned Revenue
d. All of these

Ans – b
....

Basel-II prescribes that the housing loan portfolio shall be given the risk weight of...

a. 100%

b. 35%
c. 75%
d. None of the above

Ans – c

....

Interest rate Risk can be reduced by ......

a. Accepting Collaterals
b. Entering into Forward Contracts
c. Derivatives of Interest Rate Swaps
d. Diversification of Advances

Ans - c

....

Commercial papers are short-term debt market paper issued by _____, with a minimum maturity of _____ and maximum maturity of ...... Select the best combination.

a. commercial banks, 1 year, 10 years
b. RBI, 6 months, 1 year
c. corporates, 7 days, 1 year
d. financial institutions, 1 day, 14 days

Ans - c

....

If the payment is to made on a deferred payment arrangement, i.e., for a period exceeding 6 months and up to 3 years, it is treated as ......

a. PCFC
b. export credit
c. trade credit
d. PCL

Ans - c

....

An irrevocable LC, inter alia, should be obtained if the amount of advance remittance (for import of goods) exceeds USD ......

a. 10000
b. 20000

c. 50000
d. 100000

Ans - d

....

In reverse repo transaction, banks ____ from / to RBI.

a. lend
b. borrow
c. do nothing
d. none of these

Ans - a

....

A contract where the buyer has a right but no obligation to exercise the contract is known as ......

a. forward contracts
b. futures
c. options
d. swaps

Ans - c

....

Which of the following cannot participate in auction of T-bills?

a. individuals
b. banks
c. financial institutions
d. none of these

Ans - d

....

An FCNR deposit received from NRI in US $ can be viewed by the bank as...

a. Euro-rupee deposit
b. Petro-dolllar deposit
c. Rupee-dollar deposit
d. Euro-dollar deposit

Ans – d

What is the normal balance for an asset account?

a. Debit
b. Credit
c. Either a or b
d. None of these

Ans – a
....

A Party enters into a contract for sale of dollars and receives the rupees from the counter party. Due to delay in receipt of expected funds in nostro account, it fails to settle. What kind of risk has arisen?

a. settlement Risk
b. Liquidity Risk
c. Pre-settlement Risk
d. Mismatch Risk

Ans - a
....

"Your account is with us" refers to ...... account.

a. NOSTRO
b. VOSTRO
c. LORO
d. Mirror

Ans - b
....

The value of the currency is decided supply and demand factors for a particular currency under......

a. Direct exchange rate
b. Indirect exchange rate
c. Fixed exchange rate
d. Floating exchange rate

Ans - d
....

An option may be exercised and the underlying stock may be bought or sold at a price. This price is called as ......

a. Buy Price
b. Sale Price
c. Buy or sale price
d. Strike Price

Ans - d

"Their account is with them" refers to ...... account.

a. NOSTRO
b. VOSTRO
c. LORO
d. Mirror

Ans - c

Retirement of import bill for GBP 100,000.00 by TT Margin 0.20%, ignore cash discount/premium, GBP/USD 1.3965/75, USD/INR 55.16/18. Compute Rate for Customer.

a. 76.5480
b. 76.6985
c. 77.1140
d. 77.2682

Ans - d

Explanation :

For retirement of import bill in GBP, we need to buy GBP.
To buy GBP we need to give USD and to get USD, we need to buy USD against Rupee, i.e. sell Rupee.
At the given rates, GBP can be bought at 1.3975 USD and USD can be bought at Rs. 55.18.
The GBP/INR rate would be 77.1140. (1.3975 x 55.18), at which we can get GBP at market rates.
Thus the interbank rate for the transaction can be taken as 77.1140.
Add Margin 0.20% 0.1542.
Rate would be 77.1140 + 0.1542 = 77.2682 for effecting import payment.

(Bill Selling Rate).

If the strike price is less than the forward rate in case of a put option, the option is known to be ......

a. ATM
b. ITM
c. OTM
d. none of these

Ans - c
....

Which is not a function of the Mid Office ?

a. Risk management for forex dealing operations
b. Look after the compliance of various guidelines/instructions
c. Processing of Deals, Account, reconciliation etc
d. None of the above

Ans - c
....

Which is not a function of the Forex dealing room?

a. A service branch to meet the requirement of customers of other branches/divisions to buy or sell foreign currency,
b. Manage foreign currency assets and liabilities
c. Fund Manager for Nostro Accounts as also undertake proprietary trading in currencies.
d. Processing of Deals, Account, reconciliation etc

Ans - d
....

When the local currency is variable, it is called as ......

a. Direct Quote
b. Home Currency
c. Price Quotations
d. All the above

Ans - d
....

Article 28 of UCP 600 deals with ......

a. Commercial invoice

b. Transport documents
c. Insurance documents
d. Disclaimers

Ans - c
....

When Nostro account of the bank is credited before the payment to the tenderer of foreign exchange, which of the following rates will not be applied? (i) TT Buying Rate, (ii) Bills Buying Rate, (iii) TT Selling Rate

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

Ans - c
....

Treasury in the normal course will manage

a. All funds raised through deposits
b. ALM book, Merchant book and Trading book
c. Liquidity
d. All deployment of funds through advances

Ans - b
....

What is the important operational feature of integrated treasury ?

a. Having a common dealing room
b. Having a common Mid/back offices
c. Looking for interest arbitrage across currency markets and be in a position to shift swiftly, a placement in Rupee denominated commercial paper to lending in USD in global interbank market and also being to source funds in global markets and swap the funds into domestic currency or vice versa, depending on market opportunities
d. All the above

Ans - d
....

Where the currency rate is not directly available for a particular currency and has to be worked out indirectly through some other currency, it is called ......

a. Direct Rate
b. Indirect Rate
c. Cross Rate
d. Spot cum Forward Rate

Ans - c
....

Which act relating to foreign exchange has replaced earlier one ?

a. Foreign Exchange Management Act
b. Foreign Exchange Regulation Act
c. Both the above
d. None of these

Ans - a
....

Pre shipment finance in foreign currency is called ......

a. EBRD
b. EEFC
c. PSEF
d. PCFC

Ans - d
....

Value at risk(VaR) is a statistical measure to capture

a. Actual loss in portfolio
b. Probable loss in a portfolio within a time horizon at a given confidence level
c. Loss or profit in a trading activity
d. Operational risk in treasury

Ans - b
....

Yield and price of a bond move

a. In inverse proportion

b. In direct proportion
c. In unrelated fashion
d. As determined by bond issuer

Ans - a
....

Globalization refers to

a. Full convertibility of all currencies in the world
b. Removal of all trade barriers in the world
c. The process of integrating domestic market with global markets, characterized by free capital flows and minimum regulatory intervention
d. Fixed rate of exchange for all currencies of the world

Ans - c
....

For the organization point of view treasury is considered to be ......

a. Investment centre
b. Fund management department
c. service centre
d. commercial bank

Ans - c
....

Why exchange rate for purchase or sale of foreign currency are most unfavourable? (i) Holding cost of currency is high, (ii) Bank does not get any exchange commission

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - a
....

Risk mitigation results in

1. Reduction of downside potential
2. Reduction in profit potential

Which of the following is True?

a. All the statements are correct
b. Statement 1 is correct
c. Statement 2 is correct
d. Both are incorrect

Ans - a
....

An 8-year 8% semi-annual bond has a BPV of Rs 125. The yield on the bond has increased by 5 basis points. What is the profit or loss suffered due to increase in yield?

a. A profit of Rs 1000
b. A profit of Rs 625
c. A loss of Rs 1000
d. A loss of Rs 625

Ans - d
....

1 day VaR of a portfolio is Rs 500.000 with 95% confidence level. In a period of six months (125 working days) how many times the loss on the portfolio may exceed Rs 500.000?

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

Ans - c
....

When mismatched is created in assets and liabilities on account of forward purchase and sales, borrowing and lending,such mismatch is called:

a. liquidity Risk
b. Mismatch Risk
c. Gap Risk
d. Movement Risk

Ans - a
....

Daily volatility of a stock is 0.5%. What is its 10-day volatility?

a. 5%
b. 0.25%
c. 1.58%
d. None of these

Ans - c

....

Select the incorrect sentence / sentences from the following:

1. In direct quotes, local currency is variable.
2. In direct quotes, local currency is fixed.
3. In indirect quotes, local currency is variable.
4. In indirect quotes, local currency is fixed.

a) 1 and 2
b) 1 and 3
c) 2 and 3
d) 2 and 4

Ans - c

....

Which of the following risk is managed at Unit level?

a. Interest Rate Risk
b. Operational Risk
c. Liquidity Risk
d. None of these

Ans - d

....

Forex Risk can be reduced by ......

a. Entering into Forward Contracts
b. Futures
c. Derivatives of Interest Rate Swaps
d. Both a and b

Ans - d

....

Goods exported to warehouse established outside India, for sale in other countries, is realised in a maximum time of ...... months from the date of exports.

a. 3
b. 6
c. 12
d. 15

Ans - d
....

Under Supervisory Review Process, a bank would be called "outlier" if the bank is under ...... basis point interest rate shock and faces reduction in capital by ......% or more.

a. 100, 10
b. 100, 20
c. 200, 10
d. 200, 20

Ans - d
....

In which method of calculating VaR, the user doesn't have to make assumptions about correlation and dynamics of the risk factors because the simulation follows every historical move?

a. historical simulation method
b. monte carlo simulation method
c. correlation method
d. none of these

Ans - a
....

Ability of a business concern to borrow or build up assets on the basis of a given capital is called...

a. DSCR
b. good will
c. reputation
d. Leverage

Ans - d
....

Treasury in the normal course will manage ......

a. All funds raised through deposits
b. ALM book, Merchant book and Trading book
c. Liquidity
d. All deployment of funds through advances

Ans - b
....

For longer periods, VaR can be calculated as ______, where 'n' is the period for which VaR is required.

a. overnight VaR + n
b. overnight VaR * n
c. overnight VaR + vn
d. overnight VaR * vn

Ans - d
....

Verification and settlement of the deals concluded by the dealers is performed by ......

a. front office
b. Treasury administration
c. Risk management
d. none of these

Ans - b
....

Which of the following is not a macro-economic factor?

a. GDP growth rate
b. stock markets and commodity markets
c. relative inflation
d. none of these

Ans - d
....

In which method of calculating VaR, the user has to make assumptions about market structure, correlations between risk factors and volatility of these factors?

a. historical simulation method

b. monte carlo simulation method
c. correlation method
d. none of these

Ans - b
....

If an export bill is not realised within the time limit prescribed by RBI, the exporter can apply to AD for extension of time in ...... form.

a. SDF
b. Softex
c. ETX
d. XOS

Ans - c
....

For attaining a comparison or ratio between two quantities that are linked together through another and consist of a series of equations, which of the following is used:

a. Chain Rule
b. Per Cent
c. Per Mile
d. Value Rule

Ans - a
....

In india export trade is regulated by the ......

a. EXIM Bank
b. FEDAI
c. BCBS
d. DGFT

Ans - d
....

Date on which the option is automatically exercised is called as ......

a. Last date
b. Expiry date
c. Maturity date

d. Final date

Ans - c

....

SBI account with citi bank in New Jersey in US $ is called as ...... account.

a. NOSTRO
b. VOSTRO
c. LORO
d. Mirror

Ans - a

....

In terms of article 3 of UCP 600, if nothing is mentioned, LC will be treated as what type of LC?

a. Revocable LC
b. Irrevocable LC
c. Confirmed LC
d. Back to back LC

Ans - b

....

A bank holds a security that is rated A+. The rating of the security migrates to A. What is the risk that the bank has faced?

a. Market risk
b. Market liquidation risk
c. Operational risk
d. Credit risk

Ans - d

....

Which is not an approach to measure Operational Risk?

a. Basic Indicator Approach
b. Standardized approach
c. IRB Foundation approach
d. Advanced Measurement approach

Ans - c

Exchange rates ......

a. are always fixed
b. fluctuate to equate the quantity of foreign exchange demanded with the quantity supplied
c. fluctuate to equate imports and exports
d. fluctuate to equate rates of interest in various countries

Ans - b

....

Interest Rate Parity (IRP) implies that ......

a. Interest rates should change by an equal amount but in the opposite direction to the difference in inflation rates between two countries
b. The difference in interest rates in different currencies for securities of similar risk and maturity should be consistent with the forward rate discount or premium for the foreign currency
c. The interest rates between two countries start in equilibrium, any change in the differential rate of inflation between the two countries tends to be offset over the long-term by an equal but opposite change in the spot exchange rate
d. In the long run real interest rate between two countries will be equal e) Nominal interest rates in each country are equal to the required real rate plus compensation for expected inflation

Ans - b

....

The forward market is especially well-suited to offer hedging protection against ......

a. translation risk exposure
b. transactions risk exposure
c. political risk exposure
d. taxation

Ans - c

....

The following method cannot be used for managing translation exposure ......

a. Forward contract
b. Option contract
c. Exposure netting
d. Leading and lagging

Ans - b

....

India's foreign exchange rate system is?

a. Free float
b. Managed float
c. Fixed
d. Fixed target of band

Ans - b
....

An option at-the-money when ......

a. The strike price is greater than the spot price, in the case of a call option
b. The strike price is greater than spot price, in the case of a put option
c. The option has a ready market
d. The strike price and the spot price are the same

Ans - d
....

Which of the following business lines include 'Government debts' activity of banks in terms of Revised framework from BCBS?

a. Asset Management
b. Private Banking
c. Corporate Finance
d. None of These

Ans - c
....

Which of the following business lines include 'Securities lending' activity of banks in terms of Revised framework from BCBS?

a. Asset Management
b. Private Banking
c. Corporate Finance
d. Agency Services

Ans - d
....

Reinvestment risk is a type of ......

a. Interest Rate Risk
b. Operational Risk
c. Market Risk
d. Credit Risk

Ans - a
....

Credit rating together with their respective default probabilities help us to estimate ......

a. Expected losses
b. Unexpected losses
c. Both a and b
d. Neither a nor b

Ans - c
....

Concentration risk is a type of ......

a. Liquidity Risk
b. Operational Risk
c. Market Risk
d. Credit Risk

Ans - d
....

Banks experience decrease in ‘Embedded Option Risk’ ......

a. Only when interest rates changes marginally
b. Only when Interest rates move up
c. Only when Interest rates comes down
d. Only when Interest rates are volatile

Ans - a
....

Credit rating models seek to ......

a. Differentiate borrowers based on their financial strength
b. Differentiate borrowers based on their past performance

c. Differentiate borrowers' credit worthiness
d. Differentiate borrowers based on degree of stability in revenue generation

Ans - d

....

Call risk is a type of ......

a. Liquidity Risk
b. Operational Risk
c. Market Risk
d. Credit Risk

Ans - a

....

Risk mitigation involves all but which of the following ......

a. Developing system standards (policies, procedures, responsibility standards)
b. Obtaining insurance against loss
c. Identification of project risks
d. Performing contingent planning

Ans - c

....

In the context of credit appialsal process Grid' means ......

a. Multi-tier credit approving system
b. A committee set up for the purpose of approving credit
c. The network of MIS that supports credit sanction process
d. None of these

Ans - b

....

Strategic rsk is a type of ......

a. Operational Risk
b. Market Risk
c. Credit Risk
d. None of these

Ans - d

Interbank rate US Dollar

Spot USD 1 = Rs. 65.2000/2575
1 Month 3500/3600
2 Months 5500/5600
3 Months 8500/8600
4 Months 1.1500/1.1600
5 Months 1.3500/1.3600
6 Months 1.5500/1.6600
Transit period is 25 Days. All forward Rates are for Fixed Delivery Exchange Margin is 0.10%.

From the above information, calculate :

1. Ready Bill Buying Rate

a. 65.1350
b. 65.1850
c. 65.2350
d. 66.2825

Ans - a

2. 2 Months Forward Buying Rate for Demand Bill

a. 65.6350
b. 65.6850
c. 65.7350
d. 66.7825

Ans - b

3. 3 Months Forward Buying Rate for Demand Bill

a. 65.5350
b. 65.6850
c. 65.7850
d. 65.9850

Ans - d

4. 4 Months Forward Buying Rate for Demand Bill

a. 65.2375
b. 65.7375

c. 66.2825
d. 66.5825

Ans - c

5. Ready Rate for 60 Days Usance Bill

a. 65.6350
b. 65.6850
c. 65.7350
d. 66.7825

Ans - b

6. 2 Months Forward Buying Rate for 60 Days Usance Bill

a. 65.2375
b. 65.7375
c. 66.2825
d. 66.5825

Ans - c

7. 1 Month Forward Buying Rate for 30 Days Usance Bill

a. 65.6350
b. 65.6850
c. 65.7350
d. 66.7825

Ans - b

8. 2 Months Forward Buying Rate for 30 Days Usance Bill

a. 65.5350
b. 65.6850
c. 65.7850
d. 65.9850

Ans - d

Solution :

1. Ready Bill buying Rate

Dollar / Rupee market spot buying rate = Rs. 65.2000
Less: Exchange margin at 0.10% On Rs. 65.2000 = Rs. 0.06520
= 65.2000 - 0.06520
= Rs. 65.13480

Rounded off to nearest multiple of 0.0025, the rate quoted for ready bill buying is Rs. 65.1350

2. 2 Months Forward Buying Rate
Dollar / Rupee (market) spot buying rate = Rs. 65.2000
Add: Forward premium for 2 months (Transit period 25 days and Forward period 2 months, Rounded off to lower month)
= 65.2000 + 0.55000
= Rs. 65.7500

Less: Exchange margin at 0.10% On Rs. 65.7500 = Rs. 0.06575
= 65.7500 - 0.06575
= Rs. 65.68425

Rounded off, the rate quoted for 2 months forward purchase of dollar bill is Rs. 65.6850

3. 3 Months Forward Buying Rate
Dollar / Rupee (market) spot buying rate = Rs. 65.2000
Add: Forward premium for 3 months (Transit period 25 days and Forward period 2 months, Rounded off to lower month)
= 65.2000 + 0.85000
= Rs. 66.0500

Less: Exchange margin at 0.10% On Rs. 66.0500 = Rs. 0.06605
= 66.0500 - 0.06605
= Rs. 65.98395

Rounded off, the rate quoted for 2 months forward purchase of dollar bill is Rs. 65.9850

4. 4 Months Forward Buying Rate
Dollar / Rupee (market) spot buying rate = Rs. 65.2000
Add: Forward premium for 4 months (Transit period 25 days and Forward period 2 months, Rounded off to lower month)
= 65.2000 + 1.15000
= Rs. 66.3500

Less: Exchange margin at 0.10% On Rs. 66.3500 = Rs. 0.06635
= 66.3500 - 0.06635
= Rs. 66.28365

Rounded off, the rate quoted for 2 months forward purchase of dollar bill is Rs. 66.2825

5. Ready Rate for 60 Days Usance Bill
Dollar / Rupee (market) spot buying rate = Rs. 65.2000
Add: Forward premium for 2 months (Transit period 25 days And forward period 2 months, Rounded off to lower month)
= 65.2000 + 0.55000
= Rs. 65.7500

Less: Exchange margin at 0.10% On Rs. 65.7500 = Rs. 0.06575
= 65.7500 - 0.06575
= Rs. 65.68425

Rounded off, the rate quoted for 2 months forward purchase of dollar bill is Rs. 65.6850

6. 2 Months forward rate for 60 days bill
Dollar / Rupee (market) spot buying rate = Rs. 65.2000
Add: Forward premium for 4 months (Transit period 25 days and Forward period 2 months, rounded Off to lower month)
= 65.2000 + 1.15000
= Rs. 66.3500

Less: Exchange margin at 0.10% On Rs. 66.3500 = Rs. 0.06635
= 66.3500 - 0.06635
= Rs. 66.28365

Rounded off, the rate quoted for 2 months forward purchase of dollar bill is Rs. 66.2825

7. 1 Months forward rate for 30 days bill
Dollar / Rupee (market) spot buying rate = Rs. 65.2000
Add: Forward premium for 2 months (Transit period 25 days And forward period 1 month, Rounded off to lower month)
= 65.2000 + 0.55000
= Rs. 65.7500

Less: Exchange margin at 0.10% On Rs. 65.7500 = Rs. 0.06575
= 65.7500 - 0.06575
= Rs. 65.68425

Rounded off, the rate quoted for 2 months forward purchase of dollar bill is Rs. 65.6850

8. 2 Months forward rate for 30 days bill
Dollar / Rupee (market) spot buying rate = Rs. 65.2000

Add: Forward premium for 3 months (Transit period 25 days and Forward period 2 months, rounded Off to lower month)
= 65.2000 + 0.85000
= Rs. 66.0500

Less: Exchange margin at 0.10% On Rs. 66.0500 = Rs. 0.06605
= 66.0500 - 0.06605
= Rs. 65.98395

Rounded off, the rate quoted for 2 months forward purchase of dollar bill is Rs. 65.9850
....

Prudential limit on 'Single Credit Exposure' serves the purpose of ......

a. Keeping a limit on the default loss per account
b. Reducing concentration risk
c. Reducing systematic risk
d. Avoiding concentratson of resources in fewer hands

Ans - b
....

A Government of India 10 year bond is held in AFS category. This is an exposure that may be grouped under ......

a. Banking book exposure
b. Trading book exposure
c. Off balance sheet exposure
d. Contingent exposure

Ans - b
....

A letter of credit issued by a bank for? 10 crs devolves and is paid by the bank. The resultant exposure would not have ......

a. Default risk
b. Interest rate risk
c. Liquidity risk
d. Market risk

Ans - d
....

A 9 month loan with interest linked to 91 days T-bill rate and reset date every alternate Monday is an exposure that may be grouped under ......

a. Banking book exposure
b. Trading book exposure
c. Off balance sheet exposure
d. Contingent exposure

Ans - a

....

Poor quality of compliance with regulatory requirements results in ......

a. Reputation risk
b. Strategic risk
c. Operational risk
d. None of these

Ans - c

....

Mitigating risk could involve ......

a. identifying risks, obtaining insurance and developing alternatives
b. developing standards, buying insurance, and planning for contingencies and alternatives
c. re-scoping the project and reassessing requirements
d. b and c

Ans - d

....

Say Mr. X takes a position in stock 'A' and tells his Boss that he purchased 1,000 shares of stock 'A' at 650 per share. The price is expected to fluctuate 3% daily (daily volatility figure estimated from past data). He estimates daily potential loss to be 42,500 approximately. The market factor sensitivity is ......

a. 19,500
b. 6,500
c. 42,500
d. 6,50,000

Ans - b

....

Balance sheet of a bank provides the following information:

Total advances Rs 50000cr, Gross NPA 10% and Net NPA 3%, Based on this information, answer the following questions?

1. What is the amount of gross NPA?

a. Rs 4000cr
b. Rs 4500cr
c. Rs 5000cr
d. Rs 5500cr

2. What is the amount of net NPA?

a. Rs 1000cr
b. RS 1200cr
c. Rs 1500cr
d. Rs 1800cr

3. What is the amount of provision for standard loans, if all the standard loan account represent general advance?

a. Rs 150cr
b. Rs 160cr
c. Rs 180cr
d. Rs 200cr

4. What is the provision on NPA accounts?

a. Rs 3000cr
b. RS 3500cr
c. Rs 4500cr
d. Rs 5000cr

5. What is the total amount of provisions on total advances, including the standard accounts?

a. Rs 3500cr
b. Rs 3680cr
c. Rs 4000cr
d. Rs 4200cr

6. What is the minimum amount of provision to be maintained to meet the PCR of 70%?

a. Rs 3500cr

b. Rs 3680cr
c. Rs 4000cr
d. Rs 4200cr

7. What is the amount of provision for standard loans, if all the standard loan account represent direct advances to agricultural?

a. Rs 90cr
b. Rs 112.5cr
c. Rs 135cr
d. Rs 180cr

8. What is the amount of provision for standard loans, if all the standard loan account represent advances to SMEs sectors?

a. Rs 90cr
b. Rs 112.5cr
c. Rs 135cr
d. Rs 180cr

9. What is the amount of provision for standard loans, if all the standard loan account represent advances to CRE sectors?

a. Rs 112.5cr
b. Rs 180cr
c. Rs 337.5cr
d. Rs 450cr

10. What is the amount of provision for standard loans, if all the standard loan account represent advances to CRE-RH sectors?

a. Rs 112.5cr
b. Rs 180cr
c. Rs 337.5cr
d. Rs 450cr

Solution :

1. c
Gross NPA
= 50000 x 10 %
= 5000 Cr

2. c

Net NPA
= 50000 x 3 %
= 1500 Cr

3. c
Stadard Accounts
= Total advances - Gross NPA
= 50000 - (50000 x 10%)
= 50000 - 5000
= 45000

Provision for standard loans (general advance)
= 0.4%
= 45000 x 0.4%
= 180 Cr

4. b
Provision of NPA
= (Gross NPA - Net NPa. x Total Advances
= (10% - 3%) x 50000
= 7% x 50000
= 3500 Cr

5. b
Provision on Total Advances
= Provision of NPA + Provision for standard loans
= 3500 + 180
= 3680 Cr

6. a
Minimum amount of provision to be maintained to meet the PCR of 70%
= Gross NPA x PCR
= 5000 x 70%
= 3500 Cr

7. b
Stadard Accounts
= Total advances - Gross NPA
= 50000 - (50000 x 10%)
= 50000 - 5000
= 45000

Provision for standard loans (direct advances to agricultural)
= 0.25%

= 45000 x 0.25%
= 112.5 Cr

8. b
Stadard Accounts
= Total advances - Gross NPA
= 50000 - (50000 x 10%)
= 50000 - 5000
= 45000

Provision for standard loans (SMEs Sector)
= 0.25%
= 45000 x 0.25%
= 112.5 Cr

9. d
Stadard Accounts
= Total advances - Gross NPA
= 50000 - (50000 x 10%)
= 50000 - 5000
= 45000

Provision for standard loans (Commercial Real Estate (CRE) Sector)
= 1%
= 45000 x 1%
= 450 Cr

10. c
Stadard Accounts
= Total advances - Gross NPA
= 50000 - (50000 x 10%)
= 50000 - 5000
= 45000

Provision for standard loans (Commercial Real Estate (CRE) Sector)
= 0.75%
= 45000 x 0.75%
= 337.5 Cr

SME - Small and Micro Enterprises
CRE - Commercial Real Estate (CRE) Sector
CRE - RH - Commercial Real Estate – Residential Housing Sector (CRE - RH)
………………………………………

'Herstatt Risk' is ......

a. Default in making payment by banks to its customers
b. Default in making payment by a banks to another bank
c. Risk of settlement between banks that may arise due to time difference
d. Risk of losses that may be incurred by banks in forex trade

Ans - c

Information on credit portfolio rating distribution helps ......

a. In identification of credit weaknesses in advance
b. Estimating possible defaults
c. Estimating provisioning requirement
d. All of these

Ans - d

Active credit portfolio management involves ......

a. Continuous monitoring of portfolio constitnts
b. Managing credit portfolio for low defaults
c. Managing credit portfolio for higher returns
d. managing credit portfolio to keep up with the dynamics of the economy

Ans - d

Deregulation in banking industry did not result in ......

a. Allowing the banks to function freely without any restrictions
b. Increased competition
c. Globalisation
d. Improved efficiency in the functioning of banks

Ans - a

How forward rates are calculated?

a. By adding a mark up to spot rates
b. By adding premium or discount to spot rates

c. By deducting premium or discount from spot rates
d. By adding premium to and deducting discount from spot rates

Ans - d

....

Mr. Raj purchases a call option for 500 shares of A with strike price of Rs. 140 having maturity after 03 months at a premium of Rs. 40. On maturity, shares of A were priced at Rs. 180. Taking interest cost @ 12% p.a. What is the profit/lost for the individual on the transaction?

a. Profit of Rs. 20000
b. Profit of Rs. 600
c. Loss of Rs. 20600
d. Loss of Rs. 600

Ans - d

Explanation.

This is call option, so it is assumed that,

He will purchase 500 shares of A at a price of 140
Total value of shares is = 70000

Then he will sell the total shares in the market at a price of 180.
500 × 180 = 90000
So profit of 20000 in the transaction. .

But he has to pay the premium for call options.
Which is 40 × 500 = 20000

And the fund interest cost will be, 12% p.a. So for 03 months 12/4=3%)
= 20000 × 3/100 = 600

Total premium + premium cost
= 20000 + 600
= 20600

In total,
= 20000 - 20600
= - 600

....

Which is not an approach to measure Credit Risk?

a. Basic Indicator Approach
b. Standardized approach
c. IRB (Internal Rating Based. Foundation approach
d. IRB (Internal Rating Based. Advanced approach

Ans - a

....

Premature closing of a deposit will result in interest rate risk of type ...... (i) Yield curve Risk, (ii) Embedded Option Risk

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - b

....

ABC bank suffers loss due to adverse market movement of a security. The security was held beyond the defeasance period. What is the type of the risk that the bank has suffered? (i) Operational Risk, (ii) Market Liquidation Risk

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - a

....

Identify which of the following sentences is correct.

a. Adverse deviations of prices are lower in poor -liquidity environment
b. Adverse deviations of prices are higher in poor-liquidity environment
c. Adverse deviations of prices are higher when liquidity environment is good
d. Adverse deviations of prices are independent of liquidity environment

Ans - b

....

International Bank has provided the following information relating to its advance portfolio as on Mar 31, 2015:

Total advances Rs.40000 cr. Gross NPA 9% and Net NPA 2%. Based on this information, answer the following questions?

01. Considering that all the standard loan accounts represent general advances, what is the amount of provision for standard loan accounts:

a) Rs.160 cr
b) Rs.151.90 cr
c) Rs.145.60 cr
d) Rs.141.50 cr

02. What is the provision on NPA accounts?

a) Rs.3600 cr
b) Rs.3200 cr
c) Rs.2800 cr
d) Incomplete information. Cannot be calculated.

03. What is the total amount of provisions on total advances,including the standard accounts?

a) Rs:3612.30 cr
b) Rs.2945.60 cr
c) Rs.2840.20 cr
d) Incomplete information. Cannot be calculated.

04. What is the amount of gross NPA ?

a) Rs.4000 cr
b) Rs.3600 cr
c) Rs.3200 cr
d) Rs.2800 cr

05. What is the amount of net NPA?

a) Rs.800 cr
b) Rs.1000 cr
c) Rs.1200 cr
d) Incomplete information.

06. What is the provision coverage ratio for NPA?

a) 70%
b) 74.3%
c) 75.2%
d) 77.8%

07. What is the minimum amount of provisions to be maintained by the bank to meet the provisioning coverage ratio of 70%?

a) Rs.3600 cr
b) Rs.3200 cr
c) Rs.2880 cr
d) Rs.2520 cr

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

Explanations:

Que-1: Standard account Total = 40000 cr — 9% NPA = 3600 cr. = 40000 — 3600 = 36400 cr. Provision at 0.4% = 36400 x 0.4% = 145.60 cr

Que-2: Provision on NPA = Gross NPA 9% - net NPA 2% = 7% i.e. 40000 x 7% = 2800 cr.

Que-3: Provision on NPA = Gross NPA 9% - net NPA 2% = 7% i.e. 0000 x 7% = 2800 cr. Provision on standard accounts Rs.145.60 cr. Hence total provision = 2945.60 cr.

Que - 4 : 40000 x 9% = 3600 cr

Que - 5 : 40000 X 2% = 800 cr

Que - 6 : Total provision on NPA / Gross NPA = 2800/3600 = 77.8%

Que - 7 : Gross NPA x 70% = 3600 x 70% = 2520 cr
....

In India, exchange rates are not decided by ...... (i) RBI, (ii) FEDAI, (iii) Market forces

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

Ans - a

In a rising interest rate scenario, the risk of erosion of Nil is on account of

a. Advances with floating rate of interest and deposits with fixed rate of interest
b. Deposits with floating rates and advances with fixed rates
c. Deposits with floating rates and advances with floating rates
d. Deposits with fixed rates and advances with fixed rates

Ans - b
....

The participants in the derivatives market generally exchange the following agreement

a. IFEMA
b. ICON
c. ISDA
d. A stamped agreement devised by respective banks

Ans - c
....

Credit derivatives segregate from the assets through instruments known as and transfer the risk from the owner to another person who is in a position to absorb the credit risk for

a. The bad assets, NPAs, commission
b. The credit risk, credit default swaps, a fee
c. Income, warrants, consideration
d. Good assets, securitization, discount

Ans - b
....

...... is the possibility of a major bank failing and the resultant losses to counter parties reverberating into a banking crisis.

a. Sovereign risk
b. Country risk
c. Legal risk
d. Systematic risk

Ans - d
....

An advance of Rs. 400000/- has been declared sub standard on 31/05/2015. It is covered by securities with realizable value of Rs. 250000/-.

What will be the total provision in the account as on 31/03/2015?

a. 150000
b. 75000
c. 55000
d. 50000

Ans - b

Explanation :
Sub standard assets will attract provision of 15 % for secured portion and 25 % for unsecured portion. Please refer

"http://rbidocs.rbi.org.in/rdocs/notification/PDFs/62MCIRAC290613.pdf"
Page - 25, Para – 5.4. So,

= 15% of 250000 + 25% of of 150000
= 37500 + 37500
= 75000
....

Forex Operations do not include ......

a. Forex Dealer
b. Forex Office
c. Back Office
d. Mid Office

Ans - b
....

Risk which arises out of adverse movement of market variables when the players are unable to exit the positions quickly is called as ......

a. Exchange Risk
b. Operational Risk
c. Market Risk
d. Legal Risk

Ans - c
....

Which of the following is True?

a. All the statements are correct
b. Statements 1 and 2 are correct
c. Statements 2 and 3 are correct
d. Statements 3 and 1 are correct

Ans - d

....

A bank expects fall in price of a security if it sells it in the market. What is the risk that the bank is facing?

a. Market risk
b. Operational risk
c. Asset liquidation risk
d. Market liquidity risk

Ans - c

....

An 8-year 8% semi-annual bond has a BPV of Rs 12The yield on the bond has increased 5 basis points. What is the profit or loss suffered due to increase in yield?

a. A profit of Rs 1000
b. A profit of Rs 625
c. A loss of Rs 1000
d. A loss of Rs 625

Ans - d

....

If a company revaluates its fixed assets, the current ratio of the company will:

a. Improve if assets are revalued upward
b. Remain unaffected
c. Improve if assets are revalued downwards
c. Undergo change only if liabilities are remaining constant

Ans - b

....

What is the normal balance for liability accounts?

a. Debit

b. Credit
c. Either a or b
d. None of these

Ans - b

A financial institution buys a specified no of futures at NSE on a stock Rs 100 each when spot price of the stocks Rs 110. At the maturity of the contract the FI takes delivery of the shares. During the period, the spot price of the stock decreases by Rs 3. What is the acquisition cost to the FI per share?

a. Rs. 107
b. Rs. 103
c. Rs. 100
d. Rs. 97

Ans - c

The most important and well pronounced risk in treasury is

a. Credit risk
b. Liquidity risk
c. Market risk
d. Embedded option risk

Ans - c

Value at risk(VaR) is a statistical measure to capture

a. Actual loss in portfolio
b. Probable loss in a portfolio within a time horizon at a given confidence level
c. Loss or profit in a trading activity
d. Operational risk in treasury

Ans - b

Yield and price of a bond move

a. Inb inverse proportion
c. In unrelated fashion
b. In direct proportion

d. As determined by bond issuer

Ans - a

....

In case of free currencies, forward premium or discount is exactly equal to the difference between

a. Risk-free interest rates of the two currencies
b. Inflation rates in both the countries
c. Spot rate and Tom rate
d. LIBOR and RBI reference rate

Ans - a

....

A put option is in the money (ITM) if

a. the strike price is less than market price
b. the strike price is more than the market price
c. the market price is equal to the strike price
d. a put option can never be in the money

Ans - b

....

In a rising interest rate scenario, the risk of erosion of Nil is on account of

a. Advances with floating rate of interest and deposits with fixed rate of interest
b. Deposits with floating rates and advances with fixed rates
c. Deposits with floating rates and advances with floating rates
d. Deposits with fixed rates and advances with fixed rates

Ans - b

....

The participants in the derivatives market generally exchange the following agreement

a. IFEMA
b. ICON
c. ISDA
d. A stamped agreement devised by respective banks

Ans - c

....

Spot dealing in FX market means:

a. Delivery of funds is on the 30th working day from the date of deal.
b. Delivery of funds is on the second working day from the date of deal.
c. Delivery of funds is next date from the date of deal
d. Delivery of funds is one week after the date of deal.

Ans - b
....

The rate at which the quoting bank is ready to sell the currency is called

a. Bid rate
b. Offer Rate
c. TT Buying Rate
d. Swap rate

Ans - b
....

Crystallisation of export bills is to be done:

a. On the 10th day from the due date of the bills.
b. Before the due date
c. On the 30th day from the notional due date / actual due date
d. On the due date itself

Ans - c
....

Back to Back LC is

a. LC opened on the backing of an Export order
b. LC opened on the backing of an Import Order
c. LC opened on the backing of an Export LC
d. LC opened on the backing of an Import LC..

Ans - c
....

License to deal in foreign exchange to authorized dealers is issued

a. DGFT
b. FEDAI

c. RBI
d. EXIM Bank

Ans - c
....

Import licences are normally issued for the .... of the goods to be imported

a. FAS
b. CIF
c. FOB
d. EX-SHIP

Ans - b
....

If daily volatility of the exchange rate of a particular o currency were 0.75%, its fortnight volatility would be around

a. 3.75%
b. 2.25%
c. 2.80%
d. 7.5%

Ans - c
....

The profit and lose figures of a bank for the last 4 financial years are given below. Based on these figures the amount of the capital to be provided for operational risk will be

31.03.12 : Rs 245 crore
31.03.13 : RS 135 crores
31.03.14 : loss of Rs 20 crores
31.03.15 : Rs 160 crores

a. 18
b. 24
c. 27
d. 36

Ans - c
....

IEC number is allotted to exporter / importer by :

a. RBI
b. DGFT
c. Customs Authorities
d. both a & B

Ans - b
....

Given that GBP / USD 1.5850/60, USD/INR 47.09/12, TT margin 0.15% , ignore cash discount / premium, at what rate can be GBP be bought in the market

a. Rs 74.6376
b. Rs 74.7496
c. Rs 74.7323
d. Rs 74.5727

Ans - d
....

Country Risk is also a type of ..... risk

a. market
b. transaction
c. credit
d. Operational

Ans - c
....

Funding Risk arise due to

a. Swap and option
b. Temporary problems in recovery
c. Standard assets becoming NPAs
d. systemic

Ans - a
....

How many Diamond Dollar account can an exporter maintain ?

a. 1

b. 2
c. 5
d. 7

Ans - c

....

what is the recommended capital charge for Operational Risk under Basic Indicator Approach ?

a. 15% of average annual income
b. 15 % of previous 3 years average annual income
c. 15 % of previous 3 years average positive annual income
d. 15 % of previous 3 years average annual gross income

Ans - c

....

CBLO, a money market instrument was launched by

a. RBI
b. SEBI
c. FIMMDA
d. CCIL

Ans - d

....

SBI maintains Us dollar account with bank of America in Newyork and when it conducts transactions this account , it passes entries in its books at Mumbai through which of the following accounts?

a. NOSTRO
b. VOSTRO
c. LORO
d. MIRROR

Ans - d

....

The office created exclusively to provide information to the management and implement risk management systems is knows

a. Front Office
b. mid – office
c. Back office

d. Sensitised Office

Ans - c

....

Interest on reinvestment plan under FCNR b. is compounded on Basis.

a. monthly
b. daily
c. quarterly
d. half yearly

Ans - d

....

The overall responsibility for risk management in a bank vests with

a. Board of Directors
b. Risk management committee
c. credit policy committee
d. ALCO

Ans - a

....

Under UCPDC, 2007, in the absence of clears stipulation, the minimum amount for which insurance document must indicate the Insurance cover would be

a. 110% of CIF or CIP value
b. 110% of FOB value
c. 100% of FOB value
d. 100 CIF or CIP value

Ans - a

....

Exchange Fluctuation Risk Of ECGC covers

a. all export payment up to 6 month
b. 100% exchange fluctuation of Indian exporters
c. exchange fluctuation above 2% and up to 50% only
d. exchange fluctuation above 2 %and up to 35% only

Ans - d

The model that combines 5 financial ratios using accounting information and equity values to produce an objective measure of borrowers Financial health is ……

a. credit metrics
b. Credit Risk
c. Atman's Z Score
d. None of these

Ans - c
……………………………………

The guarantees given by ECGC. to cover loss on advances for incentives receivable by exporters at pre-shipment stage, is called;

a. Post-Shipment Export Credit Guarantee
b. Packing Credit Guarantee
c. Export Production Finance Guarantee
d. Export Finance Guarantee

Ans - c
……………………………………

Which of the following statements is not correct regarding Basel 3 implementation in India:

a. minimum tier 1 capital ratio should be 8%
b. tier 2 capital should be maximum 2%
c. minimum total capital ratio should be 9%
d. minimum total capital ratio plus capital conservation ratio should be 11.5%

Ans - a
……………………………………

When the strike price is below the spot price for the call option, the option is ......

a. at the money
b. out of money
c. in the money
d. any of the above

Ans - d
……………………………………

SBI account with citi bank in New Jersey in US $, for citi bank is called as ...... account.

a. NOSTRO
b. VOSTRO
c. LORO
d. Mirror

Ans - b
....

Export credit in India is guaranteed by ......

a. RBI
b. Government
c. SEBI
d. ECGC

Ans - d
....

XYZ Bank's foreign correspondent maintaining a Nostro Rupee account with XYZ bank, wants to fund his account by purchase of Rs. 10.00 million, against US dollars. Assuming that the USD/INR interbank market is at 56.2380/2420, what rate would be quoted to the correspondent, ignoring exchange margin?

a. 56.2380
b. 56.2400
c. 56.2420
d. 56.2425

Ans - a
....

SBI account with citi bank in New Jersey in US $, is used by BOB. For BOB this account is called as ...... account.

a. NOSTRO
b. VOSTRO
c. LORO
d. Mirror

Ans - c
....

An 8-year 8% semi-annual bond has a BPV of Rs 125. The yield on the bond has increased by 5 basis points. What is the profit or loss suffered due to increase in yield?

a. A profit of Rs 1000
c. A profit of Rs 625
b. A loss of Rs 1000
d. A loss of Rs 625

Ans - d
....

1 day VaR of a portfolio is Rs 500.000 with 95% confidence level. In a period of six months (125 working days) how many times the loss on the portfolio may exceed Rs 500.000?

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

Ans - b
....

A bank holds a security that is rated A+. The rating of the security migrates to A. What is the risk that the bank has faced?

a. Market risk
c. Market liquidation risk
b. Operational risk
d. Credit risk

Ans - d
....

A bond with remaining maturity of 5 years is presently yielding 6%. Its modified duration is 5 years. What is its McCauley's duration?

a. 5.05%
c. 5.30%
b. 3.77%
d. 6.00%

Ans - b
....

VaR is not enough to assess market risk of a portfolio. Stress testing is desirable because ......

a. It helps in calibrating VaR module
b. It helps as an additional risk measure
c. It helps in assessing risk due to abnormal movement of market parameters
d. It is used as VaR measure is not accurate enough

Ans - c
....

Given the following
Probability of occurrence = 4
Potential financial impact = 4
Impact of internal controls =5 0%
What is the estimated level of operational risk?

a. 3
b. 2
c. 0
d. 4

Ans - b
....

What is the beta factor for corporate finance under Standardised approach?

a. 15%
b. 18%
c. 12%
d. None of the above

Ans - b
....

Integrated Treasury in Banking set up refers to ......

a. Computerization of all bank branches
b. Computerization of all treasury operations
c. Centralization of all back office operations of forex branches
d. Integration of money market, securities market and foreign exchange operations

Ans - d
....

Treasury in the normal course will manage ......

a. All funds raised through deposits
b. All deployment of funds through advances
c. Liquidity
d. ALM book, Merchant book and Trading book

Ans - d

....

The value of the currency is decided by supply and demand factors for a particular currency in ____ rates mechanism.

a. Fixed
b. Floating
c. Both a and b
d. None of these

Ans - b

....

Balance sheet of a bank provides the following information:

sub-standard secured loans - Rs 1200cr
sub-standard unsecured loans - Rs 600cr
Doubtful loans (D-1, secured) - Rs 1000cr
Doubtful loans (D-1, unsecured) - Rs 500cr
Doubtful loans (D-2, secured) - Rs 800cr
Doubtful loans (D-2, unsecured) - Rs 1000cr
Doubtful loans (D-3, secured) - Rs 600cr
Doubtful loans (D-3, unsecured) - Rs 1000cr
Loss Assets - 100cr and
other assets - Rs 400cr

Fixed Assets - 1500cr
Investment in central Govt Securities - Rs 20000cr

In standard loan accounts

Housing Loans - RS 10000cr (Secured, below Rs 10 lac)
the Retail loan - Rs 8000cr
Other loans - Rs 12000cr

Answer the following questions, based on this information, by using standard Approach for credit risk.

1. What is the amount of RWAs for investment in govt securities?

a. Rs 5000cr
b. Rs 10000cr
c. Rs 15000cr
d. Nil

2. What is the amount of RWAs for sub-standard secured accounts?

a. Rs 600cr
b. Rs 1200cr
c. Rs 1800cr
d. Rs 2400cr

3. What is the amount of RWAs for sub-standard unsecured accounts?

a. Rs 600cr
b. Rs 1200cr
c. Rs 1800cr
d. Rs 2400cr

4. What is the amount of RWAs for doubtful (D-1, Secured) accounts?

a. Rs 500cr
b. Rs 1000cr
c. Rs 1500cr
d. Rs 2000cr

5. What is the amount of RWAs for doubtful (D-1, unSecured) accounts?

a. Rs 250cr
b. Rs 500cr
c. Rs 750cr
d. Rs 1000cr

6. What is the amount of RWAs for doubtful (D-2, Secured) accounts?

a. Rs 400cr
b. Rs 800cr
c. Rs 1000cr
d. Rs 1200cr

7. What is the amount of RWAs for doubtful (D-2, unSecured) accounts?

a. Rs 300cr
b. Rs 500cr
c. Rs 800cr
d. Rs 900cr

8. What is the amount of RWAs for doubtful (D-3, Secured) accounts?

a. Rs 300cr
b. Rs 500cr
c. Rs 800cr
d. Rs 900cr

9. What is the amount of RWAs for doubtful (D-3, Secured) accounts?

a. Rs 300cr
b. Rs 500cr
c. Rs 800cr
d. Rs 900cr

10. What is the amount of RWAs for retail loans?

a. 3000cr
b. 4000cr
c. 5000cr
d. 6000cr

11. What is the amount of RWAs for housing loans?

a. 3000cr
b. 4000cr
c. 5000cr
d. 6000cr

Solution :

1. d
RW against Govt Securities = 0 %

So, RWA
= 10000 x 0%
= 0 Cr

2. c
If the provision is less than 20 %, then RW is 150%
If the provision is 20-50 %, then RW is 100%
If the provision is more than 50 %, then RW is 50%

Provision in Sub-Standard Secured - 15 %, and so, RW = 150 %

So, RWA
= 1200 x 150 %
= 1800 Cr

3. a
If the provision is less than 20 %, then RW is 150%
If the provision is 20-49 %, then RW is 100%
If the provision is 50% or more, then RW is 50%

Provision in Sub-Standard Un-Secured - 25 %, and so, RW = 100 %

So, RWA
= 600 x 100 %
= 600 Cr

4. b
If the provision is less than 20 %, then RW is 150%
If the provision is 20-49 %, then RW is 100%
If the provision is 50% or more, then RW is 50%

Provision in doubtful (D-1, Secured) - 25 %, and so, RW = 100 %

So, RWA
= 1000 x 100 %
= 1000 Cr

5. a
If the provision is less than 20 %, then RW is 150%
If the provision is 20-49 %, then RW is 100%
If the provision is 50% or more, then RW is 50%

Provision in doubtful (D-1, unsecured) - 100 %, and so, RW = 50 %

So, RWA
= 500 x 50 %
= 250 Cr

6. b
If the provision is less than 20 %, then RW is 150%
If the provision is 20-49 %, then RW is 100%
If the provision is 50% or more, then RW is 50%

Provision in doubtful (D-2, Secured) - 40 %, and so, RW = 100 %

So, RWA
= 800 x 100 %
= 800 Cr

7. b
If the provision is less than 20 %, then RW is 150%
If the provision is 20-49 %, then RW is 100%
If the provision is 50% or more, then RW is 50%

Provision in doubtful (D-2, unsecured) - 100 %, and so, RW = 50 %

So, RWA
= 1000 x 50 %
= 500 Cr

8. a
If the provision is less than 20 %, then RW is 150%
If the provision is 20-49 %, then RW is 100%
If the provision is 50% or more, then RW is 50%

Provision in doubtful (D-3, Secured) - 100 %, and so, RW = 50 %

So, RWA
= 600 x 50 %
= 300 Cr

9. b
If the provision is less than 20 %, then RW is 150%
If the provision is 20-49 %, then RW is 100%
If the provision is 50% or more, then RW is 50%

Provision in doubtful (D-3, unsecured) - 100 %, and so, RW = 50 %

So, RWA
= 1000 x 50 %
= 500 Cr

10. d
RW on retail loans = 75 %

So, RWA
= 8000 x 75%
= 6000 Cr

11. c
RW on housing loans = 50 %

So, RWA
= 10000 x 50%
= 5000 Cr
....

Daily volatility of a stock is 0.5%. What is its 10-day volatility?

a. 5%
b. 0.25%
c. 1.58%
d. None of these

Ans - c
....

Bank funds its assets from a pool of composite liabilities. Apart from credit and operational risks, it faces

a. Basis risk
b. Mismatch risk
c. Market risk
d. Liquidity risk

Ans - a
....

Premature payment of a term loan will result in interest rate risk of type ......

a. Basis risk
b. Yield curve risk
c. Embedded option risk
d. Mismatch risk

Ans - c
....

Basic Indicator Approach (BIA) is one of the methods for computation of capital charge for:

a. Interest rate risk
b. Market risk
c. Operational risk
d. Credit risk

Ans - c

For standard assets, the provision required is ...... of the outstanding amount.

a. 0.10%
b. 0.20%
c. 0.40%
d. 0.25%

Ans - c

As per Basel III, general provisions and loss reserves are included in Tier-2 capital maximum to the extent of:

a. 1.25% of total risk weighted assets under standardized approach and 0.6% of total risk weighted assets under IRB approach
b. 0.6% of total risk weighted assets under standardized approach and 0.6% of total risk weighted assets under IRB approach
c. 0.6% of total risk weighted assets under standardized approach and 1.25% of total risk weighted assets under IRB approach
d. 1.25% of total risk weighted assets under standardized approach and 1.25% of total risk weighted assets under IRB approach

Ans - a

As per Basel III, the value of revaluation reserve is to be taken at ...... % discount to include in Tier 2 capital

a. 60%
b. 55%
c. 50%
d. 45%

Ans - b

Foreign Exchange markets are ......

a. Regional markets
b. Domestic markets
c. Global markets
d. Localized exchange traded markets

Ans - c

Foreign exchange does not include:

a. Deposits payable in foreign currency.
b. Instruments drawn in foreign currency and payable in a foreign currency.
c. Instruments drawn in Indian rupees on a checking account of the drawer and payable abroad.
d. Instruments drawn in Indian rupees on a current account of an Indian company and payable in India.

Ans - d

Out of the several factors, the following factor does not have an effect in the movement of exchange rates:

a. Political instability
b. Increase in domestic interest rates
c. Change in Taxation policy
d. Increase in domestic tourism

Ans - d

Given a home country and a foreign country, purchasing power parity suggests that ......

a. the home currency will appreciate if the current home inflation rate exceeds the current foreign inflation rate
b. the home currency will depreciate if the current home interest rate exceeds the current foreign interest rate
c. the home currency will depreciate if the current home inflation rate exceeds the current foreign inflation rate
d. the home currency will depreciate if the current home inflation rate exceeds the current foreign interest rate;

Ans - c

Capital charge for credit risk requires input for PD, LGD, HAD and M. Under advanced IRB approach, who provide the input for LGD.

a. Bank
b. Supervisor
c. Function provided by BCBS
d. None of the above

Ans - a
....

Back testing is done to

a. Test a model
b. Compare model results and actual performance
c. Record performance
d. None of the above

Ans - b
....

All the exchange rates quoted on the screen or in print are for mentioned unless otherwise ......

a. Forward transactions
b. Cash transactions
c. Spot transactions
d. Tom transactions

Ans - c
....

Notice money refers to

a. Funds placed overnight
b. Funds placed after giving a notice of placement
c. Funds placed for periods in excess of 3 months but not exceeding 1 year
d. Placement of funds beyond overnight but not exceeding 14 days

Ans - d
....

The salient feature of convertible bond is

a. Conversion of physical bonds into demat form

b. Absence of coupon
c. Automatic reinvestment in another bond on maturity
d. Option to convert the bond in to equity on a fixed date or during a fixed period and the price is pre-determined

Ans - d

....

The exemptions from DTL include

a. Time deposits
b. Foreign outward remittances in transit
c. Transactions in CBLO with CCIL
d. Overseas borrowings

Ans - c

....

The following institutions facilitate delivery vs. payment(DVP) for secondary market deals in equity and debt paper

a. IDRBT
b. NDS
c. NSDL and CSDL
d. NEFT

Ans - c

....

For ensuring effective risk control, RBI expects banks to facilitate functional segregation Between

a. Their Head office branches
b. Treasury and Head office
c. Front office and IT department
d. Front office, Mid office and back office

Ans - d

....

The assets side of balance sheet of International Bank provides the following information:

Fixed Assets — 500 cr, Investment in Central govt. securities — Rs.5000 cr. In standard loan accounts, the Retail loans — Rs.3000 cr, House Loans- Rs.2000 cr (all individual loans below Rs.30 lac and fully secured by mortgage), Other loans — Rs.10000 cr. Sub-standard secured
loans — Rs.500 cr, sub-standard unsecured loans Rs.150 cr, Doubtful loans Rs.800 cr (all DF-1 category and fully secured) and other assets-Rs.200 cr. Based on this information, by using Standard Approach for credit risk, answer the following questions.

1. What is the amount of risk weighted assets for retail loans?

a) Rs.3000 cr
b) Rs.2500 cr
c) Rs.2250 cr
d) Zero, as retail loans are risk free

Ans - c

....

2. What is the amount of risk weighted assets for housing loans?

a) Rs.2000 cr
b) Rs.1800 cr
c) Rs.1500 cr
d) Rs.1000 cr

Ans - d

....

3. What is the amount of risk weighted assets for investment in govt. securities?

a) Rs.5000 cr
b) Rs.2500 cr
c) Rs.1000 cr
d) nil

Ans - d

....

4. What is the amount of risk weighted assets for sub-standard secured accounts?

a) Rs.250 cr
b) Rs.500 cr
c) Rs.750 cr

d) Rs.1000 cr

Ans - c

5. What is the amount of risk weighted assets for sub-standard unsecured accounts?

a) Rs.75cr
b) Rs.112.50 cr
c) Rs.150 cr
d) Rs.225 cr

Ans - c

06. What is the amount of risk weighted assets for doubtful accounts?

a) Rs.400 cr
b) Rs.600 cr
c) Rs.800 cr
d) Rs.1600 cr

Ans - c

Explanations :
1: RW is 75% on retail loans. RW value = 3000 x 75% = 2250

2: RW is 50% on housing loans for individual loan up to Rs.30 lac. RW value = 2000 x 50% = 1000

3: On claims against Central govt., the risk weight is zero. 5000 x 0% = 0

4: RW is 150%, if the provision is less than 20%.
RW is 100%, if the provisions is between 20% and 50%
RW is 50%, if the provision is above 50%.
In sub-standard secured account, the provision being 15%, RW is 150%.
Hence RWA = 500 x 150% = 750 cr

5: In sub-standard unsecured account, the provision being 25%, RW is 100%.
Hence RWA = 150 x 100% = 150 cr

6: In doubtful up to one year category (DF1) account, the provision being 25%, RW is 100%.
Hence RWA = 800 x 100% = 800 cr

When the strike price is equal to the spot price for the call option, the option is ......

a. at the money
b. out of money
c. in the money
d. any of the above

Ans - a
....

CHIPS is a payment system in ......

a. UK
b. US
c. Hong Kong
d. China

Ans - b
....

FEDAI requires banks to undertake profit / loss evaluation of forex positions at the end of each ______.

a. week
b. month
c. quarter
d. year

Ans - b
....

CHAPS is a payment system in ......

a. UK
b. US
c. Hong Kong
d. China

Ans - a
....

If the volatility per annum is 25% and the number of trading days per annum is 252, find the volatility per day.

a. 1.58%

b. 15.8%
c. 158%
d. 0.10%

Ans - a
....

Where the currency rate is not directly available for a particular currency and has to be worked out indirectly through some other currency, it is called

a. Direct Rate
b. Indirect Rate
c. Cross Rate
d. Spot cum Forward Rate

Ans - c
....

For attaining a comparison or ratio between two quantities that are linked together through another and consist of a series of equations, which of the following is used:

a. Chain Rule
b. Per Cent
c. Per Mile
d. Value Date

Ans - a
....

Which of the following positions are maintained by a foreign exchange dealer in a forex dealing room:

a. Dollar and Rupee position
b. Balance of payment Position and forex Reserves position
c. Fund Positions and Currency Positions
d. Reserve position and forex position.

Ans - c
....

Valuation of foreign exchange profits and losses by dealer is carried on the basis of:

a. IBA approved accounting guidelines
b. FEDAI prepared Uniform standard Account Procedure
c. RBI framed valuation norms for foreign Exchange Transaction

d. GDFT guidelines on valuation

Ans - b

....

The quotation US $ 1 = Rs. 44.40 - Rs. 44.50 is:

a. average rate
b. indirect rate
c. direct rate
d. cross rate

Ans - c

....

Forward transaction in foreign exchange means a transaction in which delivery of foreign exchange doesn't take place ...... (i) on the second working day of the contract, (ii) on the next working day of the contract, (iii) beyond second working day of the contract

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

Ans - a

....

On account of Sale and purchase of various currencies there could be mismatch between assets and liabilities, which is called:

a. Liquidity Risk
b. Gap Risk
c. Exchange Risk
d. Market Risk

Ans - b

....

The June 1999 Basel Committee on Banking Supervision issued proposals for reform of its 1988 Capital Accord (the Basle II Proposals). These proposals contained MAINLY.

I) Settlement risk management
II) Capital requirements
III) Supervisory review

IV) The handling of hedge funds
V) Contingency plans
VI) Market discipline

a. I,III and VI
b. II, IV and V
c. I,IV and V
d. II, III and VI

Ans - d

....

Banks can allow resident individuals (who are banking with them) to book forward contracts up to a limit of USD ...... and with a maximum tenor of ...... only (provided the notional value should not exceed USD 100,100.00).

a. 100,000.00 and 1 year
b. 100,000.00 and 2 years
c. 10,000.00 and 1 year
d. 100,000.00 and 1 year

Ans - a

....

The failure of the counter party during the course of settlement due to time zone differences between the two currencies to be exchanged is not known as ...... risk.

a. Temporal
b. Settlement
c. Herstatt
d. Exchange

Ans - d

....

As per Reserve Bank of India directives the Minimum Capital Adequacy Ratio and minimum Tier I capital the Modern Bank is required to maintain as on 31.03.2007 should be ...... respectively.

a. 8% and 4%
b. 9% and 4.5%
c. 9% and 4.0%
d. 12% and not specified

Ans - b

The exemptions from DTL include

a. Time deposits
b. Foreign outward remittances in transit
c. Transactions in CBLO with CCIL
d. Overseas borrowings

Ans - c
....

The salient feature of convertible bond is

a. Conversion of physical bonds into demat form
b. Option to convert the bond in to equity on a fixed date or during a fixed period and the price is pre-determined
c. Automatic reinvestment in another bond on maturity
d. Absence of coupon

Ans - b
....

Integrated Treasury in Banking set up refers to

a. Computerization of all bank branches
b. Computerization of all treasury operations
c. Centralization of all back office operations of forex branches
d. Integration of money market, securities market and foreign exchange operations

Ans - d
....

The liquidity corridor that RBI uses to control short term interest rates is defined/dictated by

a. Repo and reverse repo rates
b. Call money market
c. Bank rate
d. SLR and CRR

Ans - a
....

The rate of interest payable on a security is known as ......

a. Call option rate

b. Put option rate
c. Coupon rate
d. None of the above

Ans - c
....

Dividend yield refers to ......

a. The ratio of dividend receive in the previous year to the anticipated market price of a share
b. The ratio of anticipated dividend to the current market price of a share
c. The ratio of current dividend to the current market price of a share
d. None of the above

Ans - c
....

Future is a type of derivative where ......

a. There is an obligation to buy or sell on a stated exchange a stated quantity of foreign exchange at a future date at agreed price.
b. There is an obligation to buy or sell on the stated exchange a stated quantity of foreign exchange at a future date at market price.
c. There is an obligation to only buy on the stated exchange a stated quantity of foreign exchange at a future date at agreed price
d. There is an obligation to only sell on the stated exchange a stated quantity of foreign exchange at a future date at agreed price.

Ans - a
....

Put option in a derivative contract refers to ......

a. Where the customer has option to sell
b. Where the customer has option to buy
c. Where the customer has option to take delivery
d. None of the above

Ans - a
....

Value Date for a foreign exchange transaction refers to?

a. It is a value of discount on which cash flows are to take place

b. It is the date on which cash flows are to take place
c. It is a value of premium which cash flows are to take place
d. None of the above

Ans - b
....

Value at Risk (VaR) refers to ......

a. Measurement or an estimate of potential loss in a position of asset or portfolio of assets over a given level or certainty
b. Maximum probable market loss over a given period of time horizon expressed as a degree of certainty
c. All of the above
d. None of the above

Ans - b
....

As per Balse II, under which approach, categories of assets has been classified under corporate, retail, sovereign and project finance.

a. Standardizes Approach
b. Basic Indicator Approach
c. Internal Rating Based Approach
d. Advanced Measurement Approach

Ans - a
....

The Basle II revised framework consists of three mutually reinforcing pillars. Out of the following which is not the reinforcing pillar?

a. Minimum capital requirement
b. Supervisory review of the capital adequacy
c. Market discipline
d. None

Ans - d
....

As per Basle II (revised) framework banks have to adopt Standardized Approach and Basle indicator Approach for operational risk w.e.f ......

a. 31st March 2006

b. 30th December 2006
c. 31st March 2007
d. 1st April 2007

Ans - c
....

The risk weight for capital adequacy purposes' on housing loan to individual which are fully secured by mortgage of residential property and investment in mortgage backed securities has been increased to ...... %.

a. 25
b. 50
c. 75
d. 100

Ans - c
....

The main purpose of capital adequacy norms is to ensure that a bank has sufficient capital to ......

a. Provide loans
b. Repay its depositors
c. Provide a stable resources to absorb any losses arising from the risks in its business
d. Have adequate infrastructure of its on

Ans - c
....

Pillar – III Market Discipline does not consist of ......

a. Enhance disclosures
b. Core disclosures and Supplementary disclosures
c. Review Market ups and down
d. Timely at least semi annual disclosures

Ans - c
....

Standardized Approach allows banks to measure Credit Risk in a Standardized manner based on ......

a. Internal Rating Based (IRB)
b. Export Credit Agency (ECA)
c. Risk Weighted Assets

d. External Credit Assessment

Ans - d

....

FII are permitted to invest in debt instruments issued by ......

a. private corporate
b. government
c. both a and b
d. None of these

Ans - c

....

How forward rates are calculated?

a. By adding a mark up to spot rates
b. By adding premium or discount to spot rates
c. By deducting premium or discount from spot rates
d. By adding premium to and deducting discount from spot rates

Ans - d

....

A Bank received an LC for USD 2 Mio issued by MT 700 and opened on Jan 25, 2011. The credit calls for shipment of 200 tonnes of good quality wheat cultivated in Punjab. What is the time available for issuing bank for examination of documents
under UCP600?

a. 21 days
b. Reasonable time not exceeding 7 days
c. Reasonable time not exceeding 7 banking days
d. Five banking days

Ans - d

....

Which of the following shipments out of India are exempt from export declaration forms?

a. Goods or software, when accompanied by a declaration by the exporter that they are not more than USD 50000 in value
b. Gifts of goods, valuing not over Rs.50000 along with declaration of exports
c. Gifts of goods, valuing not over Rs.500000 along with declaration of exports

d. Goods not exceeding in value USD 10000 per transaction exported to Myanmar under bilateral trade agreement

Ans - c

....

A rating model combines financial ratios using reported accounting instruction and equaty values to forecast the probability of a company enterning bankrupacy with in 12 month period. This model is known as ......(June 2016)

a. Altman,s Z score model
b. Credit metrics model
c. Credit risk model
d. None of the Above

Ans - a

....

A bank holds stocks of a company 'A' and wants to protect the downside risk on it may ......(June 2016)

a. Take a long position in the stock futures
b. Take a short position in the stock futures
c. Purchase call option on the stock
d. Sell put option

Ans - d

....

All foreign currency inward remittances up to ......, as per FEDAI guidelines, be converted immediately into Indian Rupees?

a. Rs. 50000 equivalent
b. USD 10000
c. USD 5000
d. £ 1000

Ans - c

....

Select the incorrect sentence / sentences from the following:

1. In direct quotes, local currency is variable.
2. In direct quotes, local currency is fixed.
3. In indirect quotes, local currency is variable.

4. In indirect quotes, local currency is fixed.

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

Ans - c
....

Entities which are authorised only to buy foreign currency notes and traveler's cheques are known as ......

a. Authorized Person - Category I
b. Authorized Person - Category II
c. Authorized Person - Category III
d. Authorized Person - Category IV

Ans - c
....

RTGS has been fully activated by RBI from .... Where the settlements are on ...... basis rather than ...... day end settlement of cheques in clearing house.

a. August 2003, net, gross
b. October 2004, gross, net
c. October 2004, net, gross
d. August 2004, gross, net

Ans - b
....

All contract which have matured and have not been collected, shall be automatically cancelled on the .....working day after the maturity date.

a. 5th
b. 7th
c. 10 th
d. 15th

Ans - b
....

Which of the following is an asset account?

a. Accounts Payable
b. Prepaid Insurance
c. Unearned Revenue
d. All of these

Ans - b
....

Operational Risk does not include:

a. Movement in exchange rates
b. Human errors
c. Technical Faults
d. Systemic failures

Ans - a
....

Which of the following approach is proposed to be adopted in india. Select wrong match

a. Credit risk - standard approach
b. Operational – basic indicator approach
c. Market risk - standard duration approach
d. None of these

Ans - d
....

Cancellation of forward contacts is to be done at ......

a. Opposite Bill rate
b. Opposite Cash rate
c. Opposite, TT rate
d)Opposite TC rate

Ans - c
....

Crystallization of export bills is to be done ......

a. On the 10th day from the due date of the bills.
b. Before the due date.

c. On the 30th day from the notional due date / actual due date
d. On the due date itself.

Ans - c

Correspondent banking does not include ......

a. Account Maintenance
b. Opening of branch on behalf of a bank
c. Authentifying and advising of LCs
d. Collection of cheques and bills.

Ans - b

By definition, currency appreciation occurs when ......

a. the value of all currencies fall relative to gold.
b. the value of all currencies rise relative to gold.
c. the value of one currency rises relative to another currency.
d. the value of one currency falls relative to another currency.

Ans - c

Spot dealing in FX market means:

a. Delivery of funds is on the 30th working day from the date of deal.
b. Delivery of funds is on the second working day from the date of deal.
c. Delivery of funds is next date from the date of deal.
d. Delivery of funds is one week after the date of deal.

Ans - b

If purchasing power parity were to hold even in the short run, then ......

a. real exchange rates should tend to decrease over time
b. quoted nominal exchange rates should be stable over time
c. real exchange rates should tend to increase over time
d. real exchange rates should be stable over time;

Ans - d

When Rs. 1 million is deposited at a bank, the required reserves ratio is 20 percent (SLR), and the bank chooses not to hold any reserves but makes loans instead, then, in the bank's final balance sheet ......

a. the assets at the bank increase by Rs.200,000
b. the liabilities of the bank increase by Rs.200,000
c. SLR reserves increase by Rs. 200,000
d. each of the above occurs

Ans - c
....

In the internal rating based approach, capital charge computation is a function of various parameters. Which of the following is not one of those parameters?

a. Probability of default
b. Maturity
c. Exposure at default
d. None

Ans - d
....

The constituents of a credit Derivatives are .... (i) Protection Buyer, (ii) Protection Seller, (iii) Reference Asset

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

Ans - d
....

The feature of an option are ...... (i) The option is based on an amount which is only notional, (ii) When Holder exercises the option, the Seller of option -pays only the difference between the strike price and market price, (iii) Payment of difference as per*(b. is known as cash settlement

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

Ans - d
....

Rate to be applied when a crystallised export bill is realised ......

a. Bill buying
b. TT buying
c. Bill selling
d. Bill selling

Ans - b
....

A limit can be fixed for the following for managing liquidity Risk ...... (i) Extent of dependence on individual customer, (ii) Flexible limits on average maturity of different liabilities, (iii) Minimum liquidity provision

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

Ans - d
....

The duplicate copy of GR/PP/SDF Forms is returned to the exporter under the following circumstances ......

a. Bill sent on collection returned unpaid
b. Crystallized FCSB/BE is paid by the exporter from his local resources
c. When the unrealized export bill is written off
d. Should not be returned to exporter except for rectification of errors and resubmission.

Ans - d
....

The term notional due date refers to ......

a. the date on which an export bill is likely to be paid
b. due date arrived at without considering the holidays
c. due date of a bill drawn without a due date
d. none of the above

Ans - a
....

The Net Interest Margin signifies ...... (i) It is the result of Net Interest Income divided by average total Assets, (ii) It can be viewed as spread on earning Assets, (iii) The higher the spread. more will be the Net Interest Margin

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

Ans - d

....

Arbitrageur in a foreign exchange market ......

a. buys when the currency is low and sells when it is high
b. buys and sells simultaneously the currency with a view to making riskless profit
c. sells the currency when he has a receivable in furture
d. buys or sells to make advantage of market imperfections

Ans - b

....

What are the Spot Trades?

a. It is the process of settlement where payment and receipts of funds are settled in respective currencies
b. The settlement takes place within 2 working days from the trade date
c. Currency may be bought or sold with settlement on the same date i.e. To day (TOD)
d. The settlement can be on the -next day he. Tomorrow (TOM)

Ans - a

....

Documents evidencing import into India received by an Authorised dealer ......

a. should be sent to RBI along with “R” return
b. should be sent to RBI along with “BEF” return
c. to be returned to importer for submission to Customs Authorities
d. should be preserved by A.D for a period of 1 year from the date of it’s verification by internal Inspectors/Auditors

Ans - d

....

....

Balance of Trade of a country is ......

a. The difference between the Inward and Outward remittances made in foreign exchange
b. The surplus generated shown in a Trading Account
c. The difference between exports and imports
d. None of the above

Ans - c
....

The features of FCNR deposit are ...... (i) They are denominated either in USD, GBP, JPY or EURO, Can-Dollar and Aus Dollar, (ii) The deposits are maintained by non-resident Indians, (iii) Interest on FCNR deposits is regulated by RBI

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

Ans - d
....

A registered exporter is one who is registered with ......

a. Export Trade Control Authorities
b. Reserve Bank of India
c. Export Promotion Council/Commodity Board
d. Customs authorities

Ans - c
....

In the raising interest rate scenario, a prudent and aggressive banker would follow the following strategy ......

a. Reprice assets more frequently
b. Reprice liabilities more frequently
c. Match assets and liabilities closely
d. All of the above

Ans - a
....

What is Opening of accounts by individuals/entities of Pakistan nationality requires prior approval of ......

a. Government of India
b. Reserve bank of India
c. SEBI
d. All of the above

Ans - b
....

Rate applied for a foreign exchange transaction which involves immediate conversion of currency is known as ......

a. ready rate
b. forward rate
c. merchant rate
d. long rate

Ans - a
....

option premium?

a. It is the price of the option payable to the option seller upfront
b. The premium amount depends on market volatility expiry date and strike price
c. The longer the maturity, higher is the option premium
d. Option premium increases with the volatility of market

Ans - a
....

A Bank under the Treasury operations can buy call options to protect foreign currency obligations as under ...... (i) This will help the Bank to protect rupee value of foreign currency receipts and payments, (ii) The Bank will gain if the spot rate of call option on the exercise date is more favourable than the strike price of the option

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d
....

Which of the followings is relevant when interest rate is linked to the rate of inflation?

a. Index linked Bonds
b. Treasury Bonds
c. Corporate Debt Instruments
d. All of these

Ans - a
....

Why the corporate prefer to issue debt paper than to Bank credit? (i) The cost of debt paper is much lower, (ii) The procedure is easy

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - a
....

A quotation in which the home currency unit is the standard unit and the rate is expressed in variable units of foreign currency is called ......

a. direct rate
b. spot rate
c. indirect rate
d. forward rate

Ans - c
....

The significance of Treasury operations in Asset Liability management is ...... (i) It operates in financial markets directly, (ii) Treasury is a link between core banking functions and market operations, (iii) Treasury identifies and monitors the market risk

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

Ans - d
....

Gone concern capital means ......

a. Capital to protect bank without triggering bankruptcy of the bank
b. Special capital build up for absorbing abnormal losses to bank
c. Capital which RBI has to build by issuing bonds
d. Capital to absorb losses only in a situation of liquidation of the bank

Ans - d

Treasury operations also help in effective monitoring and implementation of Asset Liability management process in view of the ...... (i) Credit instruments can be replaced by Treasury instruments, (ii) Treasury products are more liquid, (iii) Treasury operations monitor exchange rate and interest rate movements

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 regarding Treasury operations in Asset Liability management process?

a. Derivatives can be widely used in Treasury operations
b. Derivatives increases liquidity risk
c. The capital requirement for derivative operations is small
d. Derivatives replicate market Movements

Ans - b

When conversion/exchange of currencies takes place at some future date at a rate of exchange agreed upon now, such a transaction is known as ......

a. spot transaction
b. cover transaction
c. cash transaction
d. forward transaction

Ans - d

The maxim applied in respect of Direct Quotation is ......

a. buy low, sell low
b. buy low, sell high
c. buy high, sell low
d. buy high, sell high

Ans - b

Suppose a put option for 1000 Reliance shares at Rs. 500 with expiry on 31st July 2018. What a strike option holder will do? (i) If Reliance shares are trading below Rs. 500 on expiry date, the option holder can sell the shares at Rs. 500, (ii) If the market price is above the strike price of Rs. 500, the option holder would prefer to sell in the market and hence would not exercise the option

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d

The features of a stock index are ...... (i) A put option provides protection to the Holder against a fall in the index, (ii) A call option on the index protects a Buyer from rise in the index.

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d

Which of the following is not covered under 'Market Discipline' pillar of Basel III?

a. Ensure maintenance of minimum capital - with PCA for shortfall
b. Timely - Semin annual
c. Enhance Disclosure
d. Core disclosures and supplementary disclosures

Ans - a

1988 Capital Accord framework accounted for

1. Credit risk
2. Market Risk
3. Operational risk
4. Defined capital component

Which of the following is true?

a. All of them
b. 1,2 and 4
c. 1,3 and 4
d. 1,2 and 3

Ans - b

Communication Risk is a type of ......

a. Interest Rate Risk
b. Market Risk
c. Credit Risk
d. Operational Risk

Ans - d

Basis Risks are type of ......

a. Interest Rate Risk
b. Market Risk
c. Credit Risk
d. Operational Risk

Ans - a

VaR is not enough to assess market risk of a portfolio. Stress testing is desirable because

a. It helps in calibrating VaR module
b. It helps as an additional risk measure
c. It helps in assessing risk due to abnormal movement of market parameters
d. It is used as VaR measure is not accurate enough

Ans - c

Calculation of Economic Value of Equity
Net Worth = 1350.00
RSA =18251.00 RSL = 18590.00
Modified duration GAP
DA = 1.96 DL = 1.25

01. What is Weight (W) ?

a. 1
b. 1.02
c. 1.33
d. 1.66

Ans - b

Solution:
Calculate weight (W) = RSL/RSA
=18590/18251
=1.018
=1.02
....

02. What is DGAP ?

a. 0.33
b. 0.48
c. 0.69
d. 0.81

Ans - c

Solution
DGAP (modified duration gap) = DA - (W*DL)
= 1.96 - (1.02*1.25)
= 1.96 - 1.1275
= 0.685
= 0.69
....

03. What is Leverage Ratio?

a. 12.33
b. 13.22
c. 13.52

d. 13.66

Ans - c

Solution
Leverage ratio= RSA/ Networth
= 18251/1350
= 13.52
....

04. What is Modified Duration of Equity?

a. 6.33
b. 7.33
c. 8.33
d. 9.33

Ans - d

Solution:
Modified duration of equity (MD) = DGAP * leverage ratio
= 0.69 * 13.52
= 9.3288
= 9.33 years
....

05. If there is 200 bp change in Rate what is drop in Equity Value?

a. 18.66
b. 20.33
c. 22.66
d. 24.33

Ans - a

Solution
Equity value=Change in rate (BP)*MD
=200*9.33/100
=18.6576
=18.66%
....

As per Basel 3 which of the following is an element of Common Equity Component of Tier 1(1)common shares i.e.paid up equity capital (2)stock surplus i.e. Share premium (3) statutory reserves (4) capital reserves representing surplus arising out of sale of proceeds of assets (5)balance in profit and loss account at the end of the previous year.

a. 1 to 5 all
b. 1 to 4 only
c. 1 4 & 5 only
d. 1 2 & 3 only

Ans - a

....

Under Basel 3 the risk weight is ___% for capital charge for credit risk on the basis of standardized approach for claims included in regulatory retail portfolio

a. 20%
b. 50%
c. 75%
d. 100%

Ans - c

....

RBI implemented the Basel 3 recommendations in India, wef:

a. 01.01.2013
b. 31.03.2013
c. 01.04.2013
d. 30.09.2012

Ans - c

....

You had negotiated an export bill of your customer in May, 2015. This bill has been returned by the overseas buyer for some reasons and the AD has to debit his customer's account with Indian rupees. The rate to be applied will be ...... (i) Bills buying, (ii) Bills selling, (iii) TT selling

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

Ans - a

As per Basel III the investment of a bank in the capital of a banking or financial or insurance entity is restricted to which of the following: (i) 10% of capital funds (after deductions) of the investing bank, (ii) 5% of the investee bank's equity capital, (iii) 30% of paid up capital and reserves of the bank or 30% of paid up capital of the company, whichever is lower

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

Ans - d
....

Risk of having to compensate for non-receipt of expected cash flows by a bank is called ...... (i) Time risk, (ii) Credit risk

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - a
....

'Time risk' in the context of liquidity risk of an institution is not caused due to ...... (i) Systematic risk, (ii) Swaps and options, (iii) Temporary problems in recovery

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

Ans - a
....

Crystallisation of contingent liabilities in a bank is called ...... (i) Call risk, (ii) Credit risk

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - a
....

RBI has put in place real time gross settlement system (RTGS) not to mitigate the ...... risk. (i) Market risk (ii) Operational risk, (iii) Strategic risk

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

Ans - d
....

A bank has deposits worth 5,00,000 Crores. The interest rate on this is 10%. CRR to be maintained by the bank is 8%. What will be the effective cost to deposit?

a. 10.67%
b. 10.87%
c. 11.37%
d. 11.67%

Ans - b

Explanation :

From 500000
8 % should be made for SLR requirements
So available fund for making loans(asset)
= 500000 - 8% of 500000
= 500000 - 40000
= 460000

For this fund 460000
Bank is paying 10 % on 500000
Cost of fund is 50000

So in order to avoid any loss,
Bank has to lend money at that interest rate which will cover this cost of funding, that is 50000

50000 = 460000 × r /100
50000/460000 = r / 100
0.1087 = r / 100
r = 10.87 %
....

Answer the following questions based on the below given data of a bank's branch as on 31.03.2018 (in Lakhs).

A/c - Bal - Security - NPA Date
A1 - 90 - 10 - 31.10.2015
A2 - 100 - 20 - 31.08.2017
A3 - 80 - 30 - 31.07.2012
A4 - 70 - 40 - 31.01.2014
A5 - 50 - 10 - 31.07.2014
A6 - 60 - 30 - 31.01.2016
A7 - 80 - 50 - 31.08.2015
A8 - 60 - 0 - 31.01.2017

1. What is the provision required against account Al?

a. 64
b. 70
c. 80
d. 84

Ans - d
....

2. What is the provision required against account A2?

a. 20
b. 23
c. 40
d. 44

Ans - b
....

3. What is the provision required against account A3?

a. 60
b. 74
c. 80
d. 84

Ans - c
....

4. What is the provision required against account A4?

a. 50
b. 60
c. 70
d. 80

Ans - c
....

5. What is the provision required against account A5?

a. 20
b. 23
c. 42
d. 44

Ans - d
....

6. What is the provision required against account A6?

a. 20
b. 23
c. 42
d. 44

Ans - c
....

7. What is the provision required against account A7?

a. 50
b. 60
c. 70
d. 80

Ans - a
....

8. What is the provision required against account A8?

a. 50
b. 60

c. 70
d. 80

Ans - b
....

Explanation

1. The A/c is NPA on 31.10.2015. So, it is in Doubtful (D2) category and the provision for Secured-40% and Unsecured-100%

Secured Amount - 10
Unsecured Amount - 80
Provision Required = 10*40% + 80*100%
= 4 + 80
= 84 Lakhs
....

2. The A/c is NPA on 31.08.2017. So, it is in Sub-Standard category category and the provision for Secured-15% and Unsecured-25%

Secured Amount - 20
Unsecured Amount - 80
Provision Required = 20*15% + 80*25%
= 3 + 20
= 23 Lakhs
....

3. The A/c is NPA on 31.07.2012. So, it is in Doubtful (D3) category and the provision for Secured-100% and Unsecured-100%

Secured Amount - 30
Unsecured Amount - 50
Provision Required = 30*100% + 50*100%
= 30 + 50
= 80 Lakhs
....

4. The A/c is NPA on 31.01.2014. So, it is in Doubtful (D3) category and the provision for Secured-100% and Unsecured-100%

Secured Amount - 40
Unsecured Amount - 30
Provision Required = 40*100% + 30*100%

= 40 + 30
= 70 Lakhs
....

5. The A/c is NPA on 31.07.2014. So, it is in Doubtful (D2) category and the provision for Secured-40% and Unsecured-100%

Secured Amount - 10
Unsecured Amount - 40
Provision Required = 10*40% + 40*100%
= 4 + 40
= 44 Lakhs
....

6. The A/c is NPA on 31.01.2016. So, it is in Doubtful (D2) category and the provision for Secured-40% and Unsecured-100%

Secured Amount - 30
Unsecured Amount - 30
Provision Required = 30*40% + 30*100%
= 12 + 30
= 42 Lakhs
....

7. The A/c is NPA on 31.08.2015. So, it is in Doubtful (D2) category and the provision for Secured-40% and Unsecured-100%

Secured Amount - 50
Unsecured Amount - 30
Provision Required = 50*40% + 30*100%
= 20 + 30
= 50 Lakhs
....

8. The A/c is NPA on 31.01.2017. So, it is in Doubtful (D1) category and the provision for Secured-25% and Unsecured-100%

Secured Amount - 0
Unsecured Amount - 60
Provision Required = 0*25% + 60*100%
= 0 + 60
= 60 Lakhs
....

Answer the following questions, based on the below given information

Tier I capital - 2,500 Crs
Tier II capital - 2,000 Crs
RWAs for credit risk other than retail assets (including 2,000 Crs of commercial real estate) - 35,500 Crs
Exposure on retail assets - 8,700 Crs
Total eligible financial collaterals available for retail assets - 1,200 Crs
Capital charge for general market risk net position - 450 Crs
Capital charge for specific risk - 190 Crs
Vertical adjustment - 15 Crs
Horizontal adjustment - 10 Crs
Total capital charge for equities - 150 Crs
Total capital charge for options - 70 Crs
Gross income for the previous year - 495 Crs
Gross income for the year before previous year - 450 Crs
Gross income for 2nd year before previous year - 390 Crs

1. The bank compares its tier I CRAR with minimum required tier CRAR and finds ......

a. Its tier I CRAR is more and exceeds requirement by 675 Crs
b. Its tier I CRAR is more and exceeds requirement by 355 Crs
c. Its tier I CRAR falls short by 854 Crs
d. None of these

Ans - c

2. The CRAR of the bank is ......

a. 9.35%
b. 8.05%
c. 10.22%
d. None of these

Ans - b

3. Total risk weighted assets for market risk is ......

a. 7500 Crs
b. 8000 Crs
c. 8500 Crs
d. None of these

Ans - d

4. The capital required (rounded off) for credit risk at minimum required rate as per RBI is ......

a. 3500 Crs
b. 3700 Crs
c. 3900 Crs
d. 4100 Crs

Ans - b

5. Total risk weighted assets for operational risk is ......

a. 4894 Crs
b. 4944 Crs
c. 4984 Crs
d. 5024 Crs

Ans - b

Solution :

1. Tier I CAR should be atleast 6% of total RWAs
= 6% × 55902 = Rs. 3354 crores
Tier I capital is Rs 2500 crores
So, Tier I capital falls short by (3354-2500) = Rs.854 crores

2. The CRAR of the bank = (2500+2000)/(35500+5625+9833+4944)×100
= (4500/55902)×100
= 8.04%

3. Total RWAs for market risk = Rs.(450+190+15+10+150+70)/9/100
= Rs. 9833.33 crores

4. Uniform risk weight asset is 75% of retail asset portfolio except NPAs
= 75% × (8700 - 1200) = Rs. 5625
Now minimum required rate is 9% for the capital required for credit risk
So, the capital will be 9% × (35500+5625) = Rs.3700 crores approx.

5. Average gross income = (495+450+390)/3
= Rs. 445 crores

Total RWAs for operational risk = 445/0.09
= Rs. 4944.44 crores
....

Risk management can be defined as the art and science of ...... risk factors throughout the life cycle of a project.

a. researching, reviewing, and acting on
b. identifying, analyzing, and responding to
c. reviewing, monitoring, and managing
d. identifying, reviewing, and avoiding

Ans - a

Owned capital in a business must be such that ......

a. It takes care of the long term investment required
b. It takes care of the long term investment required and provides margin for working capital
c. It takes care of the long term investment required, provides margin for working capital and meets business losses, if incurred
d. It ensures business continuity even after the business incurs extraordinary losses

Ans - d

...... means using short-term forward contracts to offset "paper" gains and losses on the long-term assets and liabilities of foreign subsidiaries.

a. Hedging transaction exposure
b. Hedging balance-sheet exposure
c. Hedging economic exposure
d. Hedging cost exposure

Ans - b

Liquidity risk is reflected as ...... (i) Maturity mismatch, (ii) cash inflow and outflow, (iii) NPAs, total assets and performing loans

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

Ans - a

How much Indian/Foreign currency can be brought in while coming into India in the following cases?

1. A resident of India at the time of his return from any place outside India (other than Nepal and Bhutan)

a. Rs. 100
b. Rs. 10,000
c. Rs. 25,000
d. USD 5000

Ans - c

2. A resident of India at the time of his return from Nepal and Bhutan

a. Rs. 100
b. Rs. 10,000
c. Rs. 25,000
d. USD 5000

Ans - a

3. Any person resident outside India, not being a citizen of Pakistan and Bangladesh and also not a traveller coming from and going to Pakistan and Bangladesh, and visiting India

a. Rs. 100
b. Rs. 10,000
c. Rs. 25,000
d. USD 5000

Ans - c

4. Any person resident in India who had gone to Pakistan and/or Bangladesh on a temporary visit

a. Rs. 100
b. Rs. 10,000
c. Rs. 25,000
d. USD 5000

Ans - b

5. How much foreign exchange can be brought in while visiting India?

a. USD 5000
b. USD 10000

c. USD 15000
d. No limit

Ans - d

6. If the aggregate value of the foreign exchange brought by a person coming into India from abroad in the form of currency notes, bank notes or travellers cheques brought in exceeds ......, it should be declared to the Customs Authorities at the Airport in the Currency Declaration Form (CDF), on arrival in India.

a. USD 5,000 or its equivalent
b. USD 10,000 or its equivalent
c. USD 15,000 or its equivalent
d. No limit

Ans - b

7. If the aggregate value of the foreign exchange brought by a person coming into India from abroad in the form of foreign currency alone exceeds ......, it should be declared to the Customs Authorities at the Airport in the Currency Declaration Form (CDF), on arrival in India.

a. USD 5,000 or its equivalent
b. USD 10,000 or its equivalent
c. USD 15,000 or its equivalent
d. No limit

Ans - a
....

An exporter who has not been able to realise the outstanding export dues despite best efforts, may either self-write off or approach the AD Category – I banks, who had handled the relevant shipping documents, with appropriate supporting documentary evidence with a request for write off of the unrealised portion subject to the fulfilment of stipulations regarding surrender of incentives prior to "write-off".

1. The limit prescribed for Self "write-off" by an exporter (Other than Status Holder Exporter) is ...... of the total export proceeds realized during the previous calendar year

a. 5%
b. 10%
c. 15%
d. 20%

Ans – a

2. The limit prescribed for Self "write-off" by Status Holder Exporters ...... of the total export proceeds realized during the previous calendar year

a. 5%
b. 10%
c. 15%
d. 20%

Ans - b

3. The limit prescribed for 'Write-off" by Authorized Dealer Bank ...... of the total export proceeds realized during the previous calendar year

a. 5%
b. 10%
c. 15%
d. 20%

Ans - b
....

How much foreign exchange can be drawn in a financial year for Foreign Visits / Travel Abroad for the following purposes?

1. As gift to a person residing outside India or as a donation to an organization outside India

a. USD 3000
b. USD 5000
c. USD 10000
d. USD 250,000

Ans - d

2. A person going abroad for employment

a. USD 3000
b. USD 5000
c. USD 10000
d. USD 250,000

Ans - d

3. A person who wants to emigrate

a. USD 3000
b. USD 5000
c. USD 10000
d. USD 250,000

Ans - d

4. For study abroad without any estimate from the foreign University

a. USD 3000
b. USD 5000
c. USD 10000
d. USD 250,000

Ans - d

5. A person going abroad for medical treatment

a. USD 3000
b. USD 5000
c. USD 10000
d. USD 250,000

Ans - d

6. Towards maintenance of close relatives abroad

a. USD 3000
b. USD 5000
c. USD 10000
d. USD 250,000

Ans - d

7. For business purpose

a. USD 3000
b. USD 5000
c. USD 10000
d. USD 250,000

Ans - d

....

Calculation of Economic Value of Equity

Net Worth = 1350.00
Risk Sensitive Asset (RSA) = 18251.00
Risk Sensitive Liability (RSL) = 18590.00
Weight Modified Duration of Asset (DA) = 1.96
Weight Modified Duration of Liability (DL) = 1.25

01. What is Weight (W)?

a. 1
b. 1.02
c. 1.33
d. 1.66

Ans - b

Solution:
Calculate weight (W) = RSL/RSA
= 18590/18251
= 1.018
= 1.02
....

02. What is DGAP?

a. 0.33
b. 0.48
c. 0.69
d. 0.81

Ans - c

Solution
DGAP (modified duration gap) = DA - (W*DL)
= 1.96 - (1.02*1.25)
= 1.96 - 1.1275
= 0.685
= 0.69
....

03. What is Leverage Ratio?

a. 12.33

....

b. 13.22
c. 13.52
d. 13.66

Ans - c

Solution
Leverage ratio= RSA/ Networth
= 18251/1350
= 13.52
....

04. What is Modified Duration of Equity?

a. 6.33
b. 7.33
c. 8.33
d. 9.33

Ans - d

Solution:
Modified duration of equity (MD) = DGAP * leverage ratio
= 0.69 * 13.52
= 9.3288
= 9.33 years
....

05. If there is 200 bp change in Rate what is drop in Equity Value?

a. 18.66
b. 20.33
c. 22.66
d. 24.33

Ans - a

Solution
Equity value=Change in rate (BP)*MD
=200*9.33/100
=18.6576
=18.66%
....

The process of Repo transaction is ...... (i) A Bank may sell securities to the counterparty with an agreement to repurchase the same securities after a certain period at pre determined price, (ii) The bank gets cash in exchange of securities and pays back the cash after a certain period and get back the securities, (iii) The difference between sale price and repurchase price is interest

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

Ans - d
....

Pillar 3 of Basel II framework requires ......

a. Banks to maintain discipline iq marketing their products
b. Regulatory authorities to monitor the banks' dealing in the financial market
c. Banks to mandatorily disclose certain information to the public
d. Banks to publish annual accounts regularly within a specified time period

Ans - c
....

Price movement of Bond depends on ...... (i) Demand of the Bond which depends on liquidity in the system, (ii) The yield on Bond is different from coupon rate

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - a
....

Banks need not maintain CRR on ...... (i) Paid up capital, reserves, retained profits, refinance from apex institutions, (ii) Excess provision for Income tax, (iii) Claims received from DICGC/ECGC

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

Ans - d
....

Mr. X owns and runs a general store. State which of the following business transactions do not have any impact on the accounting equation: (i) Mr. X pays a high school student for cleaning the driveway at the back of the store, (ii) Mr. X pays interest to himself on a loan he made three years ago to the enterprise, (iii) Mr. X fills his son's car with gasoline in payment for his help with the vending machines and the snack food shelves

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 part of Total Capital Funds? (i) Subordinated debts issued and computed in accordance with the regulatory guidelines for the purpose, (ii) Capital reserves arising out of sale proceeds of assets, (iii) Revaluation reserves at a discount of 55%

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

Ans - d

What is Liquidity Adjustment Facility? (i) It is the mechanism whereby RBI lends funds to Banking sector through repo instrument, (ii) This is used to monitor day to day market liquidity, (iii) This is exclusively applicable to repo and reverse repo transactions with RBI

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

Ans - d

A knock-in option becomes effective ...... (i) When the spot rate reaches a particular level from below, (ii) When the spot rate reaches a particular level from above

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)

d. Both (i) and (ii)

Ans - c

Capital of a business decreases if there is an increase in ......

a. Drawings
b. Income
c. Gains
d. Fresh capital

Ans - a

In the process of A.L.M., price matching is used to assess whether an institution is in a position to benefit by raising interest rates through "Positive Gap". Positive Gap means ...... (i) Assets more than liabilities, (ii) Liabilities more than assets

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - a

Which of following is property of Stress Testing? (i) Identification of market parameters, (ii) Stress quantum, (iii) Determining time horizon

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

Ans - d

If the total liabilities of a business decrease by 500000 what will be the effect on total asset? (assuming the amount of capital remain same)

a. Remain constant
b. Decrease by 500000
c. Increase by 500000

d. Increase by 1000000

Ans - b

A Bank may have foreign exchange surpluses from the following sources ...... (i) Profit from overseas Branch operations, (ii) Forex Borrowing in foreign domestic market, (iii) Foreign currency and convertible rupee deposits with branches

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

Ans - d

What is Open Position? (i) Any residual position of a bank at the end of the day-Overbought, (ii) Any residual position of a bank at the end of the day-Oversold

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d

The requirements of certificate of Deposit are ...... (i) Minimum amount of deposit is Rs. 1 lac, (ii) The maturity period may range from 7 days to one year, (iii) It is an additional source for investment to Banks and corporates

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

Ans - d

What is a Reverse Repo? (i) It is a contract to buy securities and then to sell them back at an agreed future date and price, (ii) It provides opportunity for short term investments of surplus funds

a. Only (i)

b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d

ABC Bank has the following re-pricing assets and liabilities (Rs. in crores):

Call Money - 600
Cash Credit Loans - 480
Cash in Hand - 500
Saving Bank - 600
FD - 600
Current Depost - 600

Now, answer the following based on the above information.

1. What is the adjusted gap in re-pricing assets and liabilities?

a. 100 Cr
b. 120 Cr
c. 140 Cr
d. 160 Cr

Ans - b

Adjusted gap :

= (SB + FD) - (Call money + CC)
= (600 + 600) - (600 + 480)
= 1200 - 1080
= Rs.120cr (Rs. 120 cr Negative Gap, because assets are less than liabilities)

The cash in hand and current account deposits are not subject to re-pricing as these are not interest bearing, hence these have been ignored.

2. What is the change in NII, if interest rate falls by 3% points for all assets and liabilities?

a. Rs. 2.40cr increase in NII
b. Rs. 3.60cr increase in NII
c. Rs. 2.40cr decrease in NII
d. Rs. 3.60cr decrease in NII

Ans - b

There is negative gap (interest bearing liabilities more) of Rs.120cr [(600+600)-(600+480)].
Which means the interest cost declines @2% on this negative gap, which leads to increase in NII.

Hence it is Rs.120cr * 3% = Rs. 3.60cr increase in NII

3. What is the change in NII, if interest rate increase by 3% points for all assets and liabilities?

a. Rs. 2.40cr increase in NII
b. Rs. 3.60cr increase in NII
c. Rs. 2.40cr decrease in NII
d. Rs. 3.60cr decrease in NII

Ans - d

There is negative gap (interest bearing liabilities more) of Rs.120cr [(600+600)-(600+480)].
Which means the interest cost increases @3% on this negative gap, which leads to decline in NII.

Hence it is Rs.120cr * 3% = Rs. 3.60cr decline in NII

4. What is the change in NII, if interest rate falls on call money by 1%, SB by 0.2%, FD by 1% and CC by 0.6%?

a. Rs. 1.48cr increase in NII
b. Rs. 1.68cr increase in NII
c. Rs. 1.48cr decrease in NII
d. Rs. 1.68cr decrease in NII

Ans - b

Fall in interest income in case of assets

= (Call- 600 * 1% = 6.00cr) + (Cash credit- 480 * 0.6% = 2.88)
= Rs.8.88cr.

Fall in interest expenses in case of liabilities

= (SB- 600 * 0.2 = 1.20cr) + (FD- 600 + 1% = 6.00 cr)
= 7.20cr

Net Decline = 8.88cr - 7.20cr = 1.68cr

5. What is the change in NII, if interest rate increases on call money by 0.5%, SB by 0.1%, FD by 0.8% and CC by 1%?

a. Rs. 2.40cr increase in NII
b. Rs. 3.60cr increase in NII
c. Rs. 2.40cr decrease in NII
d. Rs. 3.60cr decrease in NII

Ans - a

Increase in interest amount in case of assets :

= (Call- 600 * 0.5% = 3.00cr) + (Cash credit- 480 * 1% = 4.80)
= Rs.7.80cr.

Increase in interest amount in case of liabilities :

= (SB- 600 * 0.1 = 0.60cr) + (FD- 600 * 0.8% = 4.80cr)
= 5.40cr

Net improvement = 7.80cr - 5.40cr = 2.40cr
....

The provision on FII investments are ...... (i) Foreign currency funds are converted into rupee for portfolio investors, (ii) Rupee funds with profits are converted into foreign currency for repatriation, (iii) FIIs are allowed to invest in debt market

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

Ans - d
....

A consortium account with bank A' has been classified by another member bank as NPA. The bank A ......

a. Must classify the account as NPA
b. The bank may not classify the account as NPA but treat it as out of order
c. The bank would decide on the classification based on its recovery performance
d. None of these

Ans - c
....

The Basic accounting equation is ......

a. Asset=Expense +Income
b. Assets=Cash+Capital
c. Assets=Capital+Liabilities
d. Assets=Expenses+Capital

Ans - c
....

Which of the following statements is correct? (i) Repo is a short term money market instrument, (ii) The Repo Rate and period is announced by RBI

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d
....

What is STRIPS? (i) Separately registered interest and principal securities, (ii) Under this process principal and interest are treated as separate zero coupon securities

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d
....

Which of the followings are the features to Treasury Bills? (i) The T-Bills are issued by the RBI on behalf of central govt. for pre-determined amount, (ii) The interest is by way of discount, (iii) The price is determined through an auction process

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 accounts is a current asset? (i) Trade and other payables, (ii) Inventories, (iii) Trade and other receivables

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

Ans - c

The liquidity of the Bank is determined by ...... (i) Ability to accommodate decrease in liabilities, (ii) Abilities to fund increase in assets, (iii) Converting assets to cash quickly and at good costs

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

Ans - d

The Demand deposits include ...... (i) Current and Savings Deposits, (ii) Margin Money for Letter of Credits, (iii) Overdue Fixed Deposits

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

Ans - d

What is DVP? (i) Delivery vesus Payment system where one account is debited and another account is credit at the same time, (ii) In case of securities purchase funding account is debited and securities account is credited, (iii) This facilitates prompt settlement of security transactions

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

Ans - d

Bank liquidity is unfavourably impacted, if ......

a. Long term liabilities increase
b. Short term borrowings increase
c. Acquisition of a major asset or an entity
d. Capital funds increase

Ans - c

The bank using gap analysis of re-pricing schedule does not capture ...... (i) Basis risk, (ii) Embedded option risk, (iii) Yield curve risk

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

Ans - d

What are indicators that borrower might default? (i) Increase Credit spread risk, (ii) downgrade of credit Rating

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - b

What is Repo? (i) It is an instrument of borrowing funds for a short period, (ii) It involves selling a security and simultaneously agreeing to repurchase it at a future date for a slightly higher price, (iii) The price difference is called interest

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 categories only 3% minimum CRR is required to be maintained?

a. Net Inter-Bank call borrowing/deposits where maturity does not exceed 14 days
b. Credit Balance in ACU (Asian Currency Unit) Accounts
c. Demand and Time liabilities in respect of off shore Banking units
d. None of these

Ans - d

....

The commercial Banks participate in Repo transactions because of ...... (i) To meet short fall of CRR, (ii) To meet short fall in SLR, (iii) The interest on Repo is lower than call market

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

Ans - d

....

Capital increases if ...... increases

a. Expenses
b. Drawings
c. Interest on capital
d. Revenue

Ans - d

....

Interest is recognized in case of NPA accounts on ......

a. Accrual basis
b. Actual basis
c. Actual basis but after outstanding NPA is realised
d. a or b or c but as per bank's policy

Ans - b

....

Gap analysis of re-pricing schedule provides a measurement for ......

a. Variation in NII for changes in interest rates

b. Variation in NII and equity value for changes in interest rates
c. Variation in economic equity for changes in interest rates
d. None of these

Ans - a

....

Repo transactions are regulated by ...... (i) RBI, (ii) Securities Contracts Regulations Act

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d

....

Companies issuing unsecured debentures and bonds have to comply with the provision of ...... (i) Companies Acceptance of Deposit Rules 1975, (ii) SEBI

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d

....

Which of the following accounts is a non-current asset? (i) Machinery, (ii) Shareholders' equity, (iii) Trademarks

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

Ans - b

....

Banks permitted to run option book are required to fulfill the condition of ...... (i) Continuous profit for at least 3 years, (ii) Minimum CRAR of 9%, (iii) Minimum net worth of Rs. 200 crores

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

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

Ans - d
....

A term borrower having due date for payment of monthly interest and installment on 1st of every month is yet to clear 50% of interest charged over last one year on 15th of the month. The account is ......

a. NPA
b. Out of order
c. Overdue
d. None of these

Ans - a
....

Mandatory disclosures to the market by banks as prescribed under Basel II ......

a. Result in increased market acceptance of banks
b. Helps market to analyse banks' financial strength correctly
c. Helps market to assess risks that a bank is carrying
d. None of these

Ans - c
....

What is External Commercial Borrowings? (i) Indian companies can borrow on global market through Bank loan or issue of debt paper, (ii) The debt can be repaid by reconversion of rupee funds into foreign currency

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d
....

What is Export Earners Foreign Currency Account? (i) Exporters are allowed to hold 100% export proceeds in a Current Account, (ii) No interest is paid on such deposits

a. Only (i)

b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d
....

A cash credit account has a limit of 1 Cr. The maximum and minimum 0/s balances in the account over last three months were 70 lacs and ? 62 lacs respectively. The borrower has an o/s balance in suspense account of? 45 lacs over last three months, which is on ac count of a guarantee which has devolved. The account is ......

a. NPA
b. Out of order
c. Overdue
d. None of these

Ans - a
....

Price of liquidity is determined by ...... (i) Market conditions, (ii) Nature of convertible assets on hand, (iii) Market perception of risks

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

Ans - d
....

International Bank has following assets and liabilities in its balance-sheet as on Mar 31, 2021:

Capital — Rs. 4000 cr, Reserves — Rs. 24000 cr, Current accounts — Rs. 120000 cr, Saving Bank accounts — Rs. 120000 cr, Term deposits — Rs. 120000 cr, Borrowing from RBI — Rs. 12000 cr, cash balances — Rs. 27600 cr, balances with other banks — Rs. 60000cr, investment in securities — Rs. 60000 cr, bills payable — Rs. 80000 cr, cash credit — Rs. 80000 cr, term loans — Rs. 80000 cr and fixed assets — Rs. 12400 cr. Total assets and total liabilities = Rs. 400000 cr.

The term loans have fixed rate of interest. Based on this information, answer the following questions.

01. What is the amount of interest rate sensitive assets?

a. Rs. 252000

b. Rs. 320000
c. Rs. 360000
d. Rs. 400000

02. What is the amount of interest rate sensitive liabilities?

a. Rs. 252000
b. Rs. 320000
c. Rs. 360000
d. Rs. 400000

03. In this case, how much and what type of gap in rate sensitive assets and liabilities, the bank is having?

a. Rs. 108000 cr, Negative gap
b. Rs. 108000 cr, Positive gap
c. Rs. 120000 cr, negative gap
d. Information is inadequate

04. What is the amount of Tier-1 capital of the bank?

a. Rs. 4000 cr
b. Rs. 24000 cr
c. Rs. 28000 cr
d. Inadequate information

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

Explanations:

Que-1: Assets other than cash and other assets are rate sensitive. Hence 400000-27600-12400 = 360000

que-2: Liabilities other than capital, reserves and current accounts are rate sensitive. Hence, 400000-4000—24000-120000 = Rs. 252000 cr

Que-3: Interest sensitive assets are more than interest sensitive liabilities i.e. 360000 Hence, there is positive gap

Que-4: Tier-1 capital comprises reserves and capital. Hence 4000 + 24000 = 28000 cr
....

Other Demand and Time Liabilities include ...... (i) Accrued Interest, (ii) Credit Balance in Suspense Account, (iii) Any other liability

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 followings are derivative products treated on stock exchange? (i) Index features, (ii) Index options, (iii) Stock futures and options

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 may be termed Bank specific crises' in managing liquidity?

a. Market liquidity has dried down
b. Interest rate expectations hardens
c. Bank has been downgraded
d. Depositors are not rolling over due to low yield

Ans - c

Which of the followings is relevant regarding issue of Bonds and debentures? (i) The holders have prior legal claim over the equity and preference stock holders, (ii) The Trustee appointed by issuing company protects the rights of debenture holders, (iii) The Trustee can initiate legal action against the company in case of any default

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

Ans - d

The Banks which Absorbs credit and market risks and ensuring lower risk for depositor's funds ...... (i) Maturity Intermediation, (ii) Risk Intermediation

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - b
....

Find out the value of assets if ...... Liabilities=500000 and Capital=100000

a. 400000
b. 600000
c. 700000
d. 300000

Ans - b
....

The Net Interest Margin signifies ...... (i) It is the result of Net Interest Income divided by average total Assets, (ii) It can be viewed as spread on earning Assets, (iii) The higher the spread. more will be the Net Interest Margin

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

Ans - d
....

What is a convertible Bond? (i) It is a mix of Debt and Equity, (ii) Bond holder has an option to convert debt into equity on a fixed date, (iii) The conversion price is pre-determined

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

Ans - b
....

A project loan sanctioned on 1.1.18 for 30 Crs with moratorium on payment of interest and installments for 15 months would become NPA in absence of any repayment of interest and/or installment on ......

a. 1.4.18
b. 1.7.19
c. 1.4.19
d. None of these

Ans - b

SLR can be maintained in the form of following Assets ...... (i) Cash Balance in excess of CRR requirements, (ii) Gold at current market price, (iii) Approved securities valued as per RBI norms

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

Ans - d

The extent of cumulative cash flow mismatches could be arrived as under ...... (i) Taking a conservative view of marketability of liquid Assets, (ii) Provision for discount to cover price volatility, (iii) Expected outflows as a result of draw down of commitments

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

Ans - d

An advance account becomes NPA at the end of a given year. Which of the following debits made in the previous year need not be reversed or provided for ......

a. interest accrued on the account
b. Interest realized in the account
c. Renewal charges debited in the account
d. Legal charges debited in the account

Ans - b

The surplus forex can be invested by a Treasury in ...... (i) Inter-Bank loans, (ii) Short term investments, (iii) Nostro Account

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 followings are the sources for short-term investments? (i) Treasury Bills issued by foreign governments, (ii) Commercial paper, (iii) Other debt instruments issued by multi lateral institutions

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

Ans - d
....

What is a Nostro Account?

a. This is a current account denominated in foreign currency maintained by a Bank with the correspondent Bank in the home country of the currency
b. Nostro Account does not attract any interest
c. Many correspondent Banks provide automatic investment facility for funds held overnight which earn nominal interest
d. All these

Ans - a
....

Monetary policy of RBI aims at ...... (i) Controlling rate of inflation, (ii) Ensuring stability of financial market, (iii) Regulating money supply

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

Ans - d
....

Balance outstanding in a cash credit account remains in excess of its drawing power for five days. The account is ......

a. NPA
b. Out of order
c. Overdue
d. None of these

Ans - c
....

Net income equal to Revenues minus ......

a. Gains
b. Depreciation
c. Expenses
d. Capital expenditures

Ans - c
....

Which of the following is correct? (i) Asian currency unit is a mechanism for payment to/from members of Asian clearing union, (ii) Off shore Banking units render special Banking services only to overseas customers, (iii) SWIFT is a secure worldwide financial messaging system exclusive to Banks

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

Ans - d
....

The features of a swap are ...... (i) A combination of spot and forward transactions is called a swap, (ii) Buying in the spot market and selling same amount in forward market or vice-versa is swap, (iii) Swap is mainly used for funding requirements

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

Ans - d
....

Below are the balance sheet figures of ABC Ltd as at 31 March 2021. Calculate the following

Trade receivables - Rs. 50,000
Trade payables- Rs. 30,000
Building - Rs. 90,000
Share capital - Rs. 100,000
Bank loan - Rs. 40,000
Inventories - Rs. 10,000
Cash and cash equivalents - Rs. 20,000
Reserves - Rs. 50,000
Intangible assets - Rs. 30,000
Treasury shares - Rs. 20,000
Equipment - Rs. 40,000
Retained earnings - Rs. 40,000

1. The owners's equity is ......

a. Rs. 150,000
b. Rs. 120,000
c. Rs. 210,000
d. Rs. 170,000

Ans - d

2. ABC's capital employed is ......

a. Rs. 150,000
b. Rs. 120,000
c. Rs. 210,000
d. Rs. 170,000

Ans - c

3. ABC's working capital is ......

a. Rs. 30,000
b. Rs. 40,000
c. Rs. 5,000
d. Rs. 60,000

Ans - c
....

4. ABC's current ratio is ......

a. 1.14
b. 2.33
c. 2.67
d. 3.42

Ans - c

5. ABC's quick ratio is ......

a. 1.14
b. 2.33
c. 2.67
d. 3.42

Ans - b

Under pillar 3 guidelines, banks with capital funds of 500 Crs or more are required to ...... (i) Make interim disclosures on the quantitative aspects on a standalone basis every half year, (ii) Disclose some capital related information on a quarterly basis

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - c

To determine adjusted exposure under standardized approach total exposure on borrower includes which of the following? (i) Outstanding balances in fund based facilities, (ii) Outstanding non fund based facilities, (iii) Unavailed portion of the sanctioned fund - based facilities

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

Ans - d

Important Formula

Some of these Formulas may not be applicable for BFM, 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 = Earnings Before Interest Tax / Net Sales * 100

19. Expenses Ratio or Operating Ratio = Expenses / Net Sales * 100

20. Net Profit Ratio = Net Profit After interest and Tax / Net Sales * 100

21. Operating Expenses Ratio = (Administrative + Selling expenses) / Net Sales * 100

22. Administrative Expenses Ratio =(Administrative Expenses / Net Sales) * 100

23. Selling Expenses Ratio =(Selling Expenses / Net Sales) * 100

24. Financial Expenses Ratio = (Financial Expenses / Net Sales) * 100

25. Return on Assets = Net Profit After Tax / Total Assets.

26. Total Assets = Net Fixed Assets + Net Working Capital.

27. Net Fixed Assets = Total Fixed Assets – Accumulated Depreciation.

28. Net Working Capital = (CA –CL) – (Intangible Assets + Fictitious Assets + Idle Stock + Bad Debts)

29. Return on Capital Employed = Net Profit Before Interest and Tax / Average Capital Employed.

30. Average Capital employed = Equity Capital + 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 = (NPAT – Preferential Dividends) / Average Ordinary Share Holders Equity or Net Worth.

32. Earnings Per Share = Net Profit After Taxes and Preferential dividends / Number of Equity Share.

33. Dividend per Share = Net Profit After Taxes and distributable dividend / Number of Equity Shares.

34. Dividend Pay Out Ratio = Dividend per Equity Share / Earnings per Equity Share.

35. Dividend Pay Out Ratio = Dividend paid to Equity Share holders / Net Profit available for Equity Share Holders.

36. Price Earning 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. Notation used internationally for PV of an annuity is PV (A, r, n)

62. Notation used internationally for FV of an annuity is FV (A, r, n)

63. The effective annual rate = (1 + r) ^ t – 1 or (1 + (r / N)) – 1)
N = Number of times compounding in a year

64. PV of end of period Annuity = A { (1- (1 / (1+r) ^ n) / r

65. CR = CA : CL

66. Net Worth = CA - CL

67. DER = TL/TNW or debt/equity or TL/equity

68. Price Elasticity of Supply = (% change in quantity supplied/(% change in price)

69. PV = P / R * [(1+R)^T - 1]/(1+R)^T

70. PV = P / (1+R)^T

71. FV = P * (1 + R)^T

72. FV = P*(1-R)^T

73. FV = P / R * [(1+R)^T - 1]

74. FV = P / R * [(1+R)^T - 1] * (1+R)

75. EMI = P * R * [(1+R)^T/(1+R)^T-1)]

76. FV of annuity = A/r ×{(1+r)^n-1}

77. Bond Price = (1/(1+R)^t)((coupon*((1+R)^t-1)/R)+Face Value)

ABFM Important Formula

Earnings Per Share	**EAT/No of Equity Shares**
Degree of Operating Leverage (DOL)	**% change in EBIT / %change in Sales**
Impact of Fixed Cost: DOL	**Contribution / EBIT**
Degree of Financial Leverage (DFL)	**% change in EPS / %change in EBIT**
Impact of Interest Cost: DFL	**EBIT / EBT**
Degree of Combined Leverage (DCL) OR Degree of Total Leverage (DTL)	**% change in EPS / %change in Sales**
Impact of Interest Cost and Fixed Cost: DCL	**Contribution / EBT**
Break-Even Formula: Break- Even Point	**Fixed Cost / Contribution per Unit**
Pay Back Period	**Initial Investment / Annual Cash Inflow**
Net Present Value (NPV)	Present value of net cash inflow - Total net initial investment if NPV ≥ 0 :- Accept the Proposal if NPV ≤ 0 :- Reject the Proposal
Accounting Rate of Return (ARR)	**(Average Annual Net Earning after Taxes / Average Investment) × 100%**
ARR	**(Average Profit / Average Investment) × 100%**
Average profit made yearly	**Total Profit / No.of Years**
Average Investment	{(**Initial Investment–Scrap**) / 2} + **Scrap Value**
Average Investment	**(Initial Investment + Scrap Value)/2**
Average Investment	{(**Initial Investment–Salvage Value**) /2} + **Salvage Value**

Deprecation per year	**(Price of Machine−Salvage Value) / Life of Machine (Year)**
Break-even Point (per month in units)	**(Fixed Cost p.m.+number of setups × cost per setup) / Contribution p.u.**
Profit per month	**{Monthly demand (units) × Contribution per unit} − Fixed Cost per month + setup cost per month**
Activity cost driver rate	**Total cost of activity / Activity driver**
Non-DCF Valuation Models: EBITDA Basis Book Value Basis Seles Basis	 **EV / EBITDA** **EV / Book Value** **EV / Sales Value**
P/E multiple	**Market price per share / Earnings per share**
Price-earnings multiple	**P0 / E1**
The book value per share (B)	**(Shareholders funds−Preference capital) / Number of outstanding equity shars**
EV to EBITDA Multiple	**Enterprise value (EV) / Earnings before Interest, Taxes, Depreciation, and Amortization**
EV/EBIT Multiple	**Enterprise value (EV) / Earnings before Interest, Taxes, (EBIT)**
EV/FCFF Multiple	**Enterprise value (EV) / Free cash flow to firm(FCFF)**
EV/BV Multiple	**Enterprise value (EV) / Book value of assets (BV)**
EV/Sales Multiple	**Enterprise value (EV) / Sales(S)**

……

ALL THE VERY BEST FOR YOUR EXAMS

SAMPLE QUESTIONS FOR
CAIIB
BANK FINANCIAL 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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