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SAMPLE QUESTIONS FOR
CAIIB
BANK FINANCIAL MANAGEMENT

Though we had taken enough care to go through the questions, we request everyone to 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).

Bank Financial Management

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

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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

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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

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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

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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

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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

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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
....

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

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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. .
……………………………………………….

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 %

……………………………………

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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
....

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

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= 1.70 - 1.6650
= USD .035 per Pound
....

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
....

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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
....

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%
....

Find the odd man out :

a. Futures
b. Value at Risk (VAR)
c. Options
d. Swaps

Ans - b

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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
....

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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
....

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
....

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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:

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……

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
…………………………………

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……

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%

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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

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Which of the following can be repatriated by NRI ......

a. rent
b. pension
c. interest
d. all the above

Ans - d
....

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 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
....

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
....

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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

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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
....

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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
....

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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
....

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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

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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

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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
....

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
....

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……

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 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

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……

………

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
……………………………….

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

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………

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
....

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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
....

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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
....

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
....

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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
....

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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

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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
…………………………………….

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
…………………………………….

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
…………………………………….

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....

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

....

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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

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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
....

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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
....

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
....

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
....

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
....

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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
....

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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

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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

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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
....

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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
....

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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
....

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Counter party Risk is a type of ......

a. Interest Rate Risk
b. Market Risk
c. Credit Risk
d. Operational Risk

Ans - c

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

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

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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

....

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

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Ans - c

....

Who manages Export Marketing Fund in India?

a. EXIM bank
b. RBI
c. GOI
d. ECGC

Ans - a

....

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

....

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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

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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%
....

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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

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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
....

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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%. SRR 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 %
....

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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

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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

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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 - c

………………………………………………

Basel 3 recommendations shall be completely implemented in India by:

a. 31.03.2018
b. 31.03.2019
c. 31.03.2017
d. 31.03.2016

Ans - b

……………………………………

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

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c. December 2011
d. December 2012

Ans - a

....

Certain specific prescription of Basel 2 capital adequacy framework will continue to apply along with Basel 3 till :

a. 31.03.2019
b. 31.03.2018
c. 31.03.2017
d. 31.03.2016

Ans - c

....

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

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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

....

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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

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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

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
....

The total amount of the provision as as on 31/03/2016 will be

a. 32425
b. 53527
c. 139595
d. 40545

Ans - b
....

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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
....

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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

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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
....

Factoring was introduced in India after the recommendations of ...... committe.

a. Narasimhan
b. Kalyanasundaram
c. Tandon
d. None of these

Ans - b
....

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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. 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
....

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
....

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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
....

A bank has compiled following data for computing its CRAR as on 30 Sep 2014

Tier I capital 2500
Tier ii capital 2000
RWA for credit risk other than retail assets
(include 2000 crores of commercial real estate - 35,500
Exposure on retail assets - 8,700
Total eligible financial collaterals available for retail assets - 1200
Capital charge for general market risk net position - 450
Capital charge for specific risk - 190
Capital charge for equity - 150
Vertical adjustment - 15
Horizontal adjustment - 10

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Total capital charge for options - 70
Gross income for the previous year - 495
Gross income for the year before previous year - 450
Gross income for 2nd year before previous year - 390

Based on the data given above, answer the following questions.

The capital required for credit risk at minimum required rate as per RBI is ......

a. Rs. 4585 Crores
b. Rs. 4383 Crores
c. Rs. 3701 Crores
d. Rs. 3508 Crores

Ans - c

= 8700-1200=7500
@ 75% =5625
35500+5625=41125
9%= 3701 Crs
....

Total Risk weighted assets for market risk is ......

a. Rs. 9833 Crores
b. Rs. 9553 Crores
c. Rs. 8952 Crores
d. Rs. 7156 Crores

Ans - a

Total Risk weighted assets for market risk

= 450+190+15+10+150+70
= 885/.09
= 9833 Crores
....

Total weighted assets for operational risk is ......

a. Rs. 4944 Crores
b. Rs. 4323 Crores
c. Rs. 9553 Crores
d. Rs. 7156 Crores

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Ans - a

1335/3
=885/.09
=4944
....

The CRAR of the bank as on 30th Sept 2014 is ......

a. 7.35 %
b. 8.05 %
c. 9.22 %
d. 10.23 %

Ans - b

41125+9833+4944 = 55902
4500/55902
= 8.049
....

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
....

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As per the Basel-II norms, total capital ratio should not be lower than...

a. 5%
b. 8%
c. 10%
d. 12%

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

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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
……………………………………

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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 48.09/11, meaning that market buys USD at Rs 48.09 and sells at Rs 48.11. We shall have to quote rate to the customer on the basis of market buying rate, i.e. 48.09, less our margin, as applicable, to arrive at the TT Buying Rate applicable for the customer transaction.
....

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
....

Which of the following is not a category of incoterm?

a. Departure

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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
....

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.

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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).
....

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 - c
....

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

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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?

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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

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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

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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)
……………………………………

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
……………………………………

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

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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

....

How many times, a transferrable LC can be transferred?

a. 1
b. 2
c. 3
d. 5

Ans - a
....

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
....

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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
....

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
....

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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
....

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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

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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

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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

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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

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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

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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
....

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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
....

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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
....

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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

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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

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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
....

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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
....

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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

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______ 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
....

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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

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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)

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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%

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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

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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
....

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

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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
....

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)

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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
....

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

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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
....

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

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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

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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

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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

....

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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

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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

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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

....

Given that Tier I capital is Rs. 500 crores and Tier II capital Rs. 800 crores and further given that RWA for credit risk Rs. 5000 crores, capital charge for market risk and operational risk Rs. 200 crores and Rs. 100 respectively, answer the following questions if the regulatory CAR is 8%. Based on the data given above, answer the following questions.

What are the total risk weighted assets?

a. Rs. 7250 crores
b. Rs. 8750 crores
c. Rs. 9000 crores
d. Rs. 7800 crores

Ans – b

RWA of mkt risk = 200/.08=2500

RWA ops risk =100/.08=1250

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……

Total RWA = RWA credit risk+ RWA mkt risk+ RWA ops risk
= 5000+2500+1250
= 8750
……………………………………

What are the risk weighted assets for market risk?

a. Rs. 1000 crores
b. Rs. 1500 crores
c. Rs. 2000 crores
d. Rs. 2500 crores

Ans –d

200/.08
=2500
……………………………………

What are the risk weighted assets for operational risk?

a. Rs 1000 Cr
b. Rs 2000 Cr
c. Rs 1250 Cr
d. Rs 2500 Cr

Ans – c

100/.08
= 1250 Ans
……………………………………

What is the Tier-I CRAR?

a. 10.29 %
b. 11.42 %
c. 5.71%
d. 14.85 %

Ans - c

TIER-I CRAR=Eligible tier-1 capital/(Total RWAs)
= 500/8750
= 5.71%
……………………………………

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……

What is the total capital adequacy ratio?

0.1486
0.1111
0.1143
0.1282

Ans – c

Total CRAR = Eligible Total capital/(Total RWAs)
= 1000/8750 = 11.42 %

(Remember here tier-II capital does not exceed 100 % of tier-I capital. So, Tier-II of Rs. 500Crore is taken for calculation (500+500=1000).
……………………………………

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
……………………………………

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
……………………………………

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

……
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……

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
……………………………………

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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

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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

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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

....

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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

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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

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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
....

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 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%

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Ans - b
Explanation :

Current yield = Coupon rate/Prevailing market value
= 9/180= 5%
....

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

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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

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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

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

...... LC is opened for procurement of goods on the backing of an export LC.

a. Transferable
b. Red clause
c. Back to back

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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 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

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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
....

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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

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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
……………………………………

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……

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
....

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...... 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

....

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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
....

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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
....

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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
....

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
....

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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

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

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

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

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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

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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 2015 Rs (in Cr) Capital 1000, Reserves-6000, Current account deposit 30000, Saving bank deposit 3000, 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

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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
....

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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
....

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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
....

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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
....

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
....

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

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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

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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%

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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

....

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

....

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

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....

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
....

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
....

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
....

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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
....

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
....

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

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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
....

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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
....

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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

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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)

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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

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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
....

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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
……………………………………..

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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 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 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
....

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Data relating to balance sheet as on 14 Mar 2015 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)

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
....

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
....

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
....

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PCFC can be allowed initially for a maximum period of ...... days.

a. 90
b. 120
c. 180
d. 360

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
....

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

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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

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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

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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
....

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

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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
....

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)

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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

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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 MODIFY DURATION OF ASSETS 1.80
DL WT MODIFY DURATION OF LIABILITY 1.10

DURATION OF GAP FOR BANK IS ESTAMATED 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
…………………………………….

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MODIFY 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
....

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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
....

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

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b. by forward rate agreements
c. by financial futures
d. none of these

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
....

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
....

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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
....

Find the odd man out :

a. Futures
b. Value at Risk (VAR)
c. Options
d. Swaps

Ans - b
....

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
....

A mismatch in assets / liabilities and receivables / payables is ...... risk.

a. Credit
b. Exchange
c. Gap
d. Interest

Ans - b
....

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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%

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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

....

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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,

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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
…………………………………….

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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

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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)

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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

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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
....

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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
....

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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

Spot Rate - 35.6000/6500
Forward 1M=3500/3000 2M=5500/3000 3M=8500/8000
Transit Period - 20 days.
Exchange Margin - 0.15%.
Find Bill Buying Rate

a. 33.1971
b. 34.1971
c. 35.1971
d. 36.1971

Ans - c

Solution :

Bill Buying Rate (Ready) : Bill Date +20 days
Spot Rate = 35.6000 Less Forward Discount 1M (0.3500) Less Exchange Margin 0.15% (0.529)
i.e. 35.6000-.3500-.0529(0.15% of 35.2500) = 35.1971

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.

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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.

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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,

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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
……………………………………

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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
....

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:

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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.

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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.
....

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
....

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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

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c. different repricing dates
d. all are correct

Ans - d
....

"Our account is with you" refers to ...... account.

a. NOSTRO
b. VOSTRO
c. LORO
d. Mirror

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
....

A bank has compiled following data for computing its CRAR as on 30 Sep 2014

Tier I capital 2500
Tier ii capital 2000
RWA for credit risk other than retail assets
(include 2000 crores of commercial real estate - 35,500
Exposure on retail assets - 8,700
Total eligible financial collaterals available for retail assets - 1200
Capital charge for general market risk net position - 450
Capital charge for specific risk - 190
Capital charge for equity - 150
Vertical adjustment - 15
Horizontal adjustment - 10
Total capital charge for options - 70
Gross income for the previous year - 495
Gross income for the year before previous year - 450
Gross income for 2nd year before previous year - 390

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Based on the data given above, answer the following questions.
The capital required for credit risk at minimum required rate as per RBI is ......

a. Rs. 4585 Crores
b. Rs. 4383 Crores
c. Rs. 3701 Crores
d. Rs. 3508 Crores

Ans - c

= 8700-1200=7500
@ 75% =5625
35500+5625=41125
9%= 3701 Crs
....

Total Risk weighted assets for market risk is ......

a. Rs. 9833 Crores
b. Rs. 9553 Crores
c. Rs. 8952 Crores
d. Rs. 7156 Crores

Ans - a

Total Risk weighted assets for market risk

= 450+190+15+10+150+70
= 885/.09
= 9833 Crores
....

Total weighted assets for operational risk is ……

a. Rs. 4944 Crores
b. Rs. 4323 Crores
c. Rs. 9553 Crores
d. Rs. 7156 Crores

Ans - a

1335/3
=885/.09
=4944

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The CRAR of the bank as on 30th Sept 2013 is ……

a. 7.35 %
b. 8.05 %
c. 9.22 %
d. 10.23 %

Ans - b

41125+9833+4944 = 55902
4500/55902
= 8.049
....

The bank compares its tier I CRAR with minimum require tier I 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 Rs 854 Crs
d. None of these

Ans - c

(As per RBI, Tier I capital adequacy ratio should be atleast 6 %)
RWA is 55902
6 % of 55902 = 55902 x 6/100 = 3354.
Tier I capital is 2500.
So, 3354-2500=854
Tier I capital will be short fall by Rs. 854 Crores.
....

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
....

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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
....

...... 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

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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
………………………………………

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

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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

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

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Currently RBI has extended fixed rate Repo of ___ days to improve liquidty of banks.

a. 30
b. 60
c. 90
d. 120

Ans - c
....

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
....

RTGS has been fully activated by RBI from ......

a. Aug 2003
b. Oct 2004
c. Oct 2003
d. Aug 2004

Ans - b
....

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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.

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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)?

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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%
…………………………………….

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.

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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

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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%

....

Spot Rate - 66.6000/6500.
Forward 1M=3500/3000 2M=5500/3000 3M=8500/8000.
Transit Period - 20 days.

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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?

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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
……………………………………

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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

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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

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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)

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= 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

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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
....

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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
....

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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

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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

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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

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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
....

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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
....

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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

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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

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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

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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
……………………………………

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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
……………………………………

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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
....

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....

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
....

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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
....

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
....

Data relating to balance sheet as on 14 Mar 2015 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.

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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

In time liabilities capital and reserve + refinance from NABARD + term deposit of banks not to be included

1100+2150+150+1300
=4700
……………………………………

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
……………………………………

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
……………………………………

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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
....

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
....

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

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Ans – b

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

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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

....

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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

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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

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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

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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

....

Counter party Risk is a type of ......

a. Interest Rate Risk
b. Market Risk
c. Credit Risk
d. Operational Risk

Ans - c

....

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

....

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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

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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
....

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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)

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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

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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)

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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

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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)
....

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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
....

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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
....

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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

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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

....

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

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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

....

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

....

Under advanced IRB, who provides the inputs on the M?

a. bank
b. suprvisor
c. either of them
d. none of these

Ans - c

....

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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
....

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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
....

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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
……………………………………

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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

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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

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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
....

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Who does issue IEC no Export & Import Code)?

a. RBI
b. Custom Authority
c. DGFT
d. Union foreign ministry

Ans - c
....

At present MSF can be maximum ...... % of Banks NDTL

a. 2.50%
b. 1.50%
c. 2..00%
d. 1.00%

Ans - a
....

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
....

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Loss assets attracts ...... % provision

a. 150%
b. 125%
c. 100%
d. 50%

Ans - c
....

Basel III have already implemented w.e.f. 01.04.2013 but has be completed by ......

a. 31.03.2015
b. 31.03.2017
c. 31.03.2018
d. 31.03.2019

Ans - d
....

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

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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

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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 - b

....

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

....

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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

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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? (Dec 2013, June 2016)

a. 5%
b. 5.05%

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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

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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

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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

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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

....

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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
....

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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

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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

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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
....

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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

....

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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
....

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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

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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

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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

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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
....

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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
....

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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%

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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

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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

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....

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
....

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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).

....

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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

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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

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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
....

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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

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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

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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

....

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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
....

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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

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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?

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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
....

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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
……………………………………

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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

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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
……………………………………..

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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

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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

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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

....

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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
....

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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
....

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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
....

You have given the following information, in summary about the profit & loss a/c of the c bank

Interest earning Rs 120000 cr
Other income Rs 1800 cr
Profit on sale of fixed assets Rs 120 cr
Income from sale of third party products Rs 80 cr

On expenses side
Interest expenses are Rs 8200 cr
Operating expences Rs 3400 cr
Provisions of Rs 1600cr

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Answer following

Operating profit for the bank ......

a. Rs 800cr
b. 4400 cr
c. 2400 cr
d. 2800 cr

Ans - c

Gross income for the purpose of working out capital charge for operational risk under Basel II would be ......

a. 6000 cr
b. 4400 cr
c. 4000cr
d. 2600cr

Ans - a

Under basic indicator approach the bank would be required to allocate capital for operational risk under Basel-ii based on operations for one year as.

a. 900 cr
b. 600 cr
c. 300 cr
d 1200 cr

Ans - a

The risk weighted assets for operational risk under basel-II in the above case would be:

a. 11250 cr
b. 90000 cr
c. 5000 cr
d. 6000 cr

Ans - a

The allocation of capital for market risk under basel-II would be ......

a. 296 cr
b. 592 cr

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c. 444 cr
d. Insufficient data to calculate the capital required

Ans -d

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

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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

....

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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

………………………………………

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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

....

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

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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

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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
....

Under Standard Approach retail and SME exposures attract a uniform Risk weightage of ......

a. 50%
b. 75%
c. 80%
d. 85%

Ans - b
....

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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
....

Premature payment of a term loan will result in ......

a. Yield curve risk
b. Embedded option risk
c. Mismatch risk
d. Basis risk

Ans - b
....

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
....

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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
....

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 :

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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
....

...... 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
....

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
....

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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

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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

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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
……………………………………

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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

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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
....

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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

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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

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……

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

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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
....

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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
....

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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

....

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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

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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.

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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

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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

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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

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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

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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
....

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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

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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

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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
…………………………………….

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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% and 100%, if the provisions is 20% and 50%, where the provision is 50% of the outstanding balance. In sub-standard secured account, the provision being 15%, RW is 150%. Hence RWA = 500 x 150% = 750 cr

5: RW is 150%, if the provision is less than 20%, nd 100%, if the provisions is 20% and 50%, where the provision is 50% of the outstanding balance. In sub-standard unsecured account, the provision being 25%, RW is 100%. Hence RWA = 150 x 100% = 150 cr

6: RW is 150%, if the provision is less than 20% and 100%, if the provisions is 20% and 50%, where the provision is 50% of the outstanding balance. In doubtful up to one year category (DF1) account, the provision being 25%, RW is 100%. Hence RWA = 800 x 100% = 800 cr

…………………………………….

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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%

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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

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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

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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

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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

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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

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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

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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

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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

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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.

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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
....

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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 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
……………………………………

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

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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
....

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
....

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

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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

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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

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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

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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

....

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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

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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

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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

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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

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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

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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

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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
....

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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

....

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

....

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%.

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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%
....

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

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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

....

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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

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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
....

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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
....

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According to the mode of settlement, options are divided into ____ types.

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

Ans - a
……………………………………

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
……………………………………

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
……………………………………

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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
....

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
....

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

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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

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d. M4 ÷ M2

Ans - c

....

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

....

_______ 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

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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

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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
....

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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

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b. 120
c. 180
d. 360

Ans - c
....

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
....

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
....

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

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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

....

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

....

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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

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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?

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

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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
....

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
....

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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

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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

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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

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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

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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

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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

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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

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......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
....

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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
....

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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
....

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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
....

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

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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
....

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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
……………………………………

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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

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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
……………………………………

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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

....

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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

....

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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

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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)

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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
....

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

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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
....

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
....

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
....

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Important Formulas

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 both ABM and BFM.

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

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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.

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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

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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)

....

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ALL THE VERY BEST FOR YOUR EXAMS

SAMPLE QUESTIONS FOR CAIIB BANK FINANCIAL MANAGEMENT

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Though we had taken enough care to go through the questions, we request everyone to 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).