

Treasury Management Module

1. Which of the following helps protect the business relationship even if the counter-party defaults?

[2 Marks]

- (a) factoring and bill discounting
- (b) factoring
- (c) bill discounting
- (d) none of the other alternatives
- (e) **Not Attempted**

Correct Answer : factoring and bill discounting

2. A company that is a major importer of iron ore is likely to adopt each of the following as hedges, except

[2 Marks]

- (a) go long on USD call
- (b) buy USD put
- (c) buy USD forward
- (d) buy USD futures
- (e) **Not Attempted**

Correct Answer : buy USD put

3. In a CDS, which of the following cannot be a related party?

[1 Marks]

- (a) reference entity and counter party
- (b) counter party
- (c) reference entity
- (d) **Not Attempted**

Correct Answer : reference entity and counter party

4. Which of the following deals with effect of changes in foreign exchange rates?

[1 Marks]

- (a) AS30
- (b) AS13
- (c) AS11
- (d) AS1
- (e) **Not Attempted**

Correct Answer : AS11

5. The maximum amount for RTGS transfer is

[2 Marks]

- (a) Rs. 10 crore
- (b) Rs. 100 crore
- (c) Rs. 1 crore
- (d) unlimited
- (e) **Not Attempted**

Correct Answer : unlimited

6. Debt portfolio management entails management of

[1 Marks]

- (a) interest risk
- (b) credit risk and interest risk
- (c) credit risk, maturity risk and interest risk
- (d) credit risk
- (e) **Not Attempted**

Correct Answer : credit risk, maturity risk and interest risk

7. IN a _____, the lessor bears many more costs associated with the asset

[1 Marks]

- (a) operating lease
- (b) financial lease
- (c) lease
- (d) **Not Attempted**

Correct Answer : operating lease

8. In which of the following is the party obliged to buy / sell

[1 Marks]

- (a) long on put
- (b) short on put
- (c) short on a call or put
- (d) short on call
- (e) **Not Attempted**

Correct Answer : short on a call or put

9. Which of the following is calculated only for market-based instruments?

[1 Marks]

- (a) Beta and Standard Deviation
- (b) Beta
- (c) Standard Deviation
- (d) none of the other alternatives
- (e) **Not Attempted**

Correct Answer : Beta and Standard Deviation

10. A share is trading at Rs. 650 on Dec 12, 2013. If carry is at 6.7%, futures on those shares for Dec 26 maturity will trade at Rs. _____

[2 Marks]

- (a) 651.65
- (b) 651.6
- (c) 651.55
- (d) 651.5
- (e) **Not Attempted**

Correct Answer : 651.6

11. On Sept 15, 2012, an investor bought a 8.5% debenture at Rs. 99 including accrued interest. The debenture pays interest on June 30 and December 31, each year, until maturity on December 31, 2014. What is the yield to maturity?

[5 Marks]

- (a) 8.86%
- (b) 10.11%
- (c) 10.01%
- (d) 8.96%
- (e) **Not Attempted**

Correct Answer : 10.11%

12. A company has current assets of Rs. 100 including inventory of Rs. 20. Current liabilities are Rs. 140, while net worth is Rs. 100. What is the liquid ratio?

[2 Marks]

- (a) 0.83
- (b) 0.57
- (c) 0.86
- (d) 0.71
- (e) **Not Attempted**

Correct Answer : 0.57

13. Payoff line sloping upwards and then going flat is a feature of

[2 Marks]

- (a) long put
- (b) short put
- (c) long call
- (d) short call
- (e) **Not Attempted**

Correct Answer : short put

14. An investor buys at a discount of 2%, a 2-year debenture offering coupon of 11% p.a.

payable half-yearly. What is the compounded IRR?

[3 Marks]

- (a) 12.16%
- (b) 12.27%
- (c) 11.91%
- (d) 12.53%
- (e) **Not Attempted**

Correct Answer : 12.53%

15. NEFT timing is

[2 Marks]

- (a) 9.00 hours to 16.30 hours on week days and from 9.00 hours to 14:00 hours on Saturdays
- (b) 8.00 hours to 16.30 hours
- (c) 8.00 hours to 19.00 hours on week days and from 8.00 hours to 13:00 hours on Saturdays
- (d) 8.00 hours to 16.30 hours on week days and from 8.00 hours to 14:00 hours on Saturdays
- (e) **Not Attempted**

Correct Answer : 8.00 hours to 19.00 hours on week days and from 8.00 hours to 13:00 hours on Saturdays

16. ECS Credit is used for each of the following except

[1 Marks]

- (a) pensions
- (b) loan repayments
- (c) interest
- (d) dividend
- (e) **Not Attempted**

Correct Answer : loan repayments

17. A bill for Rs. 10,00,000 is discounted for Rs. 9,85,000, 35 days before its maturity. What is the effective annual borrowing cost?

[2 Marks]

- (a) 15.43%
- (b) 15.64%
- (c) 15.88%
- (d) 13.05%
- (e) **Not Attempted**

Correct Answer : 15.88%

18. A bank has funded a project. EMI works out to Rs. 19.22 cr p.a. for 7 years. It wants to do a securitisation deal, assuring 12.5% return for the buyer. At what price (Rs. Cr.) will it transfer the loan to the SPV (ignore other transaction costs and taxes)?

[5 Marks]

- (a) 85.67
- (b) 85
- (c) 134.54
- (d) 86.34
- (e) **Not Attempted**

Correct Answer : 86.34

19. An importer will hedge by going short on the foreign currency.

[1 Marks]

- (a) TRUE
- (b) FALSE
- (c) **Not Attempted**

Correct Answer : FALSE

20. Which of the following is not likely to be accounted?

[1 Marks]

- (a) receipt of advance
- (b) rejection of material
- (c) despatch of materials
- (d) entering into long term sales contract
- (e) **Not Attempted**

Correct Answer : entering into long term sales contract

21. o Perpetual Non-Cumulative Preference Shares are eligible for inclusion in Tier I capital.

[2 Marks]

- (a) FALSE
- (b) TRUE
- (c) **Not Attempted**

Correct Answer : TRUE

22. Which of the following is false of reserves?

[2 Marks]

- (a) none of the alternatives
- (b) Can be included in Tier I capital if mentioned on face of balance sheet
- (c) discount of 55% applicable for inclusion in capital
- (d) **Not Attempted**

Correct Answer : Can be included in Tier I capital if mentioned on face of balance sheet

23. The payoff line for a long position in a share is

[1 Marks]

- (a) straight line sloping upwards; flat beyond a price
- (b) straight line sloping downwards; flat beyond a price

- (c) straight line sloping upwards
- (d) straight line sloping downwards
- (e) **Not Attempted**

Correct Answer : straight line sloping upwards

24. Investment holding period is likely to be longest for

[1 Marks]

- (a) financial investment
- (b) strategic financial investment
- (c) strategic investment
- (d) **Not Attempted**

Correct Answer : strategic investment

25. Risk free rate of return is 7%, while the market is expected to yield 12%. If Beta of a company's shares is 1.5, what is its cost of equity?

[2 Marks]

- (a) 18.00%
- (b) 10.50%
- (c) 14.50%
- (d) 16.50%
- (e) **Not Attempted**

Correct Answer : 14.50%

26. A company has issued 1mn shares of Rs10 each, which are trading at Rs80. It has borrowed Rs12mn through debentures which are trading at Rs15mn. If its gross cost of debt is 13%, cost of equity is 15% and tax rate is 30%, what is the market weighted average cost of capital?

[2 Marks]

- (a) 11.07%
- (b) 11.78%
- (c) 14.07%
- (d) 13.37%
- (e) **Not Attempted**

Correct Answer : 14.07%

27. Under Basel, need for integration of treasury management risk governance with overall risk management governance is left to banks

[1 Marks]

- (a) TRUE
- (b) FALSE
- (c) **Not Attempted**

Correct Answer : FALSE

28. Which of the following is/ are rating(s) for short-term paper?

[1 Marks]

- (a) Both AAA and A1
- (b) Neither AAA nor A1
- (c) AAA
- (d) A1
- (e) **Not Attempted**

Correct Answer : A1

29. The bank whose cheque has gone for clearing is called

[1 Marks]

- (a) drawer
- (b) beneficiary
- (c) drawee
- (d) payee
- (e) **Not Attempted**

Correct Answer : drawee

30. Overemphasis on yield can raise which of the following risks?

[1 Marks]

- (a) price and credit
- (b) price
- (c) credit
- (d) none of the other alternatives
- (e) **Not Attempted**

Correct Answer : price and credit

31. NEFT stands for

[1 Marks]

- (a) National Electronic Fund Transactions
- (b) National Electronic Financial Transactions
- (c) National Electronic Fund Transfer
- (d) National Electronic Financial Transfer
- (e) **Not Attempted**

Correct Answer : National Electronic Fund Transfer

32. A 8% debenture (coupon payable quarterly) maturing on June 12, 2015 is bought on March 15, 2013 at an yield of 11.79%. What is its modified duration?

[3 Marks]

- (a) 1.93
- (b) 2.01

- (c) 1.91
- (d) 1.8
- (e) **Not Attempted**

Correct Answer : 2.01

33. Which of the following is true of a party that has the right to receive floating interest under a swaption?

[1 Marks]

- (a) short on call
- (b) long on call
- (c) long on put
- (d) short on put
- (e) **Not Attempted**

Correct Answer : long on call

34. Capitalisation spreads over future years, the impact of currency depreciation on foreign currency loans.

[1 Marks]

- (a) TRUE
- (b) FALSE
- (c) **Not Attempted**

Correct Answer : TRUE

35. The coupon on an instrument is 10% p.a., payable half-yearly. What is the compounded return?

[2 Marks]

- (a) 10.34%
- (b) 10.38%
- (c) 10.25%
- (d) 10.00%
- (e) **Not Attempted**

Correct Answer : 10.25%

36. RBI does not permit which of the following reference obligations for CDS?

[1 Marks]

- (a) interest receivables
- (b) CPs
- (c) CDs upto 1 year maturity
- (d) all the above
- (e) **Not Attempted**

Correct Answer : all the above

37. Company benefits from high operating leverage when business levels pick up [1 Marks]

- (a) FALSE
- (b) TRUE
- (c) **Not Attempted**

Correct Answer : TRUE

38. Which of the following options are exercisable only on maturity? [1 Marks]

- (a) Asian
- (b) Australian
- (c) European
- (d) American
- (e) **Not Attempted**

Correct Answer : European

39. Only financially stressed companies have negative working capital. [1 Marks]

- (a) FALSE
- (b) TRUE
- (c) **Not Attempted**

Correct Answer : FALSE

40. "Collar" is [1 Marks]

- (a) floor set at a very low level
- (b) cap and floor
- (c) relevant only in convertible debt
- (d) cap set at a very high level
- (e) **Not Attempted**

Correct Answer : cap and floor

41. A 30% tax company has sales of Rs. 5,000 crores, variable costs of Rs. 2,500 crores and fixed costs of Rs. 1,000 crores (including interest of Rs. 300 crores). What is its breakeven point (Rs. Crores) [3 Marks]

- (a) 1,000
- (b) 2,000
- (c) 3,500
- (d) 2,500
- (e) **Not Attempted**

Correct Answer : 2,000

42. When a bank receives foreign currency through SWIFT it will credit _____ and debit _____

[2 Marks]

- (a) customer, Vostro account
- (b) Vostro account, customer
- (c) Nostro account, customer
- (d) customer, Nostro account
- (e) **Not Attempted**

Correct Answer : customer, Nostro account

43. As broker, bank earns a spread between the two parties to a swap.

[1 Marks]

- (a) TRUE
- (b) FALSE
- (c) **Not Attempted**

Correct Answer : FALSE

44. ECS is possible only if both the transferor and transferee are in the same city

[1 Marks]

- (a) TRUE
- (b) FALSE
- (c) **Not Attempted**

Correct Answer : FALSE

45. On January 1, 2013, an investor buys at Rs. 101, a 7% debenture maturing on December 31, 2014. What is the current yield?

[2 Marks]

- (a) 7.05%
- (b) 6.93%
- (c) 6.45%
- (d) 6.56%
- (e) **Not Attempted**

Correct Answer : 6.93%

46. A business has invested capital of Rs. 50 crore through a debt-equity mix of 9:1. If the business yielded return of 6% and cost of debt of 8%, what is the pre-tax return on equity?

[2 Marks]

- (a) 60.00%
- (b) -12.00%
- (c) 0.00%
- (d) -8.00%
- (e) **Not Attempted**

Correct Answer : -12.00%

47. All securitisation is without recourse

[1 Marks]

- (a) FALSE
- (b) TRUE
- (c) **Not Attempted**

Correct Answer : FALSE

48. RBI permits only CDS denominated in Indian rupees

[1 Marks]

- (a) TRUE
- (b) FALSE
- (c) **Not Attempted**

Correct Answer : TRUE

49. An Indian invested USD5mn in US when USD was at Rs. 55. The investment appreciated by 8%, while the USD became stronger by 3%. What is the investment return in rupees?

[4 Marks]

- (a) 4.76%
- (b) 4.24%
- (c) 11.24%
- (d) -10.76%
- (e) **Not Attempted**

Correct Answer : 11.24%

50. Under Pillar 1, Basel framework provides flexibility in determining capital requirements for [Get Question](#)

[2 Marks]

- (a) credit risk and operational risk
- (b) credit risk
- (c) operational risk
- (d) none of the other alternatives
- (e) **Not Attempted**

Correct Answer : credit risk and operational risk

51. Which of the following is false of IRR?

[1 Marks]

- (a) assumes re-investment at coupon rate
- (b) does not require date field
- (c) used in calculating bond yield
- (d) requires equal time intervals

(e) **Not Attempted**

Correct Answer : assumes re-investment at coupon rate

52. Which of the following is true of leveraging in futures?

[1 Marks]

- (a) available for long positions only
- (b) provided by banks
- (c) built into product
- (d) not available
- (e) **Not Attempted**

Correct Answer : built into product

53. The maximum amount for NEFT transfers to Nepal is

[1 Marks]

- (a) Rs. 2 lakh
- (b) Rs. 20,000
- (c) Rs. 1 lakh
- (d) Rs. 50,000
- (e) **Not Attempted**

Correct Answer : Rs. 50,000

54. Cheques deposited after the cut-off time on Day 1 in local clearing are credited _____

[1 Marks]

- (a) before commencement of banking hours on Day 3
- (b) on Day 3
- (c) before commencement of banking hours on Day 2
- (d) on Day 2
- (e) **Not Attempted**

Correct Answer : on Day 3

55. Which of the following may come from a re-classification?

[1 Marks]

- (a) AFS
- (b) HFT
- (c) HTM
- (d) **Not Attempted**

Correct Answer : AFS

56. If EBIT is Rs. 20 crore and interest is Rs. 8 crore, what is the interest coverage ratio?

[1 Marks]

- (a) 1.8
- (b) 2.5

- (c) 0.4
(d) 1.6
(e) **Not Attempted**

Correct Answer : 2.5

57. A 30% tax company has sales of Rs. 5,000 crores, variable costs of Rs. 2,500 crores and fixed costs of Rs. 1,000 crores (including interest of Rs. 300 crores). What is its operating leverage?

[4 Marks]

- (a) 1.67
(b) 1.29
(c) 1.39
(d) 1.2
(e) **Not Attempted**

Correct Answer : 1.39

58. The closing price of shares of ABC (in Rs) and value of CNX Nifty at the end of 6 consecutive trading days are as follows: 500, 6000; 502, 6020; 510, 6100; 480, 5900; 490, 6040; 505, 6200. What is the beta?

[3 Marks]

- (a) 0.09
(b) 0.07
(c) 0.13
(d) 1.47
(e) **Not Attempted**

Correct Answer : 1.47

59. RBI has recommended _____ for determining capital requirements for credit risk

[2 Marks]

- (a) The Standardised Approach
(b) Basic Indicator Approach
(c) Standardised Duration Approach
(d) none of the other alternatives
(e) **Not Attempted**

Correct Answer : The Standardised Approach

60. Debt-equity ratio in NBFC is controlled by RBI.

[1 Marks]

- (a) FALSE
(b) TRUE
(c) **Not Attempted**

Correct Answer : TRUE

