

Roll No.....

Membership No.....



The Institute of Chartered Accountants of India
Forex & Treasury Management Certificate Course
Evaluation Test Booklet

Paper 1: Foreign Exchange & Global Market
20th October, 2013

Duration- 3 Hours

Total Marks- 150

INSTRUCTIONS:

1. Please read the instructions carefully given in the question paper and solve it in the space provided.
2. The candidates are not allowed to carry the evaluation test booklet with them. This should be tied up with sheets provided to answer the question Paper.
3. Use Blue/Black pen only.
4. Do not write your Roll No. or Name or other identification other than in the space (perforated) provided on this sheet.
5. Please show Admit Card to the invigilator for verification of your identity, when asked.
6. The candidates may use the simple calculator.
7. The candidates should allocate their time wisely. Use the number of marks assigned to each problem as your guide.
8. In order to get full credit on the problems, the candidates must show all their rough work/ other workings.

(Participant Signature)

(Invigilator Signature)

PLEASE RETURN THIS BOOKLET BEFORE LEAVING THE EXAMINATION HALL

Date : 20th October, 2013

Centre : New Delhi/ Mumbai /Chennai/Kolkata

(Do not write your Roll No. and Membership number anywhere in the answer sheet except as mentioned above)

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**CERTIFICATION COURSE ON FOREX AND TREASURY
MANAGEMENT**

S. No.	Total Number of Questions	Questions to be answered	Total Marks	Marks Obtained
Multiple Choice -Section A	100	100	50	
Multiple Choice - Section B	50	50	50	
Total	150	150	100	

Section A

Number of questions: 100

Marks: 50

Multiple choices: There may be more than one correct answer, but there is at least one.

1. The concept of treasury historically is related to
 - a. Bank
 - b. Government**
 - c. Corporate
 - d. Museum
2. In case of small size treasuries, the following functional separation is not necessary
 - a. Mid office and back office**
 - b. Mid office and front office
 - c. Front office and back office
 - d. Front, mid and back office
3. The dealers constitute the
 - a. Front office**
 - b. Mid office
 - c. Back office
 - d. The treasury department
4. The following can be considered as the top management's eyes and ears in the treasury
 - a. Front office
 - b. Mid office**
 - c. Back office
 - d. The chief dealer
5. As per RBI guidelines, the following statement is true relating to ALCO in commercial banks
 - a. The chief dealer is the head of ALCO
 - b. The chairman of the bank should be the head of ALCO
 - c. The chief dealer is member of ALCO**
 - d. There is nothing called ALCO in banks
6. Cash Management Services offered by banks help the corporate treasury in
 - a. Detecting forged notes out of the collections made and deposited with the bank
 - b. Earning interest on the pooled money lying in the current account, which is otherwise a noninterest bearing account
 - c. Transferring money from one account to another
 - d. Pooling money from different receivables to central account for better monitoring liquidity**
7. CMS is an ideal product for
 - a. Organizations with overseas transactions i.e. exporters and importers

- b. Companies with payment and receipt transactions with the government departments
 - c. **Clients with customers/ dealers at multiple locations across the country**
 - d. Individuals required to pay variety of utility bills like telephone bills, electricity bills etc.
8. Select the best fit explanation for the term 'float funds' among the following
- a. **Funds received at one end of say a bank for the purpose of delivering at the other end**
 - b. Funds which do not earn interest
 - c. The funds which can be used for investment in short term markets
 - d. Funds whose origin cannot be conclusively established
9. Which of the statements is correct in relation to the MIS statements generated under CMS facility offered by banks
- a. The statements are always exchanged between banks and customers under this scheme, duly signed to avoid any dispute later.
 - b. **The statements eliminate the hassles of reconciliation for the customers**
 - c. The statements are submitted by clients to the bank to show the pending receivables and payables to enable the banks to do the needful
 - d. There is a set of standard MIS to be supplied under CMS scheme, as per RBI guidelines
10. With the introduction of CMS by banks, the liquidity / its monitoring :
- a. Has been adversely affected for banks
 - b. Has not been effected in any way by adopting this service
 - c. **Has improved for the corporate customer availing CMS service**
 - d. Has improved for the corporate customer availing CMS service but at a disproportionate cost increase
11. The two main processes involved in the standard CMS product offered by banks are
- a. **Collection and payments**
 - b. Depositing and withdrawing cash at any point of time
 - c. Receipts and payments
 - d. Loans and deposits
12. Which of the following assumes relatively the paramount importance for a firm desiring to invest the surplus
- a. Liquidity
 - b. Yield
 - c. Tax shield
 - d. **Safety of investment**
13. 'Leading and lagging' in the context of International Treasury Management refers to
- a. Mechanism for inter-affiliate transfer of funds

- b. Active manipulation of transactions between parent and subsidiaries situated across borders
 - c. **Mechanisms for cash management to protect against exchange risk**
 - d. A combination of a & b above to avoid tax at both geographies
14. For a corporate, the term 'net float' refers to
- a. The total sum of cheques presented to the bank but not yet collected, cleared and credited to the account
 - b. The total sum of cheques issued which are yet to be debited to the account at the bank
 - c. **The difference between total sum of cheques presented to the bank but not yet collected, cleared and credited to the account and that of cheques issued which are yet to be debited to the account at the bank**
 - d. The sum of total sum of cheques presented to the bank but not yet collected, cleared and credited to the account and that of cheques issued which are yet to be debited to the account at the bank
15. Lock box facilities offered by banks to customers
- a. **Will gradually become redundant with the increase in electronic banking**
 - b. Are very useful for safe keeping of their valuables
 - c. Have been banned due to customers using them for evading tax
 - d. Are part of CMS facility
16. You were auditing the treasury of a bank and in that context going through the various policy documents produced before you. You expect the treasury policy of a bank should include
- a. The limits fixed for various treasury functions
 - b. The clarity on yield curve to be used for computing PV while calculating net open position
 - c. The procedure and calculation of Aggregate Gap Limit
 - d. **All a, b & c above.**
17. As per RBI guidelines, the risk management policy of a corporate does not include
- a. Risk identification & its measurements
 - b. **The name of the bank through which the risks will be taken**
 - c. Guidelines and procedures to be followed with respect to revaluation and/or monitoring of positions
 - d. Names and designations of officials authorised to undertake transactions and limits
18. As per present RBI policy on treasury risk management, facility of hedging in Indian foreign exchange market is available
- a. Only to resident Indians
 - b. Only to residents
 - c. Resident Indians and NRIs
 - d. **Generally to all residents and those nonresidents who have exposure to INR**

19. When a customer approaches his bank seeking to buy Australian dollar currency notes for his ensuing travel to Australia, the bank will
- Apply selling rate**
 - Apply buying rate
 - Not be using any exchange rate since no bank deals in Australian dollar currency notes
 - Sell the notes at RBI rate
20. When you are auditing the books of a bank, you observed that the bank has applied the buying rate rather than selling rate for a particular transaction.
- Your audit observation will indicate that the bank has incurred a loss by recovering less rupees from the customer**
 - Your audit observation will indicate that the bank has incurred a loss by paying more rupees to the customer
 - Your audit observation will indicate that the bank has earned a profit
 - Your conclusion on profit or loss will depend on the amount of transaction and the exact exchange rates prevailing that day for various transactions.
21. The difference between buying and selling rate of a bank is
- The profit margin of the bank
 - Subject to ceiling advised by RBI.
 - Known as spread**
 - Always a constant
22. For a sterling transaction, a bank had quoted the rates of 100 & 100.50 respectively for spot and 3 months forward. What is the annualised premium in percentage terms?
- 1%
 - ½%
 - 2%**
 - 4%
23. On a given day at a given point of time, the interbank rate for US Dollar was 62.50/62.51. For issuing a demand draft in US Dollar, the bank keeps a margin of 1% over the interbank rate. A customer wants to buy a demand draft for USD 100. What is the rate quoted by the bank for this transaction?
- 63.1300
 - 63.1350**
 - 61.8750
 - 61.87
24. An Indian importer has received an import collection bill drawn in US dollars from his supplier in Malaysia. Before the bill is paid, the Malaysian currency is heavily devalued. Because of this, which of the following position is true?
- The Indian importer is happy
 - The Indian importer is unhappy
 - The Malaysian exporter is happy**
 - The Malaysian exporter is unhappy
25. A customer had purchased a draft in Canadian dollar [CAD] from SBI ten days ago at the rate of Rs 62 per CAD. Today he wants to cancel the draft and SBI's rate for buying and selling are Rs 62.50 & Rs 63 respectively. Ignoring the margin, what is the rate bank is likely to apply for cancelling the draft?
- Rs 62
 - Rs 62.50**
 - Rs 63

- d. DD issued once cannot be cancelled and hence rate application does not arise.
26. Under direct quotation system for exchange rates, if the foreign currency appreciates, the number representing the price in the exchange rate equation
- Increases**
 - Decreases
 - Changes depending on whether the currency is at premium or discount
 - Varies depending on the cross rates
27. The exchange rates are quoted to customers by banks
- In multiples of 0.0001
 - In multiples of 0.0025**
 - In multiples of 0.0050
 - In any fraction as the banks have freedom for this
28. The exchange rates quoted by banks to customers are referred as
- Authorised rates
 - Commercial rates
 - Merchant rates**
 - Card rates
29. As per FEDAI rules, settlement of all merchant transactions shall be effected on the principle of rounding off the Rupee amounts to
- Nearest paise
 - Nearest multiple of 25 paise
 - Nearest multiple of 50 paise
 - Nearest whole rupee**
30. Mr Swaran Singh resident in India maintains an account with Citi Bank New York besides his account with Citi Bank Mumbai. His account in Citi New York is
- Surely illegal
 - Called nostro account
 - A foreign currency account**
 - An illegal foreign currency account
31. FEDAI is an organisation which can be best described as
- Regulator for banks
 - SRO for banks
 - SRO for Authorised Dealers**
 - Regulator for authorised dealers
32. TT buying rate is applied by banks for transactions where
- Remittance is received by telecommunication
 - Remittance is sent by telecommunication
 - The bank's account abroad is already debited
 - The bank's account abroad is already credited**
33. In case of Non deliverable forward [NDF], the following is not true:
- Hedging with delivery of only the differential
 - NDF is not a legal market from the home country angle
 - NDF market is an indicator of the trend of currency movement
 - NDF market exists because of the capital account convertibility of the currency concerned**
34. NDF market works on the principle of
- Exchange driven contracts
 - OTC derivative contracts**
 - A fixed market place

- d. Selling and buying in a virtual market
35. Which of the following statements is not true
- a. Both forward contract and NDF are derivative products
 - b. The parties to the NDF are nonresidents for the currency
 - c. **Regulator of one of the currency pairs has jurisdiction on the NDF market**
 - d. NDF is an offshore contract
36. The rates quoted by a bank for spot and 3 month forward transaction in US Dollar are: 62.35/36 & 5000/5500. What is the rate applicable for a 3rd month delivery export bill, ignoring transit period?
- a. **62.85**
 - b. 62.91
 - c. 62.86
 - d. 61.85
37. For calculating buying rate for a foreign currency say Danish Kroner [DK], using cross rate method, the following rates are to be used:
- a. Dollar buying rate against DK in international market and dollar selling rate against rupee in the interbank market
 - b. Dollar selling rate against DK in international market and dollar selling rate against rupee in the interbank market
 - c. **Dollar selling rate against DK in international market and dollar buying rate against rupee in the interbank market**
 - d. Dollar buying rate against DK in international market and dollar buying rate against rupee in the interbank market
38. Under FEDAI rules, an option period is available for delivery of documents to
- a. **Exporters**
 - b. Importers
 - c. Both exporters & importers
 - d. There is no such concept
39. The PMT function in excel can be used for
- a. Calculating the payments for a loan
 - b. Future value of an investment
 - c. Present Money equivalent for time T
 - d. **a & b above**
40. A yield curve is
- a. A curve that shows the yield on various securities
 - b. A curve showing interest rate movement over a period of time
 - c. **A representation of the relationship between interest rates and time to maturity**
 - d. A graph showing the yield versus risk
41. Bootstrapping is
- a. A process of calculating zero coupon yield curve from market figures
 - b. A process of using interpolation to determine the yields for different maturities
 - c. Needed since Government securities are not available for every maturity
 - d. **All the above**
42. A zero coupon curve is
- a. **Graph showing rates of return on zero coupon bonds with different periods to maturity**

- b. Price of zero coupon bond plotted against time
 - c. Coupon rates at zero point in time
 - d. X axis, where Y axis represents the yield
43. The future value of Rs 100 in one year at rate of 5% is Rs
- a. 100.5
 - b. 105**
 - c. 95
 - d. 95.24
44. Yield to Maturity is
- a. Interest rate at which discounted value of future payments equal to the current value
 - b. The rate of return obtained by buying a bond at the current market price and holding it to maturity
 - c. The index for measuring the attractiveness of bonds.
 - d. All of the above**
45. Of the following measures of interest rates, which is considered by economists to be the most accurate?
- a. The yield to maturity**
 - b. The coupon rate
 - c. The current yield
 - d. The yield on a discount basis
46. If a loan is to be fully repaid with interest and principal together on maturity, the interest rate equals
- a. Real interest rate
 - b. Nominal interest rate
 - c. Current yield
 - d. Yield to maturity**
47. With an interest rate of 8%, the present value of Rs100 next year is approximately
- a. Rs 108
 - b. Rs 92
 - c. Rs 96
 - d. Rs 93**
48. A bond of Rs 8000 with Rs 400 coupon payment every year has a coupon rate of
- a. 5%**
 - b. 8%
 - c. 10%
 - d. 40%
49. Which of the following Rs 1000 face value security has the highest YTM?
- a. A 5% coupon bond with a price of Rs 600**
 - b. A 5% coupon bond with a price of Rs 800
 - c. A 5% coupon bond with a price of Rs 1000
 - d. A 5% coupon bond with a price of Rs 1200
50. The current yield
- a. More accurately approximates the yield to maturity when the bond's price is near par value and its maturity is short.
 - b. Less accurately approximates the yield to maturity when the bond's price is near par value and its maturity is long.

- c. **More accurately approximates the yield to maturity when the bond's price is near par value and its maturity is long**
 - d. More accurately approximates the yield to maturity when the bond's price is far from par value and its maturity is short
51. The current yield on a Rs 10000, 10% coupon bond selling for Rs 5000 is
- a. 30%
 - b. 33%
 - c. 60%
 - d. **20%**
52. Dealers in US Treasury securities always refer to prices by quoting the
- a. YTM
 - b. **Yield on discount basis**
 - c. Coupon rate
 - d. Coupon yield
53. What is the return on a 5% coupon bond that initially sells for Rs 1,000 and sells for Rs 1,200 next year?
- a. 5%
 - b. 10%
 - c. 20%
 - d. **25%**
54. Interest rate risk can be simply stated as the riskiness of the asset's returns due to
- a. **Interest rate changes**
 - b. Changes in coupon rate
 - c. Default of the borrower
 - d. Changes in exchange rate
55. Prices and returns for _____ bonds are more volatile than those for _____ bonds
- a. Long term; long term
 - b. **Long term; short term**
 - c. short term; long term
 - d. short term; short term
56. In which of the following situation, you would prefer to be the lender?
- a. The interest rate is 9% and the expected inflation rate is 7%
 - b. **The interest rate is 4% and the expected inflation rate is 1%**
 - c. The interest rate is 13% and the expected inflation rate is 15%
 - d. The interest rate is 25% and the expected inflation rate is 50%
57. In which of the following situation, you would prefer to be the borrower?
- a. The interest rate is 9% and the expected inflation rate is 7%
 - b. The interest rate is 4% and the expected inflation rate is 1%
 - c. The interest rate is 13% and the expected inflation rate is 15%
 - d. **The interest rate is 25% and the expected inflation rate is 50%**
58. The term structure interest rate curve
- a. **Is also called yield curve**
 - b. Is also called spot curve
 - c. Is drawn with bonds of different risks in any given curve to reflect the risk versus reward
 - d. If positive, indicates that investors desire a lower rate of return for taking the increased risk of lending their money for a longer time period
59. Relating to the concept of Value at Risk [VaR], the following is not true
- a. The probability distributions of individual risks are to be defined to estimate VaR

- b. The three key elements of VaR are specified level of loss in value, a fixed time period over which risk is assessed and a confidence interval
 - c. **The focus in VaR is clearly on upside risk and potential gains.**
 - d. VaR can be estimated for a portfolio or for a given risky asset.
60. In calculating yield in bond market, which of the following statements is true?
- a. Changes in the value of a bond are linearly related to changes in the rate of return.
 - b. **Long term bonds have greater interest rate risk than short term bonds**
 - c. High coupon bonds have greater interest rate sensitivity than low coupon bonds
 - d. Higher the YTM, higher the bond value
61. In the calculation of bond price,
- a. **As maturity increases, duration increases**
 - b. As maturity increases, duration decreases
 - c. As maturity increases, bond price becomes less sensitive to interest rate changes
 - d. Modified duration does not account for changing interest rate.
62. In estimating ALM of a bank, an asset or liability is termed as interest rate sensitive when
- a. Within the time interval under consideration, there is no cash flow
 - b. **The interest rate resets/reprices contractually during the interval**
 - c. There are no assets or liabilities with administered rates
 - d. There is no provision for prepayment.
63. The ALM system in the bank rests on
- a. ALM information system
 - b. ALM organisation
 - c. ALM process
 - d. **All the above**
64. The interest rate risk faced by banks is due to
- a. Banks' inefficiency
 - b. RBI policy guidelines
 - c. **Deregulation of interest rate**
 - d. Globalisation
65. While grouping assets & liabilities into different buckets, it should be according to
- a. Contractual maturity of the assets & liabilities
 - b. Residual maturity
 - c. **Residual maturity or next pricing period whichever is earlier**
 - d. Residual maturity or next pricing period whichever is later
66. Point out the odd one out of the following group of ratios relating to financial statements:
- a. **Interest coverage ratio**
 - b. Return on assets
 - c. Return on equity
 - d. Net profit to sales ratio
67. Which of the following is not an operating efficiency ratio in analysis of financial statements?
- a. Total asset turnover ratio
 - b. Fixed asset turnover ratio
 - c. Equity turnover ratio
 - d. **Operating cash flow/sales ratio**
68. The term integrated treasury in a bank means
- a. The treasury is integrated with the main activities of the bank
 - b. The bank is using a single software for all operations including treasury

- c. **The domestic and forex treasury are integrated**
 - d. The banking books and trading books are merged
69. The guidelines relating to forex treasury in a bank are issued by
- a. Exchange Control Department of RBI
 - b. **Foreign Exchange Department of RBI**
 - c. Department of Banking Operations of RBI
 - d. Department of External Investments of RBI
70. In a Bank treasury,
- a. The total turnover is equal to the total exports & imports of all customers
 - b. The total turnover is equal to all the forex transactions of all customers together
 - c. **The total turnover is much more than the customers' transactions together**
 - d. The total turnover cannot be arrived at since they are in different currencies
71. While comparing various segments of financial market, which of the following statements is true?
- a. **Forex market is most liquid of all markets**
 - b. The efficiency of market is lowest in forex market
 - c. The money market is a segment of forex market
 - d. The equity market depends on forex market
72. The various treasury limits of a bank are
- a. To be fixed by the Bank's board
 - b. To be got approved from RBI
 - c. **To be fixed by the Board and the Net overnight open exchange position and the gap limits are to be informed to RBI**
 - d. All sanctioned by RBI
73. In the context of hedging exposure in India through ADs by Foreign Direct Investors, which of the following is not incorrect?
- a. Hedging is permitted on the market value of the investments made
 - b. Hedging is permitted for the dividend receivable on such investments
 - c. Hedging is permitted even to the extent of proposed investment in India
 - d. **Hedging is permitted only with prior permission from RBI**
74. The primary capital market
- a. Imparts liquidity and marketability to long term financial instruments
 - b. **Helps companies to raise funds to finance their projects**
 - c. Provides an auction market for long term securities
 - d. Operates through the medium of stock exchanges
75. Capital markets differ from money market in that
- a. Capital markets are regulated while money markets are not
 - b. **The maturity of securities in the capital are long term while in the money market it is short term**
 - c. Limited companies which operate in capital markets cannot operate in money markets
 - d. Unorganised money markets are larger than unorganised capital market
76. Which of the following is not a marketable instrument?
- a. Commercial paper
 - b. Certificate of deposit
 - c. **Inter corporate deposit**
 - d. Treasury bills
77. Why there is a difference between coupon rate and yield?
- a. Because the issuer has fixed these two differently

- b. **Because the market price is different from face value**
 - c. Because the security is traded in the market
 - d. Because the method of calculation of the two is different
78. Why long term securities offer more returns than that for short term?
- a. Due to inflation
 - b. Due to uncertainty
 - c. Due to trading in money market
 - d. **Because investors prefer to lend money for short term**
79. A forward rate agreement:
- a. **Is like forward contract**
 - b. Is similar to an option contract
 - c. Is an agreement to borrow money at a future date
 - d. Allows the borrower and lender to choose the interest rate on the date of actual transaction
80. Banks borrow in call money market
- a. **To meet the temporary mismatches in funds**
 - b. To meet long term resource requirements
 - c. When there is steady inflow or outflow of funds
 - d. As an ALM tool
81. Following is a feature of Certificate of Deposit:
- a. It is a long term borrowing instrument
 - b. **It is like bank term deposit accounts**
 - c. It is in the form of bill of exchange
 - d. It is not subject to stamp duty
82. Who Regulates Indian G-Secs and Debt Market?
- a. **RBI**
 - b. SEBI
 - c. Government of India, Ministry of Finance
 - d. FIMMDA
83. MGR Ltd issued bonds having a par value of Rs 1000, maturity value of Rs 1200 and a coupon rate of 17%. If the current market price of the bond is Rs 1114 and the YTM of the bond by approximation method is 16.4%, what is the approx. maturity period of the bond?
- a. 6 years
 - b. 5.5 years
 - c. 5 years
 - d. **4.4 years**
84. Following is not a feature of treasury bill [T bill]
- a. T bills are issued by Government of India
 - b. T bills are issued against short term borrowing requirement
 - c. T bills maturity varies between 14 & 364 days
 - d. **NBFCs cannot and only banks can invest in T bills**
85. In case of securities, different variants of auctions exist. Which of the following is a true statement?
- a. Dutch auction system involves premium
 - b. French auction system does not involve allotment at premium
 - c. **Private placement with RBI by Government is a type of auction**
 - d. On tap issue is discontinued
86. In connection with investment in G-Sec which of the following is true?
- a. It is risk free
 - b. **It is subject to interest rate risk**
 - c. It is subject to exchange rate risk

- d. It is subject to legal risk since no holder can file case against the sovereign
87. In case of GDRs issued by a company, the depository
- Is situated in India
 - Is the authorised entity to issue GDR against FCCB or ordinary share of the company**
 - Is not the registered owner of the shares
 - Has the ownership of shares
88. The dividend paid by a company on account of GDRs
- Is issued by the company in US dollar favouring the investor
 - Is issued in rupees but the depository converts and pays to the ultimate investor**
 - Is not repatriable
 - Is subject to prior permission from RBI
89. Treasurer of a bank in India can trade in
- Currencies approved by RBI
 - Currencies approved by the management**
 - Any currency
 - Any convertible currency
90. Foreign Currency Convertible bonds are
- Subscribed only by residents
 - Subscribed only by nonresidents**
 - Issued in either domestic or foreign currency
 - Subscribed only by NRIs
91. Issuance of FCCB by an Indian corporate results in the following:
- Increase in our foreign exchange reserves**
 - Decrease in our foreign exchange reserves
 - Increase followed by subsequent decrease of our foreign exchange reserve
 - It has no impact on our forex reserves as the issue is by a private corporate
92. Floating Rate Note is a security which has the following feature
- The interest rate is fixed
 - The security is not traded
 - When the interest rates raise, the security's interest payment will decrease
 - The interest payment on the security can change over time**
93. In an international syndicated loan structure, the following statement is true
- It is extended by group of lenders across the globe to a single borrower using one agreement**
 - Only one type of facility is extended under this scheme
 - The loan is always in US dollar
 - Such loans cannot be availed by borrowers in India now
94. Double taxation avoidance agreement is
- An escape route to avoid tax
 - A bilateral agreement between two companies to reduce tax in their import and export transactions
 - A bilateral agreement between two governments to avoid taxation of income in both the countries**
 - An agreement between governments to prevent tax leakage in cross border transactions
95. International mergers and acquisitions result in
- Boosting FDI flow
 - Access to international management and technology best practices
 - Access to local markets
 - All the above**

96. For an MNC, in the concept of country risk, the following is true
- Country risk is the risk of foreign government defaulting in payment in foreign currency**
 - Country risk means the foreign government failing politically
 - Country risk means increased returns
 - Country risk is the barrier for doing trade transactions with other countries
97. In connection with international portfolio management, which of the following sentence is true
- Buying foreign securities or DRs directly results in acquiring international portfolio**
 - Investing in international mutual fund does not result in acquiring international portfolio
 - The risk due to asymmetry of information is same as in domestic investment
 - Exchange risk does not exist since the entire portfolio is in foreign currency
98. ACU is
- an arrangement under which countries clear the dues to each other which otherwise would have remained pending for want of free forex reserves with them
 - An arrangement under which member countries settle payments for intra-regional transactions among the participating central banks on a multilateral basis**
 - Is a currency of select countries in the regional block
 - Mechanism for transportation of goods and services among members
99. Which of the following statements is more accurate?
- IMF does not lend money to Governments in need for poverty alleviation
 - IMF funds can be tapped only to overcome the difficulty in balance of payments
 - IMF resources are provided by rich nations
 - IMF is responsible for ensuring the stability of the international monetary system**
100. Which one of the following is not a regional development Bank?
- European Investment Bank (EIB)
 - Inter-American Development Bank Group (IADB)
 - Exim Bank of India**
 - Islamic Development Bank (IDB)
101. Multilateral Investment Guarantee Agency is
- An international agency guaranteeing external commercial borrowings
 - A member of World Bank group**
 - Aiming at encouraging FII's across nations
 - Offering dispute mediation services among countries
102. Examples of countries having the same currency are
- India and Nepal
 - China and Hong Kong
 - Belgium and Italy**
 - USA and Canada
103. International exchange rate system does not include the following:
- Hard exchange rate pegs
 - Soft exchange rate pegs
 - Floating exchange rate regimes
 - Currency unions**
104. The self regulatory body for banks in India consists of
- FIMMDA
 - FEDAI
 - IBA
 - Both b & C**
105. In securities market, STRIPS

- a. Is a type of security which is stripped of the interest element
 - b. **Is a process where the coupon bearing bond is separated into individual coupons and the principal**
 - c. Does not increase effectively increase the number of tradable bonds
 - d. Makes the bond unattractive
106. In Indian G Sec market, following fits into the meaning of 'when issued' market
- a. It is a market for government securities which have been issued
 - b. These securities can be traded on OTC basis also
 - c. **They are to be settled if and when the security is actually issued**
 - d. This segment of the market consists of securities not well traded
107. Which of the following statement is correct?
- a. **Open Market Operations are conducted by RBI to adjust the rupee liquidity conditions**
 - b. Buyback of Government securities is the process of RBI buying back the G sec
 - c. LAF is available only to scheduled commercial banks and not PDs
 - d. Government securities may be held by investors only in Demat form.
108. Which of the following is not a method of trading in Government securities?
- a. **Through stock exchanges**
 - b. Over the counter
 - c. Through the Negotiated Dealing System
 - d. The Negotiated Dealing System – Order Matching
109. While listing the eligible players in government securities, which of the following statement is not true?
- a. Commercial banks are major players
 - b. Primary dealers are market makers
 - c. **FIs can participate freely**
 - d. Corporates participate to manager their overall portfolio risk
110. The price of Government security fluctuates in the secondary market. In that context, which of the following is a correct statement?
- a. It is not determined by demand and supply
 - b. **Macro-economic factors like expected rate of inflation & liquidity in the market cause the rate fluctuation**
 - c. Other markets like money & foreign exchange have no impact on this price
 - d. Developments in international bond markets do not affect prices of G Secs in India
111. Shut period in G Sec market can be described as under.
- a. **The period during which the security cannot be delivered**
 - b. It is when there are problems with the issuer of the security
 - c. It is when the market is closed
 - d. The shut period for securities held in SGL accounts is generally one week
112. What is the role of Clearing Corporation of India Ltd?
- a. It the clearing agency for cheques presented in clearing by banks
 - b. **It is the clearing agency for government securities**
 - c. It handles movement of cargo across borders
 - d. It assists RBI in handling securities
113. Mark the incorrect equation among the following
- a. **When the market price of the bond is less than the face value, $YTM > \text{current yield} > \text{coupon yield}$**
 - b. When the bond sells at premium, $YTM > \text{current yield} > \text{coupon yield}$
 - c. When the market price of the bond is more than the face value, $YTM > \text{current yield} > \text{coupon yield}$

- d. When the market price of the bond is less than the face value, $YTM < \text{current yield} > \text{coupon yield}$
114. What is the current yield for a ten year 8.24% coupon bond selling for Rs 103 per Rs 100 par value?
- 8.24%
 - 8.42%
 - 8%**
 - 8.72%
115. The price of a 91 day Treasury bill at issue is Rs 98.20. What is the yield?
- 7.3521%**
 - 7.2%
 - 1.8%
 - 1.35%
116. After 41 days of issue, the 91 days Treasury bill is traded at a price of Rs 99. What is the yield?
- 7.7373%
 - 7.3737%**
 - 1%
 - 7.37%
117. Generally notice money market is one where the tenor of transactions is
- One working day
 - Two to fourteen days**
 - More than fifteen days
 - Fifteen days to one year
118. The features of call money market include the following
- It is a collateralised lending of funds
 - It is not predominantly an overnight tenor market
 - It is not open for participation to PDs
 - Scheduled commercial banks and PDs can participate**
119. In a repo transaction, the following is not true
- There is agreement to repurchase the now sold securities
 - The future date is agreed
 - The repurchase price is agreed
 - Interest for the funds borrowed is paid separately**
120. The money market instrument collateralised Borrowing and Lending Obligation [CBLO] does not have the following feature
- It is an interest carrying instrument**
 - It is available in electronic book entry form
 - It is a money market instrument
 - It is operated by RBI
121. Which of the following is not a feature of a Commercial Paper?
- It is a secured money market instrument**
 - It is in the form of promissory note
 - Corporates can issue CP
 - It can be issued for maximum maturity of one year from the date of issue
122. Following is a negotiable money market instrument issued by banks upto maximum of one year maturity
- CP
 - Deposit Receipt
 - CD**
 - Call money

123. The Fixed Income Money Market and Derivatives Association is an association where the following cannot be a member
- RBI**
 - Scheduled commercial banks
 - PDs
 - Insurance companies
124. The standard market lot size in Government securities market is
- Rs 5 crores in market value terms
 - Rs 10 crores in face value terms
 - Rs 5 crores in face value terms**
 - Rs 10 crores in market value terms
125. A cheque drawn on a bank is an example of
- Promissory note
 - Bill of Exchange**
 - Assurance
 - A promise to pay
126. When a bill is tendered to bank under a letter of credit, advancing against that is referred to as
- Purchasing the bill
 - Discounting the bill
 - Negotiating the bill**
 - Advancing against the bill
127. Following is an example of postshipment advance
- Packing credit advance
 - Term loan
 - Bill discounting**
 - Cash credit facility
128. Factoring is an alternative for
- Packing credit advance
 - Bill discounting**
 - Co-acceptance
 - Overdraft facility
129. If an exporter wants a without recourse finance, the sure alternative is
- Bill discounting
 - Forfaiting**
 - Factoring
 - Coacceptance facility
130. Following type of availing finance has the benefit of other services such as sales ledger maintenance and collection
- Factoring**
 - Forfaiting
 - Packing credit
 - Bill finance
131. Broadly speaking about Foreign Exchange Management Act [FEMA], following is not true
- Has introduced the concept of convertibility of currency
 - Is civil in nature and not criminal
 - There is presumption of culpable mental status**
 - Lists what is not permitted compared to earlier of what is permitted under foreign exchange
132. Under FEMA, which is incorrect?

- a. HSBC Mumbai is a resident entity
 b. Microsoft office in India is a resident entity
 c. **SBI London is a nonresident entity**
 d. Microsoft HQ in USA is a nonresident entity
133. Indian rupee is convertible as under
 a. Fully under capital account
 b. **Fully under current account**
 c. Not under capital account
 d. Partly under current account
134. Following transaction is a current account transaction under FEMA
 a. Issue of ADRs by an Indian company
 b. Buying a flat in Switzerland by an Indian resident
 c. ECB loan availed by L & T Ltd Mumbai
 d. **Import of capital goods by an Indian company**
135. Srinivasan has a large property in old Bangalore inherited from his parents. He migrates to USA. He desires to sell the property and take the sale proceeds of approximately Rs 50 crores out of India.
 a. He cannot sell the ancestral property
 b. He can sell but cannot repatriate the sale proceeds
 c. He can take the money only with RBI permission
 d. **He can sell and repatriate the money subject to payment of tax and an annual limit**
136. While auditing the books of an exporter company, you observe that there are large number of export bills unpaid for long. You advise the company to
 a. Write off the amount and clean the books
 b. Approach RBI seeking to write off the debt
 c. **Follow up with buyers and get the forex repatriated and approach the bank if that is not possible**
 d. Keep the bills pending without disturbing the position
137. Foreign Exchange Management Act 1999 came into effect from
 a. **1st June 2000**
 b. 1st January 2000
 c. 1st January 1999
 d. 1st June 1999
138. The words 'Chartered Accountant' have been defined in FEMA 1999
 a. Separately and distinctly
 b. **As having the same meaning as in Chartered Accounts Act, 1949**
 c. As anyone professionally qualified as accountant
 d. The words have not been defined or referred in FEMA
139. Under the liberalised regime now, anyone in India can
 a. Open a bank account abroad and remit money
 b. Open a bank account abroad and remit money subject to RBI permission
 c. **Open a bank account abroad and remit money subject to prescribed limit**
 d. Not open a bank account abroad, unless the person goes abroad and becomes an NRI
140. Under FEMA, when notice is received for appearing before adjudicating authority, only
 a. The legal practitioner can appear
 b. The person himself has to appear
 c. Chartered accountant can represent
 d. **Anyone of the above three can appear**

141. After independence, the first Act to supervise the foreign exchange regime in the country was the Foreign Exchange Regulation Act which was enacted in the year
- 1947**
 - 1950
 - 1973
 - 1948
142. Following is also called as hot money
- FDI flows
 - FII flows**
 - ECB loan proceeds
 - Large foreign currency deposits with banks
143. Exchange rate of Indian rupee against a foreign currency is now determined by
- RBI
 - Demand and supply in the market for foreign currency**
 - Government
 - Banks
144. Foreign exchange risk is borne by banks in case of following
- FCNR deposit**
 - NRE deposit
 - ECB loan availed by customer through banks
 - When a foreign currency draft is issued
145. In which situation, the foreign exchange reserves of our country will increase?
- An exporter has received a large value export order backed by LC
 - ECB loan availed by a corporate has been received in India**
 - Payment has been made under an import LC opened by SBI Mumbai
 - A nonresident has converted his NRE deposit into FCNR deposit
146. A customer walks out of a bank branch complaining that the exchange rate quoted is too high.
- He is likely to be an exporter
 - He is likely to be an importer**
 - He is a nonresident Indian
 - Cannot comment on his business based only on this info
147. Interest rate on one year deposit is 8% pa and on 2 years deposit is 10% pa today. What is the expected interest rate for one year deposit at the end of one year from now?
- 10% pa
 - Cannot say now
 - 12% pa**
 - 9% pa
148. Which of the following is not a part of "official reserve"?
- Reserve of convertible foreign currencies
 - SDRs
 - Balance with IMF
 - Deposits of NRIs.**
149. Which of the following is not a participant in foreign exchange market?
- Reuters**
 - Authorised Dealers
 - Forex brokers
 - RBI
150. A sterilised intervention by RBI means
- Strict action by RBI on financial market participants

- b. **Removing both the forex and rupee liquidity simultaneously**
 - c. Stabilising the exchange rate of rupee
 - d. Warning the banks on their activities in forex market
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