

Roll No.....



Membership No.....

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

**Paper 1
6th April, 2014**

Duration- 3 Hours

Total Marks- 100

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 Identity 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)

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Date : 6th April, 2014

Centre : New Delhi/ Mumbai /Chennai/Kolkata/Bangalore/Ahmedabad

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

Checked by

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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. Please [✓] mark for the answer.

1. A separate dedicated treasury department can be established
 - a. In Banks after obtaining permission from RBI
 - b. Only by Banks who have licence to trade
 - c. **By banks to facilitate trading**
 - d. Corporates after obtaining permission from Registrar of Companies
2. Compensation paid to treasurers has been a subject of regulatory oversight in recent times because
 - a. The amount involved is large
 - b. It affects banks' profitability
 - c. It affects money supply and hence inflation
 - d. **Encourages risk taking when linked to profit earned**
3. Following category of bank can have a treasury set up
 - a. Regional Rural bank
 - b. Commercial Bank
 - c. Cooperative Bank
 - d. **All the above categories**
4. Treasury department of a bank in India is likely to exist
 - a. In all very large branches
 - b. In metro centres like Mumbai and Delhi
 - c. **Centrally at one or two locations**
 - d. In centres where RBI has offices/branches
5. A foreign bank has a single branch in India. Which of the following sentence is more correct?
 - a. **Its treasury in India has to adhere to rules of RBI**
 - b. It need not have any treasury in India since it has only one branch
 - c. If it has a treasury in India, it will adhere to rules of the central bank of the home country
 - d. If it has a treasury in India, it will adhere to rules of the central treasury abroad
6. When euro came into existence as a single currency replacing several legacy currencies,
 - a. The volume of global treasury turnover increased substantially
 - b. **The volume of global treasury turnover decreased substantially**
 - c. The treasury volume remained unaffected
 - d. Treasuries continue to trade both in euro and legacy currencies
7. The market where treasurers of different banks deal with each other is called
 - a. Treasury market
 - b. **Interbank market**
 - c. Money market
 - d. Forex market
8. To ensure the functional separation in case of a bank treasury, RBI rules stipulate that
 - a. The front and back office should be situated in different locations
 - b. The front and back office should be situated in different buildings
 - c. The front and back office should have separate software systems

- d. **The front and back office should be separate functionally**
- 9. The foreign exchange market, in which banks & customers operate is
 - a. **An OTC market**
 - b. An exchange traded market
 - c. A market where RBI is the central counter party
 - d. A Central Bank controlled market
- 10. A treasurer of a bank
 - a. Is appointed by the bank for a limited tenure
 - b. **Can work in treasury for a limited tenure**
 - c. Can be appointed subject to RBI clearance
 - d. Should have completed professional examinations before being appointed
- 11. The Clearing Corporation of India Ltd was set up for providing
 - a. Only clearing services for transactions in Money market
 - b. Clearing and settlement for transactions in GSes
 - c. **Exclusive clearing and settlement for transactions in Money, GSes and Foreign Exchange**
 - d. Settlement of transactions in GSes and Foreign Exchange
- 12. The aggregate overnight balance in all the nostro accounts of a bank
 - a. Represents the liquidity of the bank
 - b. Is an indication of the gross forex activity of the bank
 - c. **Is an idle balance**
 - d. Has to be within the limit prescribed by RBI
- 13. The Chief of Treasury of a bank will be
 - a. Involved in sanction of large credit limits to customers
 - b. **Monitoring the liquidity position of the bank**
 - c. Consulted before permitting disbursal of larger credit limits beyond a prescribed limit
 - d. Solely responsible for the profitability of the bank
- 14. Credit sanctioning committee of banks
 - a. **Is independent of treasury**
 - b. Will be headed by Treasury chief
 - c. Has treasurer as a member
 - d. Will be part of treasury
- 15. Credit management in a bank involves
 - a. Sanctioning of credit limits
 - b. Appraisal of proposals and sanctioning of limits
 - c. Managing the credit portfolio
 - d. **Handling credit portfolio from end to end**
- 16. Corporate Debt Restructuring
 - a. Indicates satisfactory functioning of the borrower
 - b. **Arises due to difficulty in debt servicing**
 - c. Applies only to debt of publicly quoted companies
 - d. Is a concept in vogue for the last 2 ½ years
- 17. Following ratio is an indicator of solvency of a company
 - a. Debt equity ratio
 - b. **Current ratio**
 - c. Debt service coverage ratio
 - d. Inventory to sales ratio

18. Following organization belonging to world bank group funds entities in private sector
- IFC**
 - IBRD
 - IMF
 - BIS
19. In a bank statement, the words ‘available funds’ mean
- The account holder can draw that balance**
 - The branch has cash to that extent on that day
 - The ceiling upto which cash withdrawal is allowed in the account
 - The ceiling upto which interbank withdrawal is allowed in the account
20. In the nostro account of a bank, there was an overnight balance of US dollar one million. There were debits to the extent of US dollar one million during the day, export bill realized to the extent of US dollar one million, cheques sent for collection to the extent of US dollar one million. The available funds in the account is
- USD three million
 - USD two million
 - USD one million**
 - Zero
21. The current account of a corporate has a balance of Rs ten lacs. It has issued cheques aggregating Rs five lacs, which are yet to be debited. An NEFT credit of Rs one lac was received just now and an RTGS debit instruction for Rs two lacs is expected to be executed in the next cycle. What is the available balance by EOD?
- Rs six lacs
 - Rs nine lacs**
 - Rs ten lacs
 - Rs fourteen lacs
22. In a heavily oversubscribed public issue of shares, the collecting bank will be
- Happy due to large float funds available**
 - Unhappy due to additional work
 - Happy due to less float funds available
 - Unhappy due to non-availability of float funds
23. A clearing house is the basic building block in
- Payment and settlement system**
 - Banking system
 - Cheques issuing system
 - Monetary policy of the country
24. In cheque clearance work, CTS stands for
- Cheque Transfer System
 - Cheque Transmission System
 - Cheque Truncation System**
 - Cheques & Transfers Scheme
25. A Bank’s responsibility for reconciliation of the account is more
- For Nostro account than Vostro account**
 - For Vostro account than Nostro account
 - Or less same both for Nostro and Vostro accounts
 - For Nostro account or Vostro account depending on the balance available
26. A lock box is an arrangement in banking system

- a. To store valuable items
 - b. **To collect instruments**
 - c. To preserve documents of title to goods
 - d. And is also known as Demat account
27. Value of an account to a banker is measured by
- a. The interest earned from the account
 - b. **The income earned from the account**
 - c. The minimum balance maintained in the account
 - d. The net profit of the corporate customer
28. In banking parlance, the concept of value of an account
- a. Does not exist in public sector banks
 - b. Goes against socialistic principles
 - c. **Is an indicator for pricing the products to the customer**
 - d. Helps in asset classification
29. Treasury Policy Manual of a corporate should include
- a. The various limits upto which the corporate can take exposure in treasury activities
 - b. The treasury set up
 - c. The treasury reporting system
 - d. **All the above aspects**
30. Finacle is a software used by banks' treasuries which is developed by
- a. **Infosys**
 - b. Wipro
 - c. TCS
 - d. IBM
31. Treasury software should enable
- a. **Functional separation of front and back office**
 - b. Functional separation of front and mid office
 - c. Functional separation of mid and back office
 - d. Functional separation of rupee and forex treasury
32. The treasury product offered by any software company can be used by banks subject to
- a. Prior permission from RBI
 - b. **It meeting the treasury guidelines stipulated by RBI**
 - c. Banks being not able to develop their own inhouse systems
 - d. Due diligence by FEDAI
33. USD INR rate is: spot Rs 60 and 6 months forward Rs 63. What is the annualized premium of USD?
- a. 3%
 - b. 5%
 - c. 6%
 - d. **10%**
34. Indian rupee is convertible as under:
- a. **Fully on current account**
 - b. Fully on capital account
 - c. Partly on current account
 - d. For both current and capital account
35. Indian rupee is
- a. Freely traded outside India

- b. Not freely traded in India
 - c. **An active currency in NDF market**
 - d. Not allowed to be traded in NDF market
36. When a customer approaches his bank seeking to buy Singapore dollar currency notes for his ensuing travel to Singapore, the bank will
- a. **Apply selling rate**
 - b. Apply buying rate
 - c. Not be using any exchange rate since no bank deals in Singapore dollar currency notes
 - d. Sell the notes at RBI rate
37. The exchange rates are quoted to customers by banks
- a. In multiples of 0.0001
 - b. **In multiples of 0.0025**
 - c. In multiples of 0.0050
 - d. In any fraction as the banks have freedom for this
38. The exchange rates quoted by banks to customers are called as
- a. **Merchant rates**
 - b. Customer rates
 - c. Card rates
 - d. Exchange rates
39. Under direct quotation system for exchange rates, if the foreign currency depreciates, the number representing the price in the exchange rate equation
- a. Increases
 - b. **Decreases**
 - c. Changes depending on whether the currency is at premium or discount
 - d. Varies depending on the cross rates
40. As per FEDAI rules, settlement of all merchant transactions shall be effected on the principle of rounding off the Rupee amounts to
- a. **Nearest whole rupee**
 - b. Nearest ten rupee
 - c. Nearest multiple of 25 paise
 - d. Nearest multiple of 50 paise
41. The equivalent of FIMMDA of money market in foreign exchange market is
- a. RBI
 - b. IBA
 - c. **FEDAI**
 - d. ADs
42. Which is not true in respect of Multilateral Investment Guarantee Agency
- a. Is a member of the World Bank Group
 - b. **Extends credit facility**
 - c. Insures investments
 - d. Financing proposals should be commercially attractive
43. TT selling rate is applied by banks for transactions where
- a. Remittance is received by telecommunication
 - b. Remittance is sent by telegraph
 - c. The bank's account abroad is already debited
 - d. **For outward remittance in the form of foreign demand draft**
44. NDF market for Indian Rupee
- a. Is controlled by RBI

- b. Exists actively in India
 - c. Does not exist anywhere
 - d. **None of the above**
45. Volume of business in a clearing house at any given centre is
- a. **An indication of the business activity of that centre**
 - b. An indication of the banking activity of that centre
 - c. An indication of the financial activity of that centre
 - d. Not a significant number
46. Which of the following sentence is a correct narration?
- a. Interest rate in Japan is low
 - b. **Interest rate in Japanese Yen is low**
 - c. Interest in Japan is low
 - d. All the above
47. If the Swiss Franc [SFR] is at a forward premium against Japanese Yen,
- a. **The interest rate of SFR will be lower than that of Japanese Yen**
 - b. The interest rate of SFR will be higher than that of Japanese Yen
 - c. The interest rate of SFR is same as that of Japanese Yen
 - d. No relation can be predicted between the interest rates of SFR & Japanese Yen
48. The existence of NDF market for a currency
- a. Shows the ineffectiveness of the regulator
 - b. Proves the global popularity of that currency
 - c. **Is an indicator that the currency is not fully convertible**
 - d. Is beneficial for that currency
49. A traveler visiting USA can take the foreign exchange in a variety of ways except the following
- a. **Debit card**
 - b. International travel card
 - c. International Travelers cheques
 - d. Foreign currency notes
50. The forward premium of one currency against another is a function of
- a. Present exchange rate of one currency against the other
 - b. **Interest rate differential between that for the two currencies**
 - c. Demand and supply of the currencies
 - d. Intervention by Central Banks of the two countries
51. In India, the exchange rate is
- a. **Quoted in direct method**
 - b. Quoted in indirect method
 - c. Quoted by RBI
 - d. Determined by RBI
52. YTM is also sometimes called
- a. Rate of return
 - b. Discounting rate
 - c. Compounding rate
 - d. **Internal rate of return**
53. The yield curve is
- a. Also known as the term structure of interest rates,
 - b. **A graph that plots the yields of similar-quality bonds against their maturities, from shortest to longest**

- c. A graph that plots the yields of similar-quality bonds against their maturities, from longest to shortest
 - d. The rate at which the yield is zero
54. A plot of coupon rates against a range of maturities is known as
- a. **Spot curve**
 - b. Yield curve
 - c. Term structure
 - d. Yield against different maturities
55. A zero-coupon bond is a bond
- a. That makes no periodic interest payments
 - b. That is sold at a deep discount from face value
 - c. That is redeemed at face value
 - d. **All the above**
56. Following is an example of zero coupon bond
- a. **Treasury bill**
 - b. Government security
 - c. Currency note
 - d. A convertible debenture
57. The price of a zero-coupon bond can be calculated by using the following formula: $X = Y / (1+a)^b$
- a. Where Y is price
 - b. Where b is required monthly yield
 - c. **Where X is price**
 - d. Where a is the number of years
58. If short-term yields are lower than long-term yields,
- a. The yield curve slopes upwards
 - b. The yield curve is called a positive yield curve
 - c. The yield curve is called a normal yield curve
 - d. **All the above are true**
59. If there is little or no variation between short and long-term yield rates
- a. The economy is stagnant
 - b. **The term structure of interest rate is flat**
 - c. Such situation cannot exist
 - d. Treasurer cannot make profit
60. The relation in the interest rate risk of bonds can be summarized as under
- a. **Long term bonds have greater interest rate risk than short term bonds**
 - b. Long term bonds have lesser interest rate risk than short term bonds
 - c. The interest rate risk does not vary with the tenor of the bonds
 - d. Since zero coupon does not carry any interest, it has no risk
61. The interest rate sensitivity is
- a. **Higher in low coupon bonds**
 - b. Lower in low coupon bonds
 - c. Same irrespective of the yield
 - d. A function of the market behavior
62. Following type of duration, a measure of risk, is expressed in number of years.
- a. Modified Duration
 - b. Effective Duration
 - c. **Macaulay Duration**

- d. Time Duration
63. Modified Duration is
- a. **The percentage change in price for a 100 basis point change in interest rates**
 - b. The percentage change in price for a 100 basis point change in interest rates
 - c. The change in price for a 100 basis point change in yield
 - d. The number of years required to recover the true cost of a bond
64. Which of the following presumption is correct?
- a. **In Macaulay Duration, interest rates are continuously compounded**
 - b. In Modified Duration, interest rates are continuously compounded
 - c. In Macaulay Duration, cashflows continuously change with interest rates
 - d. In Modified Duration, cash flows of the bond change as interest rates change
65. In financial statement analysis, sales to assets ratio is a measure of
- a. Solvency
 - b. Profitability
 - c. Liquidity
 - d. **Overall efficiency**
66. Following ratios are commonly understood to mean the same except:
- a. Leverage ratio
 - b. **Current ratio**
 - c. Debt equity ratio
 - d. Debt to worth ratio
67. The assets and liabilities of a bank always match, as otherwise,
- a. It indicates the inefficiency of the bank
 - b. It shows that the bank is unable to conduct its business properly
 - c. **There could be a risk and an opportunity to make profit**
 - d. There could be a risk leading to a loss
68. Asset Liability Management of a bank is generally monitored at
- a. Branch level
 - b. **Apex level of the bank**
 - c. Regional level on hub and spoke model basis
 - d. Different levels depending on the bank size
69. For enabling ALM, there is a concept of maturity buckets into which assets and liabilities are aggregated depending on
- a. Their commencement dates
 - b. The contractual maturity
 - c. The amounts
 - d. **The residual maturity**
70. A bank is naturally more sensitive to outstandings in
- a. **Near term time buckets**
 - b. Far end time buckets
 - c. The average period time buckets
 - d. All time buckets
71. If the rate sensitive asset of a bank is more than the rate sensitive liability, which statement is true
- a. If interest rate decreases, then the profit increases
 - b. **If interest rate increases, then the profit increases**
 - c. The profit is not affected by any movement of interest rate
 - d. The rate sensitive asset of a bank is always equal to the rate sensitive liability of that bank

72. Which of the following statement is correct?
- A foreign bank in India has only international treasury
 - All AD banks have international treasury**
 - An Indian bank has only domestic treasury in India
 - Cooperative banks do not have treasury desks
73. In a customer facing treasury, the products offered include
- Derivative products
 - G Secs
 - International funding instruments
 - All the above**
74. The regulator for treasury activity of a bank in India is
- RBI**
 - SEBI
 - FEDAI
 - IBA
75. For the treasury product offered by banks in India, which is a correct statement?
- Forward contract is an exchange traded product
 - Only foreign banks offer other than forward contract as a hedging product
 - Forward contract is an OTC product**
 - There is no exchange traded product to hedge in India
76. For an import transaction, a corporate looks for booking
- Forward purchase contract since the corporate has to buy forex to pay to the supplier
 - Forward sale contract since the corporate has to sell forex to pay to the supplier
 - Forward sale contract though the corporate has to buy forex to pay to the supplier**
 - Forward purchase contract since the corporate has to sell forex to pay to the supplier
77. Foreign Exchange Forward contract has the following feature
- Once booked, it cannot be cancelled
 - Once booked, it can be cancelled at a possible cost**
 - If the spot rate is more favourable, the customer can use the contract at the prevailing rate
 - Booking forward contract beyond USD one million needs RBI permission
78. Following is a common feature between Futures and forward contracts in foreign exchange
- Standardization of amount
 - Standardization of settlement date
 - Hedging of forex risk**
 - Secured counter party
79. ‘Futures’ is a contract [mark the incorrect one]
- To buy or sell an underlying financial instrument
 - Which transfers future changes in security prices from one party to the other
 - Where the future date is specified
 - Executed at a rate decided at the time of settlement**
80. A swap contract can
- Create a ‘Gap’
 - Close a ‘Gap’
 - Alter a ‘Gap’
 - Achieve all the above possibilities**
81. A forex swap contract can
- Create foreign exchange for the purpose of lending**

- b. Not be used an instrument for trading
 - c. Result in only receiving premium
 - d. Be entered into only by select banks authorized by RBI for this purpose
82. In a GDR issue, the depository
- a. Is situated in India
 - b. Authorizes the issuer company to issue the GDR
 - c. **Is authorized by the issuer company to issue the GDR**
 - d. Is the overseas agent of the investor
83. Which of the following statements is true in case of GDR issues?
- a. The custodian is invariably situated outside India
 - b. **The physical possession of shares will be with the custodian**
 - c. Depository receipts are not negotiable instruments
 - d. A DR always represents one underlying share
84. In a GDR issue, the currency will be as under
- a. **The currency of the underlying shares is Indian Rupee**
 - b. GDR is always denominated in US dollar
 - c. The GDR and the underlying shares are always to be in the same currency
 - d. The dividend is issued in the currency of the GDR
85. Which of the following is not true in case of Indian Depository Receipt [IDR]?
- a. It is denominated in Indian Rupee
 - b. The depository is situated in India
 - c. It enables raising funds in India by foreign companies
 - d. **The actual shares underlying the IDRs will be held by an Indian custodian company**
86. Foreign Currency Convertible Bonds (FCCBs)
- a. Are subscribed by resident investors in foreign currency
 - b. Are convertible into ordinary shares of the issuing company in whole and not partly
 - c. **Are convertible into ordinary shares of the issuing company in whole or in part**
 - d. Are considered as equity under External Commercial Borrowing guidelines
87. Foreign Currency Convertible Bond (FCCB)
- a. **Is considered as debt under ECB guidelines and as equity for the purpose of FII limits**
 - b. Is considered as debt both for ECB guidelines and for the purpose of FII limits
 - c. Is considered as equity both for ECB guidelines and for the purpose of FII limits
 - d. Is considered as equity under ECB guidelines and as debt for the purpose of FII limits
88. Foreign Currency Convertible Bond (FCCB) has the following features for the investor
- a. The investor has to register with SEBI
 - b. The identity will be known all over
 - c. The settlement does not take place through any international clearing houses
 - d. **FCCB is freely transferable**
89. Which of the following institution cannot both borrow and lend in call money market?
- a. RBI
 - b. FI
 - c. Bank
 - d. PD
90. Following is not considered as money market instrument
- a. Certificate of Deposit
 - b. Commercial Paper

- c. **Government Security**
 - d. Treasury Bill
91. Commercial Papers cannot be issued by
- a. Corporates
 - b. PDs
 - c. FIs
 - d. **Banks**
92. The maximum maturity of a commercial paper is
- a. **One year from the date of issue or date of validity of credit rating whichever is earlier**
 - b. One year from the date of issue
 - c. 7 days from the date of issue
 - d. Six months from the date of issue irrespective of credit rating validity
93. Managing the borrowing program of Government of India is the responsibility of
- a. Government of India itself
 - b. SEBI
 - c. **RBI**
 - d. President of India
94. Primary Dealers
- a. Do not act as market maker in secondary market
 - b. Are important intermediary for all types of securities
 - c. **Act as underwriters in primary market**
 - d. Act as underwriters in secondary market
95. Which statement is a correct feature of commercial paper?
- a. **The maturity period of commercial paper is 15 days to 1 year**
 - b. The minimum amount for issue of commercial paper is Rs 10 lacs
 - c. The commercial paper is a secured instrument
 - d. The issuer has to be necessarily a private sector entity
96. Certificates of deposits
- a. Can be issued by any bank including Regional Rural Bank
 - b. Cannot be subscribed by Individuals
 - c. **Are issued at discount**
 - d. Are not transferable
97. What is a debt instrument?
- a. An equity instrument with provision for repayment
 - b. **A tradable form of loan**
 - c. A promissory note evidencing a debt due
 - d. A bill of exchange
98. Inter corporate deposit is a method of raising finance by a corporate
- a. **It is unsecured**
 - b. Availed generally by high rated corporates
 - c. The interest rate in this market is lower than that in other markets
 - d. It is a highly organized market
99. Corporate debenture has the following feature
- a. It is issued by any legal entity
 - b. It is a short term debt
 - c. It is similar to bank deposits

- d. It can be transferred from one person to another
100. 'Gilt Securities' are issued by
- a. **RBI on behalf of the Government of India**
 - b. RBI
 - c. Government of India
 - d. Government of India on behalf of RBI

Section B

Number of questions: 50

Marks: 50

Multiple choices: There may be more than one correct answer, but there is at least one. Please [✓] mark for the answer.

1. Following is a feature of a Repo deal
 - a. It does not enable borrowing money always
 - b. There are three parties to the contract, including RBI
 - c. The duration of borrowing is not specified at the time of deal
 - d. **A contract with collateral of eligible securities**
2. Between repo and reverse repo rate, it can be said that
 - a. Repo rate is always lower than that of reverse repo
 - b. **Difference between repo and reverse rate is constant**
 - c. Repo rate is lower during high inflation period
 - d. Repo rate is same as bank rate
3. Following is true in case of commodity markets in India
 - a. **Commodity market exists both in OTC & Exchange driven formats**
 - b. Commodity market is an OTC market
 - c. Commodity market is an exchange driven market
 - d. Spot commodity market is exchange driven
4. The regulator for the commodities market in India is
 - a. Forward Markets Authority
 - b. Commodities Markets Authority
 - c. **Forward Markets Commission**
 - d. Forward Markets Agency
5. The number of commodities traded in India is in the range of
 - a. 0 to 10
 - b. 50 to 100
 - c. **100 to 200**
 - d. Over 500
6. Following is a regional commodity exchange
 - a. Multi Commodity Exchange [MCX]
 - b. National Multi Commodity Exchange [NMCE]
 - c. **National Board of Trade Ltd [NBOT]**
 - d. National Commodity and Derivative Exchange [NCDEX]
7. As per IMF classification, presently there are three varieties of currency systems and it does not include
 - a. Hard exchange rate pegs
 - b. Soft exchange rate pegs
 - c. Floating exchange rate regime

- d. **Crawling pegs**
8. Following is not an example of a regional trade block
- NAFTA
 - ASEAN
 - AMU**
 - SAARC
9. Countries having euro as the common currency are called as
- Euro zone countries**
 - EU countries
 - European Economic Community countries
 - European countries
10. If several countries adopt a single currency,
- It results in savings in printing the currency notes
 - They should coordinate their economic policies closely**
 - They lose freedom
 - Their incapability in managing economy comes to the open
11. The end of Bretton Woods system can be linked to
- Twin towers attack in USA
 - Liberalization of economic activities globally
 - Suspension of US Dollar linkage with gold**
 - The financial crisis of 2008
12. Promoting exchange rate stability is one of the objectives of the following body in the World Bank group
- IBRD
 - IFC
 - IMF**
 - IDA
13. The proactive steps taken by IMF to achieve its objective do not include
- Surveillance
 - Technical assistance & training
 - Lending
 - Nominating its officials to run the economy**
14. The IMF's resources are provided by its member countries, primarily through payment of what are called as
- Quotas**
 - Fees
 - Subscription
 - Membership amount
15. Special Drawing Right [SDR]
- Is an international trade currency
 - Is available in physical form only for wholesale transaction
 - Is an international reserve asset**
 - Is introduced by World Bank
16. Eurocurrency in international debt market means
- The single currency euro used by a number of countries in Europe
 - A currency that can be converted easily in Europe
 - A currency outside its home country**

- d. Nothing, since there is no such term
- 17. The debts raised through international syndication process are
 - a. In the form of working capital loan
 - b. **In the form of term loan**
 - c. Mainly denominated in Japanese Yen due to lower interest rate
 - d. Always subject to the jurisdiction of the country of the currency used
- 18. If a corporate takes a loan denominated in foreign currency from a bank
 - a. The lending bank has to be necessarily outside India
 - b. It invariably has to have prior permission of RBI
 - c. The lending bank will have an exchange risk
 - d. **The lending bank can be either in India or outside India**
- 19. In securities trading market, if there is a term STRIPS, it stands for
 - a. **Separate Trading of Registered Interest and Principal of Securities**
 - b. STate Run Instruments with Principal & Security
 - c. Securities TRading in Principal Separately
 - d. There is no such term
- 20. State Development Bonds
 - a. **Are debt securities issued by State Governments**
 - b. Are securities issued by Government undertaking
 - c. Are securities issued for welfare of the public
 - d. Are like treasury bills
- 21. In securities market
 - a. A yield-based auction is generally conducted when the Government of India re-issues securities issued earlier
 - b. A price-based auction is conducted when the Government of India issues new securities
 - c. In both price based and yield based auctions, the allotment pattern remains the same
 - d. **A price-based auction is conducted when the Government of India re-issues securities issued earlier**
- 22. Which of the following is a correct statement:
 - a. **The settlement cycle for dated security auctions is T+1, whereas that for T-bill auctions is T+2**
 - b. The settlement cycle for dated security auctions is T+2, whereas that for T-bill auctions is T+1
 - c. The settlement cycle for dated security auctions & also for T Bills auctions is T+1
 - d. The settlement cycle for dated security auctions & also for T Bills auctions is T+2
- 23. A cheque is an example of
 - a. Promissory note
 - b. **Bill of Exchange**
 - c. Bearer instrument
 - d. Loan document
- 24. Commercial Bill is
 - a. Not a negotiable instrument
 - b. Drawn on seller by the buyer for the goods supplied
 - c. Discounted by banks only after acceptance by the buyer
 - d. **Is an example of bill of exchange**
- 25. Following is not an example of post shipment finance granted to a corporate
 - a. **Packing credit**

- b. Bill purchase
 - c. Bill discount
 - d. Bill negotiation
- 26. Factoring service provider does not extend the following service
 - a. Collection
 - b. Credit protection
 - c. Sales ledger maintenance
 - d. **Preshipment finance**
- 27. Identify the correct statement among the following relating to postshipment finance
 - a. Commercial banks always discount bills without recourse
 - b. Factoring is always with recourse
 - c. **Forfaiting is always without recourse**
 - d. Negotiating a bill under LC is always without recourse
- 28. A corporate has secured a large export order for supply of machinery worth USD 100 million payable over five years under a World Bank line of credit to a country with foreign exchange difficulties. To reduce risk, the corporate should
 - a. Not export without a letter of credit
 - b. Factor the bills with a factoring agency
 - c. **Insist for a confirmed Letter of credit covering the export**
 - d. Not consider exporting under this order
- 29. In India, forfaiting service
 - a. Is not available
 - b. **Has been introduced by Exim bank**
 - c. Is offered by ECGC
 - d. Is available at every bank authorized to handle foreign exchange
- 30. Which of the following is a correct description of private equity?
 - a. Equity investment confidentially done
 - b. It is same as venture capital
 - c. Investment in private limited company
 - d. **Equity capital that is not quoted on a public exchange**
- 31. Alternative investment fund does not include the following
 - a. Venture Capital Fund
 - b. Hedge fund
 - c. Private equity fund
 - d. **Fund investing in real estate**
- 32. Venture capital Fund
 - a. Is similar to hedge funds
 - b. Invests in start ups
 - c. Plays an active role in the investee company
 - d. **Has all the above features**
- 33. As per SEBI guidelines, Alternative Investment Fund can have the structure of
 - a. Company
 - b. Trust
 - c. Limited Liability Partnership
 - d. **Society**
- 34. Hedge funds
 - a. Do not include fund of funds

- b. **Use wide variety of investment strategies**
 - c. Are subject to same regulations as mutual funds
 - d. Are always registered entities
- 35. What is true in case of Exchange Traded Fund:
 - a. Intra-day trading is not possible
 - b. They are not similar to index mutual fund
 - c. **It is traded like a stock**
 - d. It represents a single security
- 36. Credit rating is
 - a. **An assessment of the probability of default on payment of interest and principal on a debt instrument**
 - b. An assessment of the probability of default on payment of dividend on a equity
 - c. An assessment of the probability of default on payment of interest and principal by the company being rated
 - d. An assessment of the health of the company being rated
- 37. Mark the correct statement
 - a. Credit Rating Agencies are supervised by SEBI
 - b. **Credit Rating Agencies are registered with SEBI**
 - c. Credit Rating Agencies are sponsored by SEBI
 - d. Credit Rating Agencies are controlled by SEBI
- 38. Which is the oldest Credit Rating Agency in India
 - a. CARE
 - b. ICRA
 - c. **CRISIL**
 - d. SMERA
- 39. Following is not a stakeholder in the entire credit rating process
 - a. Issuer of the debt instrument
 - b. Investor in the instrument
 - c. Regulator
 - d. **The credit rating agency**
- 40. In case of credit rating,
 - a. **The first step is the receipt of mandate from the issuer company**
 - b. The first step is the receipt of mandate from the investor
 - c. Discussion with the issuer company does not take place to prevent preemption
 - d. Fee payment is not by issuer company to prevent bias
- 41. Internal audit of Credit Rating Agency
 - a. Has to be undertaken on yearly basis
 - b. **Has to be undertaken on half yearly basis**
 - c. Can be done by only by Chartered Accountants
 - d. Need not cover investor grievance redressal mechanism
- 42. Following is not a method for estimating Value at Risk
 - a. The variance-covariance approach
 - b. **The Black Scholes approach**
 - c. The historical simulation approach
 - d. The Monte Carlo simulation approach
- 43. Following is a description of a translation exposure of foreign exchange
 - a. Impact of all payables and receivables denominated in foreign currency

- b. **Balance sheet exposure due to consolidation of financial statements of foreign entities into the home currency**
 - c. Impact of currency movements on the company's targeted after-tax consolidated earnings
 - d. Effect of exchange rate movements on an entity's projected cash inflows and outflows
44. A corporate is said to have natural hedge in foreign exchange if its receipts and payments are
- a. Equal in rupee equivalent
 - b. Equal in foreign currency
 - c. **Equal in foreign currency and time of receipt & payment**
 - d. Netted off before settlement
45. Country risk i.e. risk of a country not having enough forex to pay is considered as
- a. **Credit risk**
 - b. Operating risk
 - c. Market risk
 - d. Liquidation risk
46. Normal transit period referred in FEDAI rule is
- a. Time taken for an export bill to get realized
 - b. Time taken for an export bill to reach the destination
 - c. Time taken for the cargo to reach the destination
 - d. **Average time of realization of export bill destined to that country**
47. Algorithmic trading has the following features:
- a. Involves the use of algorithms in pre-built platforms
 - b. Placing electronic trades on stocks, futures, options, currencies and commodities on exchanges
 - c. There is no human intervention
 - d. **It has all the above features**
48. Following is not a feature of HFT [High Frequency Trading]
- a. Operates on high volume but small order sizes
 - b. Low margins
 - c. **High latency**
 - d. Short risk holding periods
49. What is a discretionary portfolio manager?
- a. It is the same as portfolio manager
 - b. A portfolio manager who decides the investment pattern of the client
 - c. **Who is authorized to decide the investment under the contract by the client**
 - d. There is no such term
50. Demutualization of stock exchange
- a. Makes the stock exchange into a profit making body
 - b. Makes the stock exchange into a limited company
 - c. There is no such term
 - d. **Both a & b above are true**
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