

Treasury Management

7:00pm to 9:00pm

Semester – IV(FIN)

June 12, 2010

SECTION A (ONE MARKS)

- (1) Which of the following undertakings needs huge working capital?
(a) heavy industries like steel industry, cement industry etc.
(b) automobiles
(c) mines
(d) all of the above

Answer : D

(2) it is the working capital needed throughout the year, and also from one year to another.

- (a) gross working capital
(b) net working capital
(c) permanent working capital
(d) fluctuating working capital

Answer : C

- (3) Which of the following is included in bank's assets?

- (a) Capital
(b) Cash and balances
(c) Both a and b
(d) none of the above

Answer : B

- (4) Why people taking Hedge?

- (a) Future Loss
(b) Future Income
(c) Future Contracted Income
(d) Present Contracted Income.

Answer : C

- (5) J.M.Keynes propounded this theory.

- (a) Classical theory
(b) loanable funds theory
(c) Liquidity preference theory
(d) Modern theory of interest

Answer : C

- (6) What is the important categories of investors?

- (a) insurance companies
(b) mutual funds
(c) provident funds and pension funds
(d) all of the above

Answer : D

- (7) What is the demerits of issue of shares?

- (a) huge issue expenses
(b) huge administrative expenses

- (c) severe regulation
(d) all of the above

Answer : D

(8) RBI has prescribed the deadline of _____ to comply with capital adequacy norms.

- (a) March 31 2009
(b) March 31 2008
(c) March 31 2007
(d) Dec 31 2009

Answer : A

(9) Scheduled bank other than RRBs for raising large funds.

- (a) borrower
(b) investors
(c) tenure
(d) negotiable instrument

Answer : A

(10) It is negotiable so that it can be transferred by delivery and endorsement.

- (a) borrower
(b) investors
(c) tenure
(d) negotiable instrument

Answer : D

(11) if a corporate is going to borrow after 3 months for a period of 9 months we call it a 3*_____ FRA

- (a) 9
(b) 12
(c) 6
(d) 15

Answer : B

(12) which of the following is not the features of foreign exchange market

- (a) nature of market
(b) mammoth size
(c) Indian currency
(d) round the clock market

Answer : C

(13) the term treasury derived from _____

- (a) finance
(b) private finance
(c) public finance
(d) government finance

Answer : C

(14) national stock exchange started acting as a truly national stock exchange from _____

- (a) 1995
(b) 1994

(c) 1996

(d) 1997

Answer : B

(15) certificate of deposit is _____

- (a) deposit certificate
- (b) lending document
- (c) trading document
- (d) negotiable certificate

Answer : D

(16) _____ is also known as overnight money.

- (a) CD
- (b) Commercial Paper
- (c) Call money
- (d) REPO.

Answer : C

(17) FII was only 3 in 1993-94, from there it went up to _____ as on march 31 2006.

- (a) 881
- (b) 883
- (c) 884
- (d) 882

Answer : D

(18) With the introduction of _____ they have become big investors.

- (a) FII
- (b) FDI
- (c) CBLO
- (d) Commercial Banks.

Answer : C

(19) third category of investor is _____

- (a) banks
- (b) mutual funds
- (c) government
- (d) insurance companies

Answer : D

(20) Denomination of Commercial Paper is Rs. _____.

- (a) 10 lacs.
- (b) 25 lacs.
- (c) 5 lacs.
- (d) 50 lacs.

Answer : B

() SECTION B

(21) What is the features of CRR?

(a) The CRR can vary between 3% and 15% of time and demand liabilities. At present, it is 6.5%.

(b) The CRR is to be calculating on the average balance maintained by the banks

of business each day.

- (c) both a and b
- (d) none of the above

Answer : C

- (22) This represents the total investment made by the firm in the current assets.
- (a) gross working capital
 - (b) net working capital
 - (c) permanent working capital
 - (d) fluctuating working capital

Answer : A

(23) The securities which gave the status of the owner of the entity to who funds are provided are called_____.

- (a) ownership securities
- (b) debt securities
- (c) both a and b
- (d) none of the above

Answer : A

(24) This is a preparatory stage for the actual issue of shares.

- (a) pre-issue stage
- (b) actual issue stage
- (c) quantity assessment stage
- (d) none of the above

Answer : A

(25) What is the benefits of equity shares?

- (a) appreciation in market value
- (b) voting rights
- (c) preemptive right
- (d) all of the above

Answer : D

(26) What is the function of registrar?

- (a) Arranging to point the share application forms
- (b) Advising the company about appointing bankers to the issue
- (c) tabulating the details
- (d) all of the above

Answer : D

(27) credit risk rating is a systematic classification of loans and investments into standardized grades on the basis of the risk involved in each loan or investment.2.for actual loan sanctioning, CRR is only a supplement to the qualitative evaluation and assessment of borrowers' integrity.3.2 types of CRR are internal rating and external credit rating given by a third party credit rating agency like CRISIL, ICRA and CARE4.according to basel norms, the risk weighted capital is determined assigning weightage to various categories of loans and borrowers.Which of the above are true?

- (a) 2 & 3
- (b) 1 & 4
- (c) all of the above
- (d) none of the above

Answer : C

(28) — when RBI introduced RTGS for quick clearance of cheque, most of the banks dragged their feet in becoming members of the system. 2. credit information bureau (India) Ltd was set up by state bank of India in association with HDFC in August, 2000 specifically to collect and disseminate credit information to the banks. 3. an asset liability management committee (ALCO) should be set up comprising the personal of senior management. 4. the risk management policy of the bank should set the limits for liquidity, interest rate, foreign exchange and every other risk. ALCO is responsible for ensuring compliance with the limits set by board of directors. Which of the above are false?

- (a) 2 & 3
- (b) 3 & 4
- (c) all of the above
- (d) none of the above

Answer : D

(29) hawala market is the market for conversion of rupees into foreign currency illegally. 2. in the year 2007, the problem for the RBI is to manage the huge inflow of foreign exchange into the country. 3. while the trade controls regulate physical transfer of goods, equipment and technology the central bank supervises the method of payments for imports and repatriation of proceeds of exports through foreign exchange control. 4. the central bank intervenes in order to control the imports without affecting the exports. This is done by way of rationing the foreign exchange among the various segments of the country that are need of importing one or the other thing. Which of the above are not the false?

- (a) 2 & 3
- (b) 3 & 4
- (c) all of the above
- (d) none of the above

Answer : C

(30) when the interest rate go up, the yield on the bonds fall down. 2. insurance companies invest in bonds mainly because their investment horizon is the longest. 3. growth scheme of mutual funds invest in bond. 4. Government, Corporate, banks and financial institutions generally issue bonds. Which of the above are true?

- (a) 1 & 2
- (b) 1 & 4
- (c) 2 & 4
- (d) 1 & 3

Answer : C

(31) Inflation results in reduction of interest rates. 2. Securities enjoying tax benefits carry higher rates of interest. 3. A higher external value of the currency leads to lowering the domestic rates of interest. 4. Cost-push inflation may result in stagnation in the economy coupled with inflation which is called inflation. Which of the above are true?

- (a) 1 & 2
- (b) 3 & 4
- (c) 2 & 4
- (d) 1 & 3

Answer : B

() SECTION C

(32) is a negotiable certificate issued by a bank on the receipt of a large deposit.

- (a) Repurchase option
(b) Call money
(c) Certificate of deposit
(d) Commercial paper

Answer : C

(33) What are the main guidelines on ALM?

- (a) banks should set up asset liability committee headed by the chief executive officer of the bank.
(b) a statement of short-term dynamic liquidity should be prepared over a time horizon spanning 1-90 days as on each reporting Friday and put up to ALCO within 2/3 days.
(c) both a and b
(d) none of the above

Answer : C

(34) Which of the following is False?

- (a) The procedure, practices, precautions and existing system evolve in ALM.
(b) There is no transparency at the branch level regarding the credit delivery.
(c) In recent time, ALCO's responsibility and role are increasing by leaps and bounds
(d) the banks are most reluctant to share the information even about the defaulting borrowers

Answer : C

(35) Which of the following is true?

- (a) rationally, interest is regarded as a reward for the factor of production called capital
(b) cost-push inflation may result in stagnation in the economy coupled with inflation which is called stagflation
(c) a higher external value of the currency leads to lowering the domestic rates of interest
(d) all of the above

Answer : D

(36) ___ is a derivative product through which lenders or borrowers in the floating rate interest contracts protect themselves against adverse movements in the interest rate.

- (a) FRA
(b) Interest rate option
(c) Interest rate swap
(d) None of the above

Answer : B

(37) What are the features of CRR?

- (a) Is systematic classification of loans and investments into standardized grades on the basis of the risk involved in each loan or investment?
(b) Achieving or enabling analysis at two levels both in the case of internal or external rating.
(c) Both a and b
(d) None of the above

Answer : A

(38) This may be for sustainability in demand, getting unexpected orders,



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temporary

rise in the price of raw material, a temporary rise in wage bill due to overtime work etc.

- (a) gross working capital
- (b) net working capital
- (c) permanent working capital
- (d) fluctuating working capital

Answer : D

