



# 20 CAIIB

## Recollected Questions in ADVANCED BANK MANAGEMENT (ABM)

**PART-II**

**For CAIIB 2022 Examination**

### KEY HIGHLIGHTS

- Most likely to be asked questions
- Recollected from the previous 5 years
- Thoroughly curated by Industry Experts
- 20 Questions with Solutions
- Based on the Latest Pattern for 2022 Exam

## Advanced Bank Management (ABM) – Part II

**Q1.** In which way Yield to Maturity and Interest Rates are related?

- (a) Direct
- (b) Indirect
- (c) Relative
- (d) No relation

**Ans.(a)**

**Q2.** Bank has to open a CC Account of Mr. Raj. He also needs term loans for construction of shed (Term Loan 1) and for purchase of machinery (Term Loan 1). He also needs to negotiate a LC. He requests to open the CC Account and LC first. Manager had explained him the sequence of opening the Accounts. What will be the correct sequence?

- (a) LC, CC, TL1, TL2
- (b) CC, LC, TL1, TL2
- (c) TL1, TL2, LC, CC
- (d) TL1, TL2, CC, LC

**Ans.(c)**

**Directions (3-5):** Given,

1. Consumptions - Rs. 62000
2. Gross investment - Rs. 46000
3. Govt spending - Rs. 14000
4. Export - Rs. 96000
5. Import - Rs. 72000
6. Indirect Taxes - Rs. 15000
7. Subsidies(on production and import) - RS. 8000
8. Compensation of employee - Rs. 1000
9. Property Income - Rs. 1000
- 7,8,9 - Net receivable from aboard
- 10.Total capital gains from overseas investment - Rs. 18000
- 11.Income earned by foreign national domestically - Rs. 8000

**Q3.** Calculate GDP

- (a) Rs. 139000
- (b) Rs. 146000
- (c) Rs. 156000
- (d) Rs. 165000

**Ans.(b)**

**Explanations:**

GDP = Consumption + Gross investment + Government spending + (Exports - Imports)

GDP = C+I+G+(X-M)

= 62000+46000+14000+(96000-72000)

= 122000+24000 = 146000

**Q4.** Calculate GDP at factor cost

- (a) Rs. 139000
- (b) Rs. 146000
- (c) Rs. 156000
- (d) Rs. 165000

**Ans.(a)**

**Explanations:**

$$\begin{aligned} & \text{GDP at factor rate} \\ &= \text{GDP} - (\text{Indirect taxes} - \text{subsidies}) \\ &= 146000 - (15000 - 8000) \\ &= 146000 - 7000 \\ &= 139000 \end{aligned}$$

**Q5.** Calculate GNP

- (a) Rs. 139000
- (b) Rs. 146000
- (c) Rs. 156000
- (d) Rs. 165000

**Ans.(c)**

**Explanations:**

$$\begin{aligned} \text{GNP} &= \text{GDP} + \text{NR} (\text{total capital gains from Overseas investment} - \text{income earned by foreign national} \\ & \text{domestically}) \\ &= 146000 + (18000 - 8000) \\ &= 146000 + 10000 \\ &= 156000 \end{aligned}$$

**Directions (6):**

1. Revenue deficit (RD) = 3% of GDP
2. Grants for capital formation = 1.8% of GDP
3. Primary deficit (PD) = 1.2%
4. Non-plan expenditure = 1.5%

**Q6.** In the above scenario, effective revenue deficit (ERD) will be:

- (a) 1.2%
- (b) 1.5%
- (c) 1.8%
- (d) cannot be calculated

**Ans.(a)**

**Explanations:**

$$\begin{aligned} \text{ERD} &= \text{RD} - \text{Grants for capital formation} \\ &= 3\% - 1.8\% \\ &= 1.2\% \end{aligned}$$



**Directions (7-12):** If Receipts and Expenditures of a Government as per Budget 2020-21 are as given below

1. Revenue Receipts - 1374203
2. Tax Revenue - 1101372
3. Non-Tax Revenue - 272831
4. Capital Receipts - 600991
5. Recovery of Loans - 17630
6. Other Receipts - 47743
7. Borrowings and Other Liabilities - 535618
8. Expenditure On Revenue Account of which - 1690584
9. Interest Payments - 480714
10. Grants in Aid for creation of capital assets - 165733
11. Expenditure On Capital Account - 284610

Find:

**Q7.** Total Receipts

- (a) 1374203
- (b) 1690584
- (c) 1975194
- (d) 2075416

**Ans.(c)**

**Explanations:**

$$\begin{aligned} \text{Total Receipts} &= \text{Revenue Receipts} + \text{Capital Receipts} \\ &= 1374203 + 600991 = 1975194 \end{aligned}$$

**Q8.** Total Expenditure

- (a) 1374203
- (b) 1690584
- (c) 1975194
- (d) 2075416

**Ans.(c)**

**Explanations:**

$$\begin{aligned} \text{Total Expenditure} &= \text{Revenue Expenditure} + \text{Capital Expenditure} \\ &= 1690584 + 284610 = 1975194 \end{aligned}$$

**Q9.** Revenue Deficit

- (a) 54904
- (b) 150648
- (c) 316381
- (d) 535618

**Ans.(c)**

**Explanations:**

$$\begin{aligned} \text{Revenue Deficit} &= \text{Revenue Expenditure} - \text{Revenue Receipts} \\ &= 1690584 - 1374203 = 316381 \end{aligned}$$

**Q10.** Effective Revenue Deficit

- (a) 54904
- (b) 150648
- (c) 316381
- (d) 535618

**Ans.(b)**

**Explanations:**

Effective Revenue Deficit = Revenue Deficit - Grants in Aid for creation of capital assets  
= 316381 - 165733 = 150648

**Q11.** Fiscal deficit

- (a) 54904
- (b) 150648
- (c) 316381
- (d) 535618

**Ans.(d)**

**Explanations:**

Fiscal deficit = Total Expenditure - Total Receipts net of Borrowings and other liabilities (Revenue Receipts + Recovery of Loans + Other Receipts)  
= 1975194 - (1374203 + 17630 + 47743)  
= 535618

**Q12.** Primary Deficit

- (a) 54904
- (b) 150648
- (c) 316381
- (d) 535618

**Ans.(a)**

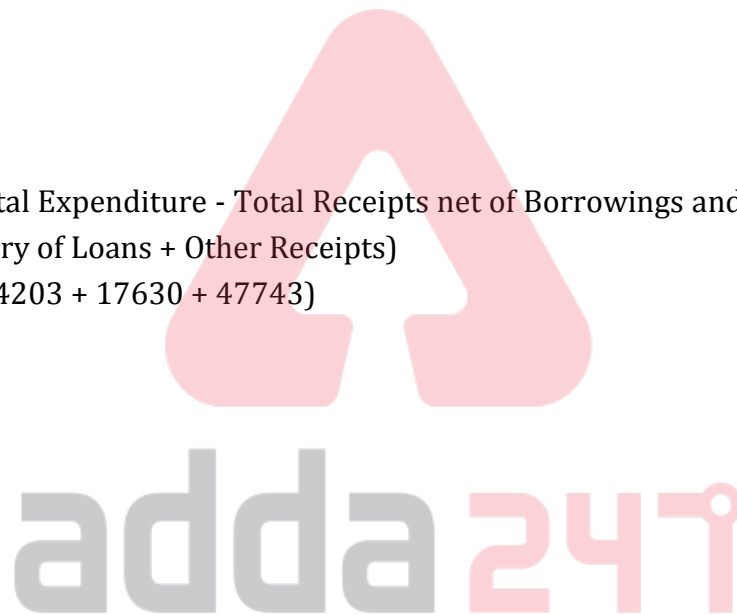
**Explanations:**

Primary Deficit = Fiscal deficit - Interest payments  
= 535618 - 480714  
= 54904

**Q13.** Bills Purchased/Discounted/Negotiated under LC are treated as an exposure on .....

- (a) The Applicant of LC
- (b) The Exporter of Goods
- (c) LC Negotiating Bank
- (d) LC Opening Bank

**Ans.(d)**



- Q14.** Job analysis consists of which of the following? (i) Job Specification, (ii) Job Description, (iii) Job Evaluation
- (a) Only (i) and (ii)
  - (b) Only (i) and (iii)
  - (c) Only (ii) and (iii)
  - (d) (i), (ii) and (iii)

**Ans.(d)**

- Q15.** M3 is also known as .....
- (a) Reserve Money
  - (b) Narrow Money
  - (c) Broad Money
  - (d) None of the above

**Ans.(c)**

- Q16.** Market demand curve obey the ..... (i) law of downward-sloping demand, (ii) law of upward-sloping demand
- (a) Only (i)
  - (b) Only (ii)
  - (c) Either (i) or (ii)
  - (d) Both (i) and (ii)

**Ans.(a)**

- Q17.** ABC's Furniture Company sells industrial furniture for office buildings. During the current year, it reported cost of goods sold on its income statement of 10,00,000. ABC's beginning inventory was 30,00,000 and its ending inventory was 40,00,000. ABC's turnover is ..... times.

- (a) 0.25
- (b) 0.29
- (c) 0.33
- (d) 0.37

**Ans.(b)**

**Explanations:**

$$\begin{aligned}\text{Inventory Turnover Ratio} &= \text{Cost of Goods Sold} / \text{Average Inventory} \\ &= 1000000 / ((3000000+4000000)/2) \\ &= 1000000 / (7000000/2) \\ &= 1000000 / 3500000 \\ &= 0.29 \text{ Times}\end{aligned}$$

This means that ABC's Furniture Company only sold roughly a third of its inventory during the year. It also implies that it would take approximately 3 years to sell his entire inventory or complete one turn. In other words, he does not have very good inventory control.



- Q18.** Cash = Rs. 6,00,000  
 Debtors = Rs. 9,00,000  
 Inventories = Rs. 20,00,000  
 Current liabilities = Rs. 30,00,000  
 Total current assets = Rs. 40,00,000  
 The quick ratio = ?  
 (a) 1:1  
 (b) 1.5:1  
 (c) 1:1.5  
 (d) 2:1

**Ans.(c)**

**Explanations:**

Quick ratio = Quick asset / CL

Here Quick asset = CA - Inventory = 4000000 - 2000000  
 = 2000000

CL = 3000000

Hence Quick Ratio = 2000000/3000000  
 = 1:1.5

**Directions (19-20):** From the following information, calculate...

Inventory in the beginning = 18,000

Inventory at the end = 22,000

Net purchases = 46,000

Wages = 14,000

Revenue from operations = 80,000

Carriage inwards = 4,000

- Q19.** Cost of Revenue from Operations

(a) Rs. 20,000

(b) Rs. 40,000

(c) Rs. 60,000

(d) Rs. 80,000

**Ans.(c)**

**Explanations:**

Cost of Revenue from Operations = Inventory in the beginning + Net Purchases + Wages + Carriage inwards - Inventory at the end

= Rs. 18,000 + Rs. 46,000 + Rs. 14,000 + Rs. 4,000 - Rs. 22,000

= Rs. 60,000

- Q20.** Average Inventory

(a) Rs. 20,000

(b) Rs. 40,000

(c) Rs. 60,000

(d) Rs. 80,000

**Ans.(a)**

**Explanations:**

Average Inventory = (Inventory in the beginning + Inventory at the end) / 2

= (Rs. 18,000 + Rs. 22,000) / 2

= Rs. 20,000

