

20 CAIIB

Recollected Questions in
**BANK FINANCIAL
MANAGEMENT (BFM)**

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

Bank Financial Management (BFM) – Part II

- Q1. Among interest rate risk management techniques one is static simulation and other is
- (a) Fixed
 - (b) Variable
 - (c) Dynamic
 - (d) None of the above

Ans.(c)

- Q2. Minimum investment in T-bill is

- (a) Rs. 10000
- (b) Rs. 25000
- (c) Rs. 50000
- (d) Rs. 100000

Ans.(b)

- Q3. ECB is denominated in which currencies

- (a) USD
- (b) Euro
- (c) JPY
- (d) Any freely convertible currency

Ans.(d)

- Q4. Dirty price is =

- (a) Clean price
- (b) Clean price - accrued interest
- (c) Clean price + accrued interest
- (d) None of the above

Ans.(c)

- Q5. Under LRS, amount that can be remitted in each financial year is

- (a) Rs. 100000
- (b) Rs. 250000
- (c) USD 100000
- (d) USD 250000

Ans.(d)

- Q6. Value at risk is a measure of

- (a) Gap risks in Money Market Operations
- (b) Gap risks in Capital Market Operations
- (c) Gap risks in Foreign Exchange Operations
- (d) None of the above

Ans.(c)



Q7. Number of important areas in market discipline are

- (a) 10
- (b) 11
- (c) 12
- (d) 13

Ans.(d)

Q8. Which of the following office is not under treasury?

- (a) Mid office
- (b) Back office
- (c) Front office
- (d) Legal office

Ans.(d)

Directions: A is an Indian who now settled in UK and married B who is from Kenya but now a British citizen. They have 2 children (C&D) born in London. C is now married to a Pakistani citizen and settled in Karachi. D is working in London.

Q9. Status of D

- (a) NRI
- (b) Foreign National
- (c) Person of Indian origin
- (d) Person of Kenya origin

Ans.(c)

Q10. A can open which type of a/c? (i) NRE, (ii) NRO, (iii) FCNR(B)

- (a) Only (i) and (ii)
- (b) Only (i) and (iii)
- (c) Only (ii) and (iii)
- (d) (i), (ii) and (iii)

Ans.(d)

Q11. A can make Nominee for her a/c out of her family?

- (a) B
- (b) C
- (c) D
- (d) Anyone

Ans.(d)

Q12. Daughter C can open NRI account with the permission of

- (a) RBI
- (b) MoF
- (c) Ministry of External affairs
- (d) cannot open

Ans.(a)

- Q13.** Abbreviation of EMV?
(a) Extra Multi Value
(b) Eutopean Magnetic Verification
(c) Europay, MasterCard and Visa
(d) None of the above

Ans.(c)

- Q14.** Concessive rate of interest on post shipment rupee export credit to gold card status holder can be extended to maximum
- (a) 30 Days
(b) 60 Days
(c) 90 Days
(d) 365 days

Ans.(d)

- Q15.** Importer ABC wants to import one machine from China. He has to open a LC. The exporter wants advance payment. What type LC is this?
- (a) Payment at Sight
(b) Red clause
(c) Green clause
(d) Stand-by LC

Ans.(b)

- Q16.** Provision coverage ratio = (i) Cumulative provisions / Net NPA, (ii) Cumulative provisions / Gross NPA
- (a) Only (i)
(b) Only (ii)
(c) Either (i) or (ii)
(d) Both (i) and (ii)

Ans.(b)

- Q17.** Full form of DAP
- (a) Delivery against Pledge
(b) Delivered against Pledge
(c) Delivered at Place
(d) None of the above

Ans.(c)

Directions: An exporter approaches the Popular Bank for pre-shipment and post-shipment loan with estimated sales of Rs. 100 lakh. The bank sanctions a limit of Rs. 50 lakh, with 25 % margin for pre-shipment loan on FOB value and margins on bills of 10 % on foreign demand bills and 20 % on foreign usance bills.

The firm gets an order for USD 50,000 (CIF) to Australia. On 1.1.2021 when the USD/INR rate was Rs.66.80 per USD, the firm approached the Bank for releasing pre-shipment loan (PCL), which is released. On 31.3.2021, the firm submitted export documents, drawn on sight basis for USD 46,000 as full and final shipment.

The bank purchased the documents at Rs.67.25, adjusted the PCL outstanding and credited the balance amount to the firm's account, after recovering interest for Normal Transit Period (NTP).The documents were realized on 30.4.2021 after deduction of foreign bank charges of USD 450. The bank adjusted the outstanding post shipment advance against the bill.

Bank charged interest for pre-shipment loan @ 7 % up to 90 days and, @ 8% over 90 days up to 180 days. For Post shipment credit the Bank charged interest @ 7 % for demand bills and @ 7.5 % for usance (D/A) documents up to 90 days and @ 8.50 % thereafter and on all overdues, interest @ 10.5%.

Q18. What is the amount that the Bank can allow as PCL to the exporter against the given export order, considering the profit margin of 10% and insurance and freight cost of 10% ?

- (a) Rs.2029050
- (b) Rs.2705400
- (c) Rs.3093500
- (d) Rs.3340000

Ans.(a)

Explanation:

FOB value = $50000 \times 66.80 = 3340000 - 334000$ (10% of 3340000 (insurance and freight cost))
= $3006000 - 300600$ (10% profit margin)
= $2705400 - 676350$ (25% margin)
= 2029050

Q19. What is the amount of post shipment advance that can be allowed by the Bank under foreign bills purchased, for the bill submitted by the exporter?

- (a) Rs.2029050
- (b) Rs.2705400
- (c) Rs.3093500
- (d) Rs.3340000

Ans.(c)

Explanation:

$46000 \times 67.25 = 3093500$

Q20. What will be the period for which the Bank charges concessional interest on DP bills, from date of purchase of the bill?

- (a) 90 days
- (b) 25 days
- (c) 31 days
- (d) Up to date of realization

Ans.(b)

Explanation:

Concessional rate will be charged for normal transit period of 25 days and there after overdue interest will be charged.



BILINGUAL
CAIIB COMPLETE
SELECTION BATCH
ABM+BFM
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