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PUBLICATIONS

20 CAIIB

Recollected Questions in

ADVANCED BANK MANAGEMENT (ABM)

For CAIIB 2022 Examination

PART III

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 III

Directions (1): 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

Q1. Inventory Turnover Ratio
(a) 1 Time
(b) 2 Times
(c) 3 Times
(d) 4 Times
Ans.(c)
Explanations:
Inventory Turnover Ratio = Cost of Revenue from Operations / Average Inventory
= Rs. 60,000 / Rs. 20,000
= 3 Times

Directions: Consider the following data, for a given firm:
Total assets - 1 Crore
Current assets - 40 Lakhs
Current liabilities - 35 Lakhs
Long-term debt(book) - 50 Lakhs
Total stockholders' equity(book) - 15 Lakhs
Retained earnings - 10 Lakhs
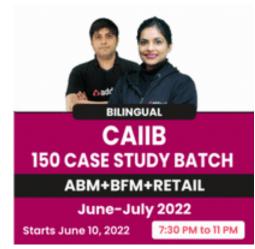Sales - 1.5 Crores
EBIT - 8 Lakhs
Market value of equity - 30 Lakhs

Q2. Compute Altman's Z-score for this firm
(a) 1.4782
(b) 1.7482
(c) 2.4782
(d) 2.7482
Ans.(c)

Explanations:

Z-Score = 1.2A + 1.4B + 3.3C + 0.6D + 1.0E

Where:

A = Working Capital/Total Assets = 5LAC/1CR

B = Retained Earnings/Total Assets= 10LAC/1CR

C = Earnings Before Interest & Tax/Total Assets = 8LAC/1CR

D = Market Value of Equity/Total Liabilities30LAC/35LAC

E = Sales/Total Assets =1.5CR/1CR

So, Z-Score = 1.2A + 1.4B + 3.3C + 0.6D + 1.0E

= 1.2(.05)+1.4(.1)+3.3(.08)+0.6(.857)+1.5

= 2.4782

Q3. In economics, who gave the theory of wealth?

(a) Adam Smith

(b) Robin

(c) J.N.Keyens

(d) Alfred Marshal

Ans.(a)

Directions : Summary of a Balance sheet of XYZ Company

Current Liabilities	(in Crores)		Current Assets	(in Crores)
Cash Credit	3200		Cash	5000
Trade Creditors	9500		Inventory	14000
Other Current Liabilities	2000		Debtors	4200
			Other Current Assets	2000
Total Current Liabilities	**14700**		**Total Current Assets**	**25200**

Based on the above data, Find out

Q4. Current Ratio

(a) 1.61

(b) 1.71

(c) 1.81

(d) 1.91

Ans.(b)

Explanations:

Current Ratio = CA/CL = 25200/14700 = 1.71

Q5. Acid-Test Ratio

(a) 0.71

(b) 0.76

(c) 0.81

(d) 0.86

Ans.(b)

Explanations:

Acid-Test Ratio = Quick Assets/CL = (CA-Inv)/CL = (25200-14000)/14700 = 11200/14700 = 0.76

Q6. Net Working Capital
(a) 10000
(b) 10500
(c) 11000
(d) 11500
Ans.(b)
Explanations:
Net Working Capital = CA - CL = 25200 - 14700 = 10500

Q7. Working Capital Gap
(a) 12700
(b) 13200
(c) 13700
(d) 14200
Ans.(c)
Explanations:
Working Capital Gap = CA - (CL - BB) = 25200 - (14700 - 3200(CC)) = 25200 - 11500 = 13700

Q8. MPBF as per Tandon Committee - Method-I
(a) 10275
(b) 10775
(c) 13700
(d) 17300
Ans.(a)
Explanations:
MPBF as per Tandon Committee - Method-I = WCG - 25% of WCG = 13700 - 25% of 13700 = 13700 - 3425 = 10275

Q9. MPBF as per Tandon Committee - Method-II
(a) 6200
(b) 6700
(c) 7200
(d) 7400
Ans.(d)
Explanations:
MPBF as per Tandon Committee - Method-II = WCG - 25% of CA = 13700 - 25% of 25200 = 13700 - 6300 = 7400

Q10. Current Ratio as per Tandon Committee - Method-I
(a) 1.01
(b) 1.06
(c) 1.11
(d) 1.16
Ans.(d)
Explanations:
Current Ratio as per Tandon Committee - Method-I = CA / (MPBF + Trade Creditors + Other CL) = 25200 / (10275+9500+2000) = 25200 / 21725 = 1.16

Q11. Current Ratio as per Tandon Committee - Method-II
(a) 1.07
(b) 1.09
(c) 1.23
(d) 1.33
Ans.(d)
Explanations:
Current Ratio as per Tandon Committee - Method-II = CA / (MPBF + Trade Creditors + Other CL) = 25200 / (7400+9500+2000) = 25200 / 18900 = 1.33

Q12. Borrowing by the way of Cash Credit when compared with Tandon Committee - Method-I
(a) 7025
(b) 7075
(c) 7125
(d) 7175
Ans.(b)
Explanations:
Borrowing by the way of Cash Credit = 3200
MPBF as per Tandon Committee - Method-I = 10275
So, Borrowing by the way of Cash Credit is short by (10275 - 3200) = 7075 Crores

Q13. Borrowing by the way of Cash Credit when compared with Tandon Committee - Method-II
(a) 4200
(b) 4600
(c) 5000
(d) 5400
Ans.(a)
Explanations:
Borrowing by the way of Cash Credit = 3200
MPBF as per Tandon Committee - Method-II = 7400
So, Borrowing by the way of Cash Credit is short by (7400 - 3200) = 4200 Crores

Directions (14-19): From the following balance sheet of ABC Co. Ltd. as on March 31, 2021. Calculate ......

Equity and Liabilities - 25,00,000		Assets - 25,00,000	
Shareholders' funds		Non-Current Assets	
Share capital	12,00,000	Fixed assets	15,00,000
Reserves and surplus	2,00,000	Non-current investments	2,00,000
Money received against share warrants	1,00,000	Long-term loans and advances	1,00,000
Non-current Liabilities		Current Assets	
Long-term borrowings	4,00,000	Current investments	1,50,000
Other long-term liabilities	40,000	Inventories	1,50,000
Long-term provisions	60,000	Trade receivables	1,00,000
Current Liabilities		Cash and cash equivalents	2,50,000
Short-term borrowings	2,00,000	Short-term loans and advances	50,000
Trade payables	1,00,000		
Other current liabilities	50,000		
Short-term provisions	1,50,000		

Q14. Current assets
(a) Rs. 2,00,000
(b) Rs. 5,00,000
(c) Rs. 7,00,000
(d) Rs. 15,00,000
Ans.(c)
Explanations:
Current assets = Current investments + Inventories + Trade receivables + Cash and cash equivalents + Short-term loans and advances
= 1,50,000 + 1,50,000 + 1,00,000 + 2,50,000 + 50,000
= 7,00,000

Q15. Current liabilities
(a) Rs. 2,00,000
(b) Rs. 5,00,000
(c) Rs. 7,00,000
(d) Rs. 15,00,000
Ans.(b)
Explanations:
Current Liabilities = Short-term borrowings + Trade payables + Other current liabilities + Short-term provisions
= 2,00,000 + 1,00,000 + 50,000 + 1,50,000
= 5,00,000

Q16. Working Capital
(a) Rs. 2,00,000
(b) Rs. 5,00,000
(c) Rs. 7,00,000
(d) Rs. 15,00,000
Ans.(a)
Explanations:
Working Capital = Current assets – Current liabilities
= Rs. 7,00,000 – Rs. 5,00,000
= Rs. 2,00,000

Q17. Debt
(a) Rs. 2,00,000
(b) Rs. 5,00,000
(c) Rs. 7,00,000
(d) Rs. 15,00,000
Ans.(b)
Explanations:
Debt = Long-term borrowings + Other long-term liabilities + Long-term provisions
= Rs. 4,00,000 + Rs. 40,000 + Rs. 60,000
= Rs. 5,00,000

Q18. Equity

(a) Rs. 2,00,000

(b) Rs. 5,00,000

(c) Rs. 7,00,000

(d) Rs. 15,00,000

Ans.(d)

Explanations:

Equity = Share capital + Reserves and surplus + Money received against share warrants

= Rs. 12,00,000 + Rs. 2,00,000 + Rs. 1,00,000

= Rs. 15,00,000

Alternatively,

Equity = Non-current assets + Working capital – Non-current liabilities

= Rs. 18,00,000 + Rs. 2,00,000 – Rs. 5,00,000

= Rs. 15,00,000

Q19. Debt equity ratio

(a) 1 : 0.33

(b) 1 : 0.5

(c) 0.33 : 1

(d) 0.5 : 1

Ans.(c)

Explanations:

Debt-Equity Ratio = Debts / Equity

= 50,0000 / 1,50,0000

= 0.33 : 1

Q20. What is Real GDP?

(a) GDP at Constant Price

(b) GDP at Current Price

(c) GDP at Today's Price

(d) GDP at Variable Price

Ans.(a)