

# 20 CAIIB

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

**PART  
IV**

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 IV

- Q1. Exchange rates are generally quoted for delivery of currencies .....
- (a) To take place on the date the transaction is done
  - (b) To take place anytime after 1 month from the date the transaction is done
  - (c) To take place on the day next to the date of deal
  - (d) To take place on the 2nd working day of the date of deal

**Ans.(d)**

- Q2. Fixed assets in a bank's balance sheet do not include .....
- (a) Immovable property
  - (b) Furniture & Fixtures
  - (c) Investment in Govt. Securities
  - (d) Motor Vehicle

**Ans.(c)**

**Directions:** LC within Retail portfolio (AAA rated securities) - 3000 crore  
Standby LC (As Financial Guarantee) (A rated Co.) - 2000 crore  
Standby LC – particular transaction (AA rated Co.) - 1000 crore  
Performance Bonds & Bid bonds (Unrated Co.) - 2000 crore  
Financial Guarantees (AA rated Co.) - 1000 crore  
Confirmed LC for Imports (AAA rated Co.) - 1000 crore

- Q3. What is the amount of Risk Weighted Assets for LC within Retail portfolio (AAA rated securities)?
- (a) 120 crore
  - (b) 150 crore
  - (c) 300 crore
  - (d) 1000 crore

**Ans.(a)**

**Explanation:**

CCF for LC Retail Portfolio (AAA rated) = 20%

So, Adjusted Exposure =  $3000 \times 20\% = 600$  crore

So, RWA =  $600 \times 20\% = 120$  crore

- Q4. What is the amount of Risk Weighted Assets for Standby LC (As Financial Guarantee) (A rated Co.)?
- (a) 120 crore
  - (b) 150 crore
  - (c) 300 crore
  - (d) 1000 crore

**Ans.(d)**



**Explanation:**

CCF for Standby LC (As Financial Guarantee) (A rated Co.) = 100%

So, Adjusted Exposure =  $2000 \times 100\% = 2000$  crore

So, RWA =  $2000 \times 50\% = 1000$  crore

**Q5.** What is the amount of Risk Weighted Assets for Standby LC – particular transaction (AA rated Co.)?

- (a) 120 crore
- (b) 150 crore
- (c) 300 crore
- (d) 1000 crore

**Ans.(b)**

**Explanation:**

CCF for Standby LC–particular transaction (AA rated) = 50%

So, Adjusted Exposure =  $1000 \times 50\% = 500$  crore

So, RWA =  $500 \times 30\% = 150$  crore

**Q6.** What is the amount of Risk Weighted Assets for Performance Bonds & Bid bonds (Unrated Co.)?

- (a) 120 crore
- (b) 150 crore
- (c) 300 crore
- (d) 1000 crore

**Ans.(d)**

**Explanation:**

CCF for Performance Bonds & Bid bonds (Unrated) = 50%

So, Adjusted Exposure =  $2000 \times 50\% = 1000$  crore

So, RWA =  $1000 \times 100\% = 1000$  crore

**Q7.** What is the amount of Risk Weighted Assets for Financial Guarantees (AA rated Co.)?

- (a) 120 crore
- (b) 150 crore
- (c) 300 crore
- (d) 1000 crore

**Ans.(c)**

**Explanation:**

CCF for Financial Guarantees (AA rated) = 100%

So, Adjusted Exposure =  $1000 \times 100\% = 1000$  crore

So, RWA =  $1000 \times 30\% = 300$  crore

**Q8.** What is the amount of Risk Weighted Assets for Confirmed LC for Imports (AAA rated Co.)?

- (a) 40 crore
- (b) 150 crore
- (c) 300 crore
- (d) 2610 crore

**Ans.(a)**

**Explanation:**

CCF for Confirmed LC for Imports (AAA rated Co.) = 20%

So, Adjusted Exposure =  $1000 \times 20\% = 200$  crore

So, RWA =  $200 \times 20\% = 40$  crore

**Q9.** What is the amount of Total Risk Weighted Assets?

- (a) 40 crore
- (b) 150 crore
- (c) 300 crore
- (d) 2610 crore

**Ans.(d)**

**Explanation:**

Total RWAs = 120 + 1000 + 150 + 1000 + 300 + 40  
= 2610 crore

**Q10.** What is the amount of Capital Required?

- (a) 40 crore
- (b) 150 crore
- (c) 300 crore
- (d) 2610 crore

**Ans.(c)**

**Explanation:**

Capital Required = 2610 \* 11.5 % = 300 crore

**Directions:** On 20th January, M/s ABC Exporter tenders for purchase a Bill payable 60 Days from Sight and Drawn on New York for USD 25,000. The Dollar / Rupee rates in the interbank exchange market were as under:

Spot USD 1 = Rs. 65.4000 / 4550

Spot / February 1600/1500

Spot / March 3000/2900

Spot / April 5000/4900

Spot / May 6000/5900

Exchange Margin of 0.10% is to be loaded. Rate of Interest is 11% p.a.

**Q11.** What will be the Exchange Rate to be quoted to the customer?

- (a) 64.6525
- (b) 64.8350
- (c) 64.9000
- (d) 65.4000

**Ans.(b)**

**Explanation:**

The notional due date is (60 + 25) days from 20th January, i.e., 15th April. (Note that transit period of 25 days is to be taken even if the question is silent). Since the dollar is at discount (forward margin is in descending order), this period will be rounded off to higher month, i.e., end November, and the rate quoted will be based on Spot / November rate for US dollar in the interbank market.

Dollar / Rupee market spot buying rate = Rs. 65.40000

Less: Discount for Spot / February – Rs. 0.50000

65.40000 - 0.50000 = Rs. 64.90000

Less: Exchange margin at 0.10% on Rs. 64.90000 = Rs. 0.06490

64.90000 - 0.06490 = 64.8351

Rounded off to the nearest multiple of 0.0025, the rate quoted would be Rs. 64.8350 per dollar.



**Q12.** What will be the Rupee Amount payable to him?

- (a) Rs. 15,62,129
- (b) Rs. 15,79,354
- (c) Rs. 16,20,875
- (d) Rs. 16,35,000

**Ans.(b)**

**Explanation:**

Rupee amount payable on the bill for USD 25,000

At Rs. 64.8350 per dollar = Rs. 16,20,875

Less: Interest for 85 days at 11% on Rs. 16,20,875 = Rs. 41,521

= 16,20,875 - 41,521

= 15,79,354

**Q13.** What will be the Exchange Rate to be quoted to the customer if the Bill is payable 30 Days from Sight?

- (a) 65.0150
- (b) 65.0350
- (c) 65.0550
- (d) 65.0750

**Ans.(b)**

**Explanation:**

The notional due date is (30 + 25) days from 20th January, i.e., 16th March. (Note that transit period of 25 days is to be taken even if the question is silent). Since the dollar is at discount (forward margin is in descending order), this period will be rounded off to higher month, i.e., end November, and the rate quoted will be based on Spot / November rate for US dollar in the interbank market.

Dollar / Rupee market spot buying rate = Rs. 64.40000

Less: Discount for Spot / March – Rs. 0.30000

64.40000 - 0.30000 = Rs. 65.10000

Less: Exchange margin at 0.10% on Rs. 65.10000 = Rs. 0.06510

65.10000 - 0.06510 = 65.0349

Rounded off to the nearest multiple of 0.0025, the rate quoted would be Rs. 65.0350 per dollar.

**Q14.** What will be the Rupee Amount payable to him if the Bill is payable 30 Days from Sight?

- (a) Rs. 15,79,354
- (b) Rs. 15,82,536
- (c) Rs. 15,98,926
- (d) Rs. 16,32,638

**Ans.(c)**

**Explanation:**

Rupee amount payable on the bill for USD 25,000

At Rs. 65.0350 per dollar = Rs. 16,25,875

Less: Interest for 55 days at 11% on Rs. 16,25,875 = Rs. 26,949

= 16,25,875 - 26,949 = 15,98,926

**Q15.** What will be the Exchange Rate to be quoted to the customer if the Bill is payable 90 Days from Sight?

- (a) 64.3750
- (b) 64.5250
- (c) 64.6750
- (d) 64.7350

**Ans.(d)**

**Explanation:**

The notional due date is (90 + 25) days from 20th January, i.e., 15th May. (Note that transit period of 25 days is to be taken even if the question is silent). Since the dollar is at discount (forward margin is in descending order), this period will be rounded off to higher month, i.e., end November, and the rate quoted will be based on Spot / November rate for US dollar in the interbank market.

Dollar / Rupee market spot buying rate = Rs. 64.65250

Less: Discount for Spot / May - Rs. 0.60000

65.40000 - 0.60000 = Rs. 64.80000

Less: Exchange margin at 0.10% on Rs. 64.80000 = Rs. 0.06480

64.80000 - 0.06480 = 64.7352

Rounded off to the nearest multiple of 0.0025, the rate quoted would be Rs. 64.7350 per dollar.

**Q16.** What will be the Rupee Amount payable to him if the Bill is payable 90 Days from Sight?

- (a) Rs. 15,62,286
- (b) Rs. 15,68,564
- (c) Rs. 15,74,862
- (d) Rs. 15,83,426

**Ans.(a)**

**Explanation:**

Rupee amount payable on the bill for USD 25,000

At Rs. 64.7350 per dollar = Rs. 16,18,375

Less: Interest for 115 days at 11% on Rs. 16,18,375 = Rs. 56,089

= 16,18,375 - 56,089

= 15,62,286

**Q17.** Interest arbitrage is done by the treasury by using which of the following methods .....

- (a) Borrowing in a foreign currency and deploying in home currency & vice-versa taking advantage of interest differential
- (b) Borrowing from RBI at a lower rate & lending to borrower at a higher rate
- (c) By using derivative product
- (d) As treasury make money in other areas of money market they lend to borrower at a lower rate

**Ans.(a)**

**Q18.** Duration is a measure of .....

- (a) Currency risk
- (b) Counterparty risk
- (c) Interest rate risk
- (d) MTM Value

**Ans.(d)**

**Q19.** The elements of Tier – I capital do not include .....

- (a) Paid up Capital
- (b) Perpetual Non Cumulative Preference Shares
- (c) Revaluation Reserves
- (d) None of the above

**Ans.(d)**

**Q20.** Trading book exposures are .....

- (a) Held till Maturity and income is booked on accrual basis
- (b) Held till Maturity and income is booked on 'when realized'
- (c) Held for a period and income is booked on accrual basis
- (d) Held for a period and income is booked on 'when realized'

**Ans.(d)**

