



CAIIB

BANK  
FINANCIAL  
MANAGEMENT  
PREVIOUS  
YEAR  
QUESTION  
PAPER

Note: Though we had taken enough care to go through the questions, we advise everyone to update oneself with the latest information through RBI website and other authenticated

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**CAIIB PREVIOUS YEAR QUESTIONS:**

No.	Questions
1	<p>If USD/INR rate is 48.10 and pound/USD rate is 1.60, what is the rate for pound/INR.</p> <p>A.) Rs.76.96 B.) Rs.75.00 C.) Rs.74.94 D.) Rs.74.36</p>
2	<p>If bank is to make payment of a FC import bills which of the following rate will be used:</p> <p>A.) Bills buying rate B.) TT buying rate C.) Bills selling rate D.) TT selling rate</p>
3	<p>Which of the following types forex transactions are not undertaken by commercial banks:</p> <p>A.) Exchange of currencies to their retail and other customers B.) Hedging their own agents C.) Investing their own assets D.) Acting as agent for the central banks to sell and purchase foreign currencies</p>
4	<p>In a _____ two parties agree to exchange a specific amount of two different currencies at the outset and repay these, over time in installments, reflecting the interest and principal:</p> <p>A.) Forwards B.) Interest rate swaps C.) Currency option D.) Currency swap</p>

<b>5</b>	In FC dealings, when rates for a particular currency pair are not directly available, the price is calculated as:  A.) Indirect rate B.) Direct rate C.) Cross rate D.) Floating rate
<b>6</b>	For the purpose of enabling the authorised dealers to make valuation of their FC positions the valuation rates are based on ongoing market rates on month end dates are provided by:  A.) FEDAI B.) RBI C.) IBA D.) FIMMDA
<b>7</b>	When the FC dealers are unable to exit the position quickly and there is risk on account of adverse movement of market variables, it is called:  A.) Market risk B.) Settlement risk C.) Systemic risk D.) Interest rate of risk
<b>8</b>	The measure of sensitivity of future cash flows and profits of a bank to anticipated exchange rate changes is called:  A.) Operating exposure B.) FC exposure C.) Translation exposure D.) Transaction exposure
<b>9</b>	A dealer in FC short sells a currency, with the expectation of buying it back later, at a cheaper rate, it is called:  A.) Profit making B.) Speculation C.) Arbitrage

	D.) Swap
<b>10</b>	The _____ act as middle between other participants and at times they take positions on their books:  A.) Commercial banks B.) Forex brokers C.) Business entities D.) Individuals
<b>11</b>	While calculating the forward rate of a currency, the following factors are taken into consideration (i) spot rate (ii) interest rate differences (iii) future period, for which the price is to be calculated.  A.) ii and i only B.) iii and ii only C.) ii and i only D.) i to iii all
<b>12</b>	The date of delivery of funds on the date on which the exchange of currencies actually takes place is referred to as:  A.) Ready to cash B.) Spot or tom C.) Value date D.) Any of the above
<b>13</b>	Which part of the FC dealing room is associated with risk management and acts as a check over the risk under taken by the dealer?  A.) Front office B.) Mid office C.) Back office D.) None of the above
<b>14</b>	As per FEMA 1999 regulations of RBI, the authorised persons include:  A.) Authorised dealers only B.) Full-fledged money changers only C.) Authorised dealers and full-fledged money changers

	D.) Authorised dealers and money changers
<b>15</b>	<p>Which of the following statement regarding FC dealing room operations is not correct:</p> <p>A.) It functions as a profit centre and undertakes trading in currencies          B.) It manages foreign currency assets and liabilities          C.) It manages nostro account          D.) None of the above</p>
<b>16</b>	<p>Which of the following statement is correct regarding determination of exchange rate:</p> <p>A.) A balance of payment surplus leads to a weaker currency          B.) A high economic growth rate leads to fall in the value of the currency due to increased imports          C.) The value of domestic currency cannot be impacted by monetary policy followed by the central bank          D.) Political stability leads to a week domestic currency rate.</p>
<b>17</b>	<p>The forward premium or discount are generally based on the (1) _____ and (2) _____ of two currencies:</p> <p>A.) Demand and supply          B.) Weakness and strength          C.) Interest rate differentials and demand &amp; supply          D.) All the above</p>
<b>18</b>	<p>One USD is being sold in London market at 0.80 Euro in spot and 0.76 Euro for one month forward:</p> <p>A.) USD is at a premium          B.) USD is at a discount          C.) Euro is at a discount          D.) USD and euro are at par</p>
<b>19</b>	<p>A dealer in FC short sells a currency, with the expectation of buying it back later, at a cheaper rate, it is called:</p> <p>A.) Profit making</p>

	B.) Speculation C.) Arbitrage D.) Swap
<b>20</b>	The volume, depth and volatility of the spot market is _____ due to large participation of market players in the spot trades:  A.) Same, as in case of forward market B.) Higher compared to forward market C.) Lower compared to forward market D.) None of the above

<b>Answer Key</b>							
<b>1</b>	A	<b>6</b>	A	<b>11</b>	D	<b>16</b>	B
<b>2</b>	C	<b>7</b>	A	<b>12</b>	B	<b>17</b>	C
<b>3</b>	D	<b>8</b>	A	<b>13</b>	B	<b>18</b>	B
<b>4</b>	D	<b>9</b>	B	<b>14</b>	D	<b>19</b>	B
<b>5</b>	C	<b>10</b>	B	<b>15</b>	D	<b>20</b>	B

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