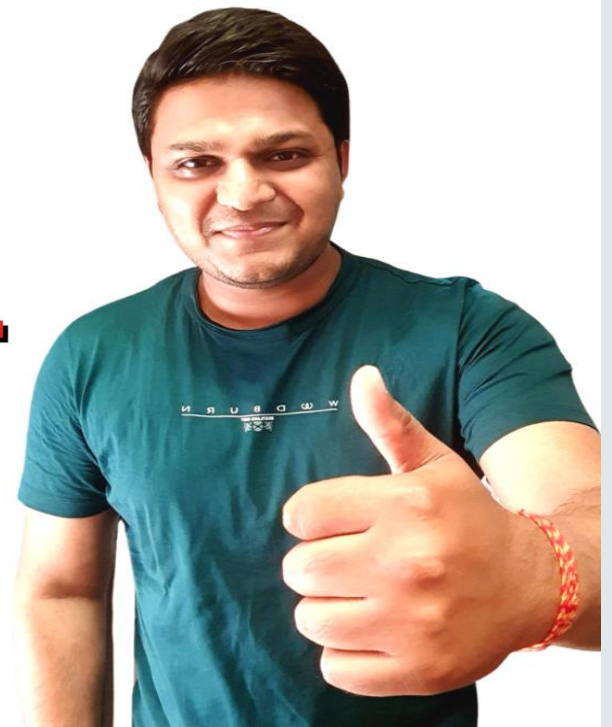


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# CAIIB

## RISK MANAGEMENT



**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 sources.

**November 2021**

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## CAIIB - RISK MANAGEMENT MOCK TEST

Learning sessions down here provides you some questions on the elective subject i.e. Risk Management.

Try to solve the given mock test of RISK MANAGEMENT within 10 Minutes & then, can check your answers from the answer key provided at the last of this article!!

Complete this mock test sincerely & DO NOT by any chance look up for the answers before you have marked your answers!!

### RISK MANAGEMENT- CAIIB MOCK TEST

No.	QUESTION
1	<p>What does low covariance for a portfolio having a combination of securities indicates or shows?</p> <ol style="list-style-type: none"><li>1. increase in one stock's return is likely to correspond to a decrease in the other stock's return</li><li>2. increase in one stock's return is likely to correspond to an increase in the other stock's return</li><li>3. return rates are relatively independent of each other</li><li>4. return rates depend upon weighted value of individual securities</li></ol>
2	<p>The Basel Committee (June 1999) on Banking Supervision issued proposals for reforms of its 1988 Capital Accord (the Basel-II Proposals). These proposals contained which of the following?</p> <ol style="list-style-type: none"><li>I) Management of Settlement Risk</li><li>II) Capital Requirements</li><li>III) Supervisory Review</li><li>IV) The Handling of Hedge Funds</li><li>V) Contingency Plans</li><li>VI) Market Discipline</li></ol> <ol style="list-style-type: none"><li>1. I, III &amp; VI</li><li>2. II, IV &amp; V</li><li>3. I, IV &amp; V</li></ol>

	4. II, III & VI
3	<p>The Basel Committee has defined the gross income as net interest income (NII) and plus net non-interest income and has allowed each relevant national supervisor to define gross income in accordance with their prevailing accounting practices. Accordingly, the Reserve Bank of India (RBI) in the draft guidelines issued for implementation of the new capital adequacy framework on 11.03.2005 has modified the Gross Income definition slightly. The Net Interest Income (NII) has been replaced by</p> <ol style="list-style-type: none"> <li>1. Net Profit</li> <li>2. Operating Profit</li> <li>3. Interest Expended</li> <li>4. No Changes made</li> </ol>
4	<p>Which of the following is not one of the advantages of marketing information system?</p> <ol style="list-style-type: none"> <li>1. Data capture process improvement</li> <li>2. Smooth operation of collection &amp; data processing</li> <li>3. Provision for tailor made information for the specific needs</li> <li>4. None of the above</li> </ol>
5	<p>Which of the below option is not an obstacle in the management of credit risk?</p> <ol style="list-style-type: none"> <li>1. Pressures of Political nature</li> <li>2. Financial restrictions</li> <li>3. Controls by Government</li> <li>4. None of the given options</li> </ol>
6	<p>What does UL represent?</p> <ol style="list-style-type: none"> <li>1. the minimum profit level for a given confidence level</li> <li>2. the maximum profit level for a given confidence level</li> <li>3. the maximum loss level for a given confidence level</li> <li>4. the minimum loss level for a given confidence level</li> </ol>
7	<p>What does positive duration gap indicate or tells?</p> <ol style="list-style-type: none"> <li>1. Asset portfolio has longer duration than the average duration of liabilities</li> <li>2. Liabilities have longer duration than average duration of assets</li> <li>3. Interest rates are on the rising</li> <li>4. Interest rates are falling down</li> </ol>



<b>8</b>	What is the primary concern of risk management?  1. reducing volatility of profits 2. reducing volatility of earnings 3. reducing volatility of losses 4. reducing volatility of depreciation
<b>9</b>	The equilibrium concept in Capital Asset Pricing Model is based upon which of the following concept?  1. perfect competition 2. monopolistic competition 3. Concept of monopoly 4. Concept of oligopoly
<b>10</b>	Which of the following is/are the basic component(s) of financial risk?  1. cost and availability of debt capital 2. meeting cash flow needs 3. absorbing shocks of short term financial nature 4. All of the above

**ANSWER KEY**

<b>1</b>	2	<b>6</b>	4
<b>2</b>	4	<b>7</b>	1
<b>3</b>	1	<b>8</b>	2
<b>4</b>	4	<b>9</b>	1
<b>5</b>	4	<b>10</b>	4

You can find the mock tests available on the other subjects of CAIIB (mandatory ones i.e. ABM- Advanced Bank Management & BFM- Bank Financial Management) on our website & can download the pdf files of those mock tests as well.

Thanks,

And all the very best for your exams

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