

TREASURY MANAGEMENT

TI &RM Chapter 8

Q: 1 Which of the following is NOT a function of Treasury Management?

- a) Investment Management
- b) Foreign Exchange Management
- c) Risk Management
- d) Human Resources Management

Q: 2 _____ involves ensuring that the bank has sufficient liquidity to meet its short-term obligations, such as withdrawals and payments.

- a) Liquidity Management
- b) Asset-Liability Management
- c) Investment Management
- d) Foreign Exchange (Forex) Management

Q: 3 Which of the following is NOT part of liquidity management?

- a) Monitoring cash inflows and outflows
- b) Maintaining SLR and CRR
- c) Currency hedging through options
- d) Ensuring availability of liquid assets

Q: 4 Which of the following statements best defines Asset-Liability Management (ALM)?

- 1. It focuses on balancing the bank's assets (loans, investments) and liabilities
 - 2. ALM helps in aligning the maturity and interest rate structure of assets and liabilities.
 - 3. ALM is only concerned with profit generation and not with risk management.
 - 4. ALM ensures financial stability and profitability while mitigating risks arising from market volatility.
- a) 1, 2, and 4
 - b) 1, 3, and 4

- c) 2, 3, and 4
- d) All of the above

Q: 5 Which of the following is NOT a tool used in ALM?

- a) Gap analysis
- b) Duration analysis
- c) Loan restructuring
- d) None of the above

Q: 6 What is the meaning of "maturity mismatch" in the context of ALM?

- a) When the bank has too many short-term loans.
- b) When the bank has too many long-term deposits.
- c) When the maturities of assets and liabilities do not align.
- d) When the bank's assets are not diversified.

Q: 7 ALM is primarily aimed at managing which risks?

- a) Market and credit risks
- b) Interest rate and liquidity risks
- c) Currency and tax risks

d) Operational and reputational risks

Q: 8 Which of the following statements about Investment Management in Treasury functions are correct?

1. Investment management involves using surplus funds to invest in instruments like government securities and corporate bonds.
2. The primary goal of investment management in banks is to maximize returns with minimal concern for risk.
3. A risk-averse approach is generally followed while investing bank funds.
4. Treasury investments must comply with regulatory guidelines.

- a) 1, 2, and 3
- b) 1, 3, and 4
- c) 2, 3, and 4
- d) All of the above

Q: 9 Which of the following is not true regarding Forex Management by banks?

- a) Banks use financial derivatives like forwards and swaps to hedge currency risk.
- b) Currency risk is completely eliminated using derivatives.
- c) Banks help clients with currency exchange transactions.
- d) Forex management is part of treasury operations.

Q: 10 What is the primary purpose of hedging in foreign exchange management by banks?

- a) To speculate on currency movements
- b) To increase foreign exchange risk
- c) To reduce or eliminate currency risk
- d) To earn commissions from clients

Q: 11 All of the following are financial derivatives used for Forex risk management except_____

- a) Forwards
- b) Futures
- c) Swaps
- d) Cheques

Q: 12 Which of the following is not a type of risk managed by the treasury department in banks under Risk Management ?

- a) Interest rate risk
- b) Credit risk
- c) Marketing risk
- d) Market risk

Q: 13 Which of the following is not a function of Funding Management in banks?

- a) Raising deposits
- b) Investing in equity shares
- c) Issuing bonds
- d) Availing interbank loans

Q: 14 Which of the following is not a source of profit for a bank's treasury?

- a) Investments
- b) Spreads
- c) Arbitrage
- d) Statutory Reserve Creation

Q: 15 What is meant by 'Spread' in treasury profit sources?

- a) The profit made from proprietary trading
- b) The difference between LIBOR and repo rate
- c) The difference in credit ratings between two bonds
- d) The difference between yields on money market assets and money market funding

Q: 16 Which of the following is not a customer-related income activity for the treasury?

- a) Portfolio management services
- b) Execution of trades for clients
- c) Collection of CRR
- d) Investment banking services

Q: 17 Which of the following was a part of RBI's measures to integrate Indian financial markets with International market?

- a) Liberalization of exchange control regulations relating to foreign investments in India.
- b) Permission granted to Indian corporates to raise resources in International Financial Markets.
- c) Relaxation of control in the end-use of funds raised abroad by issuance of Global Depository Receipts (GDRs),
- d) All of the above

Q: 18 Which of the following statements about treasury assets is/are correct?

1. Treasury assets are created through transactions in the inter-bank market or can be transferred/traded further.
2. Treasury assets are marketable or tradable, subject to legal obligations like stamp duty.
3. Treasury assets also include loans and advances given to customers.
4. Treasury assets can be marked to market.

- a) 1, 2, and 4 only
- b) 1, 3, and 4 only
- c) 2, 3, and 4 only
- d) All of the above

Q: 19 What are treasury liabilities?

- a) Deposits received from customers like savings and fixed deposits
- b) Borrowings from the money market or bond market
- c) Loans given to borrowers by the bank
- d) Cash reserves held by the bank

Q: 20 Which of the following is NOT considered a treasury liability?

- Borrowings from the inter-bank money market
- Bonds issued in the bond market
- Fixed deposits from retail customers
- Certificates of Deposit (CDs) traded in the market

Q: 21 Why are loans and advances excluded from treasury assets?

- a) Because they are non-marketable and specific contractual agreements
- b) Because they are marketable securities
- c) Because they are liabilities of the bank
- d) Because they are short-term instruments

Q: 22 Which of the following is NOT considered an Asset Product in Domestic Treasury?

- a) Call/Notice Money Lending
- b) Term Money Borrowing
- c) Investment in CDs
- d) SLR Bonds

ASSET PRODUCTS/INSTRUMENTS

- Call/Notice Money Lending
- Term Money Lending/Inter-bank Deposits
- Investment in CDs

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- Commercial Paper
- Inter-bank Participation Certificates
- Derivative Usance Promissory Notes/ Bankers' or Corporate Acceptances
- Reverse Repos/CBLO - backed Lending through CCIL
- SLR Bonds (notified as such by the RBI)
 - (a) Issued by the Government of India as securities and T-bills
 - (b) Issued by State Governments
 - (c) Guaranteed by Government of India
 - (d) Guaranteed by State Governments
- Non-SLR Bonds (issued by)
 - (a) Financial Institutions
 - (b) Banks/NBFCs (Tier II Capital)
 - (c) Corporates
 - (d) State-level Enterprises
 - (e) Infrastructure Projects
- Asset-backed Securities (PTCs)
- Private Placements

- Floating Rate Bonds
- Tax-free Bonds
- Preference Shares
- Listed/Unlisted Equity
- Mutual Funds

Q: 23 Which of the following is a Liability Product in Domestic Treasury?

- a) Call/Notice Money Borrowing
- b) Term Money Borrowing
- c) Inter-bank Participation Certificates
- d) All of the above

LIABILITY PRODUCTS/INSTRUMENTS

- Call/Notice Money Borrowing
- Term Money Borrowing
- CD Issues
- Inter-bank Participation Certificates
- Repos/CBLO-backed Borrowing through CCIL
- Refinance (RBI, SIDBI, NABARD, Exim Bank, NHB)

- Tier II Bonds (issued by bank)

Q: 24 What is the meaning of "Spot Currencies" in Foreign Exchange (Forex) Interbank transactions?

- a) Currencies traded for immediate delivery.
- b) Currencies traded for future delivery.
- c) Currencies traded at a premium.
- d) Currencies traded at a discount.

Q: 25 Which of the following is NOT typically considered a Corporate Asset in Treasury Management?

- a) Investments in subsidiaries
- b) Investments in government securities
- c) Investments in joint ventures
- d) None of the above

Q: 26 What does ECB stand for in the context of foreign currency loans?

- a) Exchange Control Borrowing
- b) External Commercial Borrowing
- c) Export Credit Balance
- d) European Currency Borrowing

Q: 27 In Treasury Management, Preshipment Foreign Credit (PCFC) is_____

- a) A loan granted after goods are shipped
- b) A loan in Indian rupees for exporters
- c) A short-term foreign currency loan before goods are shipped
- d) A credit given to importers

Q: 28 In Treasury Management, FCBP refers to_____

- a) Fixed Credit Borrowing Plan
- b) Foreign Currency Bond Placement

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- c) Foreign Currency Bills Purchased
- d) Forward Currency Bond Purchase

Q: 29 Which of the following loans is generally offered to NRIs or entities with foreign currency requirements under Treasury Management?

- a) Priority Sector Lending
- b) Home Loans
- c) FCNR(B) Loans
- d) Kisan Credit Card

Foreign Currency Loans (FCLs)/FCNR(B) Loans: Loans made in foreign currencies to customers, typically non-residents or businesses with foreign currency needs.

Answer: c) FCNR(B) Loans