

Sample Questions for Practice

Course : MFM (Third Year) (Semester-II) (Choice Based) Subject: Treasury Management

1. DGFT stands for
 - a) Director General of Foreign Trade
 - b) Director General of Futures Trade
 - c) Director General of Further Trade
 - d) Director General of Full Trade

2. Information Technology provides electronic platform through
 - a) Networked computers
 - b) Books
 - c) Channels
 - d) Branches

3. What is a Reverse REPO rate?
 - a) It is the rate at which central bank lends money to commercial banks in case of shortfall
 - b) It is the rate at which central bank borrows money from commercial banks
 - c) It is the rate at which commercial banks lend money to traders
 - d) It is the rate at which commercial banks lend money to borrowers

4. What is the Repo rate as per RBI Monetary Policy dated 6th August, 2020?
 - a) 3.5%
 - b) 3.75%
 - c) 4%
 - d) 4.25%

5. RBI imposes SLR on the banks in our country as per Section _____/
 - a) Section 24 of Banking Regulation Act.
 - b) Section 42 of Banking Regulation Act
 - c) Section 24 of RBI Act.
 - d) Section 42 of RBI Act

6. State Bank of India, Mumbai has opened a Current Account with Citi Bank, New York (in US \$) in order to facilitate its forex transactions through this account. What is the name of this account?
 - a) Vostro Account
 - b) Narrow Account
 - c) Nostro Account
 - d) Escrow Account

7. Currency Forward Contracts and Currency Futures Contracts are in our country. In this, which one of the parameters is unique to Currency Futures Contracts.
 - a) They are forex hedging instruments.
 - b) They are derivatives.
 - c) They are standardized lots.
 - d) They are subject to KYC requirements.

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8. What is the rate of interest payable by RBI on the balances kept by the banks with it, in the form of CRR?
 - a) 1%
 - b) 2%
 - c) 3%
 - d) No interest is payable.

9. Treasury assets are
 - a) Not negotiable or tradable
 - b) Marketable and tradable
 - c) Perpetual
 - d) Marketable but not tradable

10. NIM for banks stands for
 - a) Net Interest Margin
 - b) Net Investment Money
 - c) Net Investment Market
 - d) Net Interest Month

11. Which of the below is not the type of interest on Bonds?
 - a) Fixed rate
 - b) Floating (variable) rate
 - c) Cumulative Rate
 - d) Discounted Rate

12. Treasury bonds and notes pays interest rate is classified as?
 - a) LIBOR rate monthly
 - b) Coupon interest monthly
 - c) Coupon interest semiannually
 - d) Coupon interest annually

13. Barbell strategy refers to
 - a) Combination of back-end and front-end loaded maturity strategy
 - b) Buying the bond and holding it till the maturity
 - c) Investing in debentures issued by private sector entities
 - d) Invest in highest return paying bonds

14. What is 'rotation of dealers' from compliance perspective?
 - a) Laying off the dealers
 - b) Giving notices to the dealers
 - c) Policy of not keeping a dealer on the same desk for long
 - d) Circular movement of a dealer

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15. What is risk-based audit?
- Identify income seepage
 - Grading the risks as low, medium and high and quantify the impact
 - Imposing penalty on the bank
 - Audit done by RBI
16. Cost Center is
- A department that does not directly add to profits of a bank but still incurs costs to the bank.
 - A department that does not directly add to costs of a bank but still incurs profits to the bank
 - Manage People of the Bank
 - Manage Logistics of the Bank
17. In floating exchange rate system
- The exchange rate is determined by demand and supply of currency vs other currencies in foreign exchange market
 - The central government or central bank determines the exchange rate of a currency
 - Government or Central bank intervenes to maintain bank rate within a narrow band
 - Government or Central bank intervenes to maintain the repo rate within a narrow band.
18. In the study of Risk Analysis, why the concept of Stop loss limit is kept for a Dealer in dealing room?
- To limit making profit in the trading.
 - To make the dealer to come to a break-even position.
 - To limit the dealer from making exorbitant losses
 - To curb the dealer from taking any trading position.
19. The three money market products of RBI, Reverse Repo, Repo and MSF put together is called as _____.
- Liquidity Allotment Facility
 - Liquidity Apportionment Facility
 - Liquidity Allocation Facility
 - Liquidity Adjustment Facility
20. This is the measure of the curvature, or the degree of effect of the curve, in the relationship between bond prices and bond yields. From the alternatives, identify the correct name of this measure.
- Basis Point Value
 - Current Yield
 - Convexity
 - Yield to Call

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21. As per RBI circular, in case of default in maintenance of CRR requirement on a daily basis, penal interest will be recovered for that day at the rate of _____ per annum above the Bank Rate on the amount by which
- 3%
 - 5%
 - 2%
 - 4%
22. Assuming that there is a bond in the market available at a price of Rs.850 and that the bond comes with a face value of Rs.1,000. The coupon rate for the bond is 15% and interest is paid annually. The bond will reach
- 19.53%
 - 17.53%
 - 18.53%
 - 16.53%
23. Required rate of return > Coupon rate, the bond will be valued at
- Premium
 - Par value
 - Discount
 - As decided by the Bank.
24. Integrated treasury refers to integration of which of the following (which is not correct)?
- Money Market
 - Securities Market
 - Foreign Exchange Operations
 - Credit Appraisal
25. The following limits in treasury are meant for controlling market risk
- Counter party interbank exposure limits
 - Settlement and pre-settlement limits
 - Intra-day, overnight open position limit and stop loss limits
 - Overseas borrowing limit prescribed by RBI
