

# 20 CAIIB

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

**PART  
III**

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 III

**Q1.** In the above case, when should the bill be crystallized (latest date), if the bill remains unrealised for over two months, from the date of purchase (ignore holidays)?

- (a) On 30.4.2021
- (b) On 24.4.2021
- (c) On 24.5.2021
- (d) On 31.5.2021

**Ans.(b)**

**Explanation:**

Crystallisation will be done when the bill becomes overdue after 25 days of normal transit period. Date of overdue will be 25.4.2017. If bill remains overdue, it will be crystallised within 30 days i.e. up to 24.5.2017.

**Q2.** What rate of interest will be applicable for charging interest on the export bill at the time of realisation, for the days beyond Normal Due Date (NDD)?

- (a) 10 %
- (b) 10.5 %
- (c) 11 %
- (d) 11.5 %

**Ans.(b)**

**Explanation:**

Rate of interest will be 10.5% as the overdue interest is stated as 10.5%

**Q3.** Apart from stress testing and scenario analysis, which test is done?

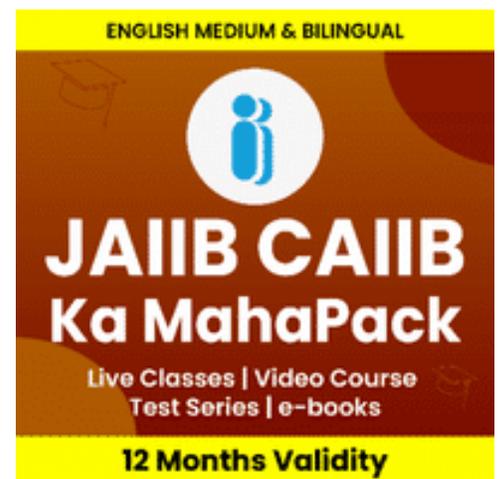
- (a) Front testing
- (b) Back testing
- (c) Current testing
- (d) None of the above

**Ans.(b)**

**Q4.** How many key principles are there in Operational risk measurement?

- (a) 3
- (b) 4
- (c) 5
- (d) 6

**Ans.(b)**



- Q5.** As per Basel III, the investment of a bank in the capital of a banking or financial or insurance entity is restricted to which of the following? (i) 10% of capital funds (after deductions) of the investing bank, (ii) 5% of the investee bank's equity capital, (iii) 30% of paid up capital and reserves of the bank or 30% of paid up capital of the company, whichever is lower
- (a) Only (i) and (ii)  
 (b) Only (i) and (iii)  
 (c) Only (ii) and (iii)  
 (d) (i), (ii) and (iii)

**Ans.(d)**

- Q6.** Which one of the following is the nodal agency designated by government of India to manage the Export Marketing Fund (EMF)?
- (a) Exim Bank  
 (b) Export promotion councils of respective commodities  
 (c) Ministry of finance  
 (d) Export Council guarantee corporations

**Ans.(a)**

- Q7.** Export packing Credit is normally computed on the basis of .....
- (a) FOB value of Export  
 (b) CIF value of export  
 (c) CFR value of export  
 (d) C & I value of export

**Ans.(a)**

**Directions:** An International Bank has following Assets and Liabilities in its balance sheet as on 31.03.2021

Capital	4400 cr
Reserve	8600 cr
Demand deposit	26000 cr
SB deposit	82000 cr
Term deposits from banks	5200 cr
Term deposit from public	123200 cr
Borrowing from RBI	0 cr
Borrowing from other Financial institutions	800 cr
Refinance from NABARD	600 cr
Bills payable	200 Cr
Interest accrued	80 cr
Subordinated debt	800 cr
Credit balance in suspense a/c	120 cr
Total Liabilities	252000 Cr

Based on this information and assuming CRR to be 4%, answer the following questions.

**Q8.** What is the amount liabilities that will not be included in NDTL for the purpose of CRR calculation?

- (a) 13600 cr
- (b) 14400 cr
- (c) 18200 cr
- (d) 18800 cr

**Ans.(d)**

Not to be included in NDTL = capital + reserve + refinance from NABARD + term deposit of banks  
= 4400+8600+600+5200  
= 18800

**Q9.** What is the amount liabilities that will be included in NDTL for the purpose of CRR calculation?

- (a) 233200 cr
- (b) 233800 cr
- (c) 237600 cr
- (d) 238400 cr

**Ans.(a)**

To be included in NDTL = other than those not included while calculating NDTL  
= 26000+82000+123200+800+200+80+800+120  
= 233200

**Q10.** What is the amount of NDTL at 4% average balance to be maintained by the bank?

- (a) 9140 cr
- (b) 9328 cr
- (c) 9504 cr
- (d) 9536 cr

**Ans.(b)**

= 233200 x 4/100  
= 9328

**Q11.** What is the minimum balance in CRR amount with RBI?

- (a) 6430 cr
- (b) 6480 cr
- (c) 6530 cr
- (d) 6675 cr

**Ans.(c)**

= 9328 x 70%  
= 6530

**Q12.** While calculating the NDTL for CRR purpose which of the following liabilities is/are to be excluded? (i) Capital and Reserves, (ii) Refinance from NABARD, sidbi, (iii) Inter Bank deposit with original maturity of 15 Days or above

- (a) Only (i) and (ii)
- (b) Only (i) and (iii)
- (c) Only (ii) and (iii)
- (d) (i), (ii) and (iii)

**Ans.(d)**



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**Directions:** Answer the following questions, based on the below given information on results of a bank

1st year (Rs. In crores)		2nd year (Rs. In crores)	
Net profits	600	Net profits	700
Provisions	800	Provisions	800
Staff expenses	900	Staff expenses	1000
Other operating expenses	1000	Other operating expenses	1200
Other income	600	Other income	800

**Q13.** What is the amount of capital charge for operational risk, on the basis of 1st year results alone as per Basic indicator approach?

- (a) 495 cr
- (b) 525 cr
- (c) 555 cr
- (d) 615 cr

**Ans.(a)**

**Explanation:**

Capital charge = Gross income X 15%

Gross income 1st year = net profit + provisions + staff expenses + other operating expenses.

= 600 + 800 + 900 + 1000

= 3300

Capital charge = 3300 x 15% = 495 cr

**Q14.** What is the amount of capital charge for operational risk, on the basis of 2nd year results alone as per Basic indicator approach?

- (a) 495 cr
- (b) 525 cr
- (c) 555 cr
- (d) 615 cr

**Ans.(c)**

**Explanation:**

Capital charge = Gross income X 15%

Gross income 2nd year = net profit+ provisions + staff expenses + other operating expenses

= 700 + 800 + 1000 + 1200

= 3700 cr

Capital Charge = 3700 x 15% = 555cr

**Q15.** What is the amount of capital charge for operational risk, on the basis of 1st and 2nd year results as per Basic indicator approach?

- (a) 495 cr
- (b) 525 cr
- (c) 555 cr
- (d) 615 cr

**Ans.(b)**

**Explanation:**

Capital charge = Gross income X 15%.  
Gross income for 1st year = 3300 cr  
Gross income for 2nd year = 3700 cr  
Average gross income =  $(3300 + 3700)/2$   
=  $7000/2$   
= 3500 cr  
Capital charge =  $3500 \times 15\% = 525$  cr

**Q16.** What is the amount of risk weighted assets for operational risks in India as per Basel III recommendations, on the basis of 1st year results alone?

- (a) 3913 cr
- (b) 4304 cr
- (c) 4565 cr
- (d) 4826 cr

**Ans.(b)**

**Explanation:**

Capital charge / 11.5 % =  $495 / 11.5 \% = \text{Rs. } 4304$  cr

**Q17.** What is the amount of risk weighted assets for operational risks in India as per Basel III recommendations, on the basis of 2nd year results alone?

- (a) 3913 cr
- (b) 4034 cr
- (c) 4565 cr
- (d) 4826 cr

**Ans.(d)**

**Explanation:**

Capital charge / 11.5 % =  $555 / 11.5 \% = \text{Rs. } 4826$  cr

**Q18.** What is the amount of risk weighted assets for operational risks in India as per Basel III recommendations, on the basis of 1st year and 2nd year results?

- (a) 3913 cr
- (b) 4034 cr
- (c) 4565 cr
- (d) 4826 cr

**Ans.(c)**

**Explanation:**

Capital charge / 11.5 % =  $525 / 11.5 \% = \text{Rs. } 4565$  cr

**Q19.** When the Advising Bank, at the request of the issuing Bank, adds its confirmation which would constitute a definite undertaking by the former the L/C is known as a / an .....

- (a) Irrevocable L/C
- (b) Transferable L/C
- (c) Confirmed L/C
- (d) Revolving L/C

**Ans.(c)**

**Q20.** Mr. Raj has taken up employment with XYZ corporation at London On 20th June 1983. He got married with Jessy, a UK resident in 1985. From them a son John took birth in 1987. Mr. Raj took divorce from Jessy in year 1989. Mr. John has done an MBA and wants to settle in India. He wants to open up a joint bank account with his mother. Which type of account can he open?

- (a) He cannot open any account
- (b) He can open FCNR & NRE only
- (c) He can open NRO account only
- (d) He can open NRE account only

**Ans.(b)**



The advertisement features a photograph of a man and a woman at the top. Below the photo, the text reads: "BILINGUAL", "CAIIB COMPLETE SELECTION BATCH", "ABM+BFM+RETAIL", "June-July 2022", "Starts May 23, 2022", and "6 AM to 10:30 PM".

