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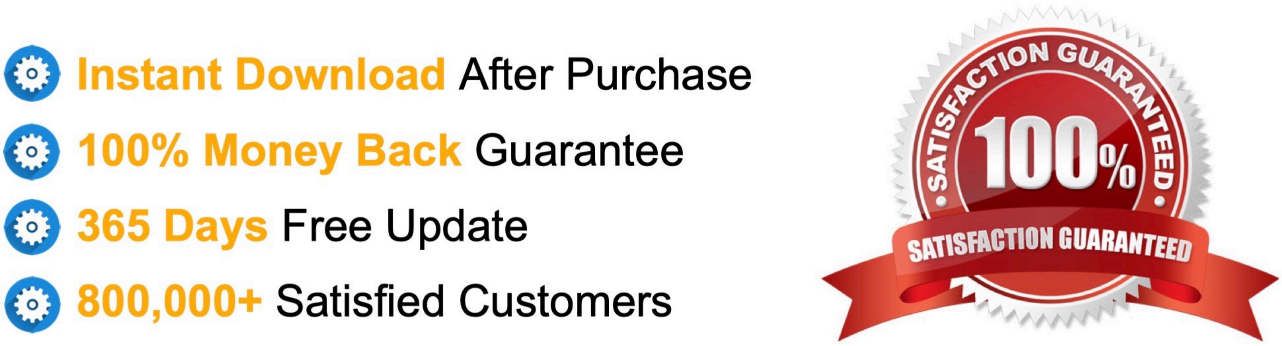

QUESTION 1

Loss assets should be written off. If loss assets are permitted to remain in the books for any reason, ______percent of the outstanding should be provided for.

A. 150

B. 75

C. 100

D. 50

Correct Answer: C

Reference: https://currentaffairs.gktoday.in/tags/provision-coverage-ratio

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QUESTION 2

Awesome Mobile Ltd is a leading mobile seller who manufactures mobile phone under own brand Awesome. Which of the following is the biggest business risk for Awesome?

A. Technology Risk

B. Branding risk

C. Raw material price risk

D. Competition

Correct Answer: C

QUESTION 3

Which of the following is not an importance of the sovereign rating?

A: To arrive at cost of lending to a country

B: To set lower floor for the rating of the corporate and banks of the countries on international scale.

C:

For determining the risk levels for international investment portfolios

A.

Only A and C

B.

Only B

C.

Only A and B

D.

None of the three

Correct Answer: B

QUESTION 4

Satish Dhawan, a veteran fixed income trader is conducting interviews for the post of a junior fixed income trader. He interviewed four candidates Adam, Balkrishnan, Catherine and Deepak and following are the answers to his questions. Q-1: Tell something about Option Adjusted Spread

Adam: OAS is applicable only to bond which do not have any options attached to it. It is for the plain bonds.

Balkishna: In bonds with embedded options, AS reflects not only the credit risk but also reflects prepayment risk over and above the benchmark.

Catherine: Sincespreads are calculated to know the level of credit risk in the bound, OAS is difference between in the Z spread and price of a call option for a callable bond.

Deepark: For callable bond OAS will be lower than Z Spread.

Q-2: This is a spread that must be added to the benchmark zero rate curve in a parallel shift so that the sum of the risky bond\\'s discounted cash flows equals its current market price. Which Spread I am talking about?

Adam: Z Spread

Balkrishna: Nominal Spread Catherine: Option Adjusted Spread Deepark: Asset Swap Spread

Q-3: What do you know about Interpolated spread and yield spread?

Adam: Yield spread is the difference between the YTM of a risky bond and the YTM of an on-the-run treasury benchmark bond whose maturity is closest, but not identical to that of risky bond. Interpolated spread is the spread between the YTM of risky bond and the YTM of same maturity treasury benchmark, which is interpolated from the two nearest on-the-run treasury securities.

Balkrishna: Interpolated spread is preferred to yield spread because the latter has the maturity mismatch, which leads to error if the yield curve is not flat and the benchmark security changes over time, leading to inconsistency.

Catherine: Interpolated spread takes account the shape of the benchmark yield curve and therefore better than yield spread.

Deepak: Both Interpolated Spread and Yield Spread rely on YTM which suffers from drawbacks and inconsistencies such as the assumption of flat yield curve and reinvestment at YTM itself.

Then Satish gave following information related to the benchmark YTMs:

Maturity(yrs)	1	2	3	4	5
YTM	8.22	8.52	8.88	8.98	9.02

Which of the modified statement of Balkrishna will be a correct statement?

A. In bonds with embedded options, Nominal Spread reflects not only the credit risk but also reflects prepayment risk over and above the benchmark.

B. In bonds with embedded options, spread reflects not only the credit risk but also reflects prepayment risk over and above the benchmark.

C. None of the three.

D. In bonds with embedded options, Z Spread reflects not only the credit risk but also reflects prepayment risk over and above the benchmark.

Correct Answer: A

QUESTION 5

During FY13, Small Bazar, a leading retail company has sold three of its prime properties for a sum of USD 24 Million. The same had a carrying value of USD 30 Million.

Analyst had considered the same as operating income and considered it to be part of operating expenses. However, she realized her mistake and recorded the loss as non-operating loss. Which of the following ratio will not change despite the correction?

A. EBITDA Margins

B. Interest Coverage

C. PAT Margins

D. Gross Profit Margin

A. B, C and D

B. A, B and C

C. B, C

D. All Ratios will change

Correct Answer: B