Free Questions for CCRA-L2 by dumpshq

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Question 1

Question Type: MultipleChoice

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.

Options:

A- 150

B- 75

C- 100

D- 50

Answer:

C

Question 2

Question Type: MultipleChoice

The longer the term to maturity of bond:

Options:

A- term to maturity and price of a bond are not related

B- The lesser is the risk associated with price of a bond

C- The higher is the return from the bond

D- The more risk in the price of a bond

Answer:

D

Question 3

Question Type: **MultipleChoice**

Two economies HardLand and SincereLand have provided following information with respect to their economies in USD Billion:

Particulars (USD bn)	Hard Land	Sincere Land
Current Account Reciepts	400	700
Current Account Payments	480	810
GDP	1800	2200
External Debt	650	850
Forex Reserve	200	240
Principal amount of debt Repyable in one year	120	140
Interest Payable	60	75

Based on the above information which entity is better in terms of current account deficit %?

Options:

A- Sincereland by 583 bps

B- Hardland by 56 bps

C- Sincereland by 56 bps

D- Hardland by 583 bps

Answer:

B

Question 4

Question Type: **MultipleChoice**

Mr. Gopi, while teaching the CCRA course to students described Altman's Model and stated that following variables do exist for Altman's Model:

1. total debt/total assets,

2. retained earnings/total assets.

3. earnings before interest and taxes/total assets,

4. market value equity/book value of total liabilities,

5. sales/total assets

Exactly how many variables are incorrectly identified?

Options:

A- Exactly Four

B- Exactly One

C- Exactly Two

D- Exactly Three

Answer:

A

Question 5

Question Type: **MultipleChoice**

If XYZ Ltd. incurs (with purchase and installation of machinery) using cash, which of the following ratios will remain unchanged, if all other things remain constant?

Options:

A- None of the three

B- Asset Turnover ratio

C- Current Ratio

D- Quick Ratio

Answer:

C

Question 6

Question Type: MultipleChoice

The following information pertains to bonds:

Bond	Initial Maturity	Spread from G-Sec (bps)		
		January 2013	April 2013	July 2013
Bond A	10 Years	94	97	89
Bond B	10 Years	102	103	93
Bond C	10 Years	370	530	560
Bond D	10 Years	115	130	110
Bond E	10 Years	10	15	7

Further following information is available about a particular bond 'Bond F'

There is a 10.25% risky bond with a maturity of 2.25% year(s) its current price is INR105.31, which ccorresponds to YTM of 9.22%. The following are the benchmark YTMs.

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

Assume that the general market rates have increased. An issuer, Revolution Ltd has plans to roll over its existing commercial paper and forth coming reset dates for its floating rate bonds are very near. Which of the following ratios for revolution will get impacted?

Options:

A- Interest Coverage and Return on assets

B- DSCR, and Return on Assets

C- DSCR, Interest Coverage and Return on assets

D- DSCR and interest Coverage

Answer:

A

Question 7

Question Type: MultipleChoice

The following information pertains to bonds:

Bond	Initial Maturity	Spread from G-Sec (bps)		
		January 2013	April 2013	July 2013
Bond A	10 Years	94	97	89
Bond B	10 Years	102	103	93
Bond C	10 Years	370	530	560
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There is a 10.25% risky bond with a maturity of 2.25% year(s) its current price is INR105.31, which corresponds to YTM of 9.22%. The following are the benchmark YTMs.

Assuming the G-Sec has not changed from the time January 2013 to April 2013, what can you predict about the changes bond price and change in issues borrowing rates:

Options:

A- Decrease and Increase

B- Increase and Increase

C- Decrease and Decrease

D- Increase and Decrease

Answer:

D

Question 8

Question Type: MultipleChoice

The following information pertains to bonds:

Bond	Initial Maturity	Spread from G-Sec (bps)		
		January 2013	April 2013	July 2013
Bond A	10 Years	94	97	89
Bond B	10 Years	102	103	93
Bond C	10 Years	370	530	560
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Following are the relevance of Industry Analysis:

Statement 1: Evaluating Industry risk is the first and foremost step for top down approach of analysis.

Statement 2: Industry Analysis is relevant for analyzing the industry life cycle, which is highly important from

the perspective of an investor or lender.

State which is/are correct?

Options:

A- Both are incorrect

B- Both are correct

C- Only Statement 2 is correct

D- Only Statement 1 is correct

Answer:

B

Question 9

Question Type: **MultipleChoice**

The following information pertains to bonds:

Bond	Initial Maturity	Spread from G-Sec (bps)		
		January 2013	April 2013	July 2013
Bond A	10 Years	94	97	89
Bond B	10 Years	102	103	93
Bond C	10 Years	370	530	560
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Further following information is available about a particular bond 'Bond F'

There is a 10.25% risky bond with a maturity of 2.25% year(s) its current price is INR105.31, which corresponds to YTM of 9.22%. The following are the benchmark YTMs.

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

Compute interpolated spread for Bond F based on the information provided in the vignette:

Options:

A- 1.64%

B- 0.43%

C- 0.61%

D- 1.46%

Answer:

A

Question 10

Question Type: **MultipleChoice**

The following information pertains to bonds:

Bond	Initial Maturity	Spread from G-Sec (bps)		
		January 2013	April 2013	July 2013
Bond A	10 Years	94	97	89
Bond B	10 Years	102	103	93
Bond C	10 Years	370	530	560
Bond D	10 Years	115	130	110
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Further following information is available about a particular bond 'Bond F'

There is a 10.25% risky bond with a maturity of 2.25% year(s) its current price is INR105.31, which corresponds to YTM of 9.22%. The following are the benchmark YTMs.

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

From the time January 2013 to April 2013, what can you predict about the market conditions, assuming the GSec has not changed?

Options:

A- There has been credit spread compression, which means the spreads have declines, which can be lead indicator of oncoming economy stress.

B- There has been widening of credit spread, which means the spreads have increased, which can be lead indicator of oncoming economy stress.

C- There has been widening of credit spread, which means the spreads have increased, which can be lead indicator of oncoming economy stress.

D- There has been credit spread compression, which means the spreads have declines, which can be lead indicator of oncoming economy boom.

Answer:

C

Question 11

Question Type: **MultipleChoice**

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.

Question 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.

Question 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

Question 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
YTM	8.22	8.52	8.88	8.98	9.02

Who amongst the four candidates is correct regarding OAS?

Options:

A- Only Catherine

B- Only Deepak

C- Only Adam and Catherine

D- Only Deepak and Catherine

Answer:

C

Question 12

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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

There is an 8.75% risky bond with a maturity of 2.75% year(s). Its current price is INR102.31, which corresponds to YTM of 8.52%.
Compute Yield Spread from the information provided in the vignette:

Options:

A- 0.13%

B- 0.00%

C- 0.36%

D- 0.27%

Answer:

C