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**QUESTION 1**

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?

- A. Exactly Four
- B. Exactly One
- C. Exactly Two
- D. Exactly Three

Correct Answer: A

Reference: <https://www.investopedia.com/terms/a/altman.asp>

QUESTION 2

An increase in the salaries of the bank employees due to new bank employee pay commission implemented by the Central Government will lead to deterioration of which of the following ratios:

- A: Cost to Income Ratio
- B: Net Interest Margin
- C:
Core Spread

A.



Only A

B.

A B and C

C.

Only B

D.

Only C

Correct Answer: A

QUESTION 3

Based on the common size statement analysis which of the following statement regarding employee cost is correct?

Particulars (USD Million)	YE FY14	YE FY15
SALES	2800	3800
Employee Cost	1200	1400
Power and Establishment Cost	160	180
Depreciation	26	31
Interest	25	37
Taxes	200	240

A. The employee cost is expected to contribute 8% to decrease in PAT in FY15

B. The employee cost is expected to contribute 7% to decrease in PAT in FY15

C. The employee cost is expected to contribute 6% to decrease in PAT in FY15

D. The employee cost is expected to contribute 5% to decrease in PAT in FY15

Correct Answer: C

QUESTION 4

A holder of which of the following types of bonds is least likely to suffer from rising interest rates?

A. Floating rate bonds

B. Fixed rate bond

C. Zero-coupon bonds



Correct Answer: A

Reference: <https://www.nuveen.com/fixed-income-strategies-for-low-and-rising-rates>

QUESTION 5

Case Facts as on March 31, 2012

Mark Construction Company (MCC) has bagged a contract for construction of a large dam and hydro power project on river Shivna in Madhya Pradesh (MP). The project is also of relevance from the irrigation perspective due to its location and as per the agreement MCC will have to undertake construction of web of canals, approach road to dam, power house and other ancillary units. MCC is promoted by Mr. Thomas Mark, who is a MP from the ruling party which recently formed government in MP. Historically, MCC has been engaged into construction of rural roads, small bridges and railway platforms on contract basis for the Government. MCC will have a separate special purpose vehicle (SPV) floated for this venture.

The hydro power project comes under the public private partnership scheme of the Government of MP, where in the private partner builds owns operates and transfers (BOOT) the hydro power plant. The detailed terms of the hydro power project agreement are as follows:

1.

The construction of the dam, canals and hydro power plant shall be undertaken by the contractor. The Government of MP will have to acquire land which will submerge on construction of dam and shall rehabilitate the owners of land.

2.

MCC shall have right to operate the hydro power project from date of commencement of commercial operations (DCCO) for a period of 20 years and shall transfer the project to Government thereafter. Further, SPV shall be tax exempt for a period of five years from DCCO i.e. FY17-FY21.

3.

The power project is of 600 megawatts (MW) shall comprise 4 units of 150 MW each. The estimated cost of project is about INR3, 500 Million to be spent over a period of 4 year(s) the project is estimated to be commercially operational by April 1, 2016 with two units operational om same day and one unit each will be operational on April 1, 2017 and April 1, 2018.

4.

Means of finance:

Means of Finance	INR Million
Government Aid (To be classified as Equity)	500
Equity	900
Debt	2100

Means of Finance INR Million Government Aid (To be classified as Equity) 500Equity 900 Debt 2100

5. Amount if expenditure estimated in various years is as follows: Funding Cost of Project INR Million Debt Govt Aid Equity Total FY13 (April to march) 700 0 250 450 700 FY14 1200 500 250 450 1200 FY15 1200 1200 - 1200 FY15 400 400 - 400 Debt shall bear a fixed rate of interest of 10% and all interest till DCCO shall be added to the principal. The expected principal along with capitalized interest is expected to be INR2, 400 Million (i.e.INR2100 Million debt plus



INR300 Million capitalized interest). The repayment of the same shall be in 12 equated annual installments starting from FY17.

Brief projections for the period of FY17 to FY21 are given below:

Particular	FY17	FY18	FY19	FY20	FY21
Revenue from Power sale	600	900	1200	1320	1452
EBITDA %	72%	68%	65%	60%	60%
Interest Cost	240.00	220.00	200.00	180.00	160.00
Depreciation	175.00	175.00	175.00	175.00	175.00
PAT	17.00	217.00	405.00	437.00	536.20

Developments as on March 31, 2015

The project manager for the SPV made following comments at a press conferee on March 31, 2015:

As you all are aware, we were running bang on schedule till we last met on December 21, 2014. From today we are just left with one more year to complete the project in time. However, the flash floods which struck our dam site on this March 15, 2015 have created havoc in the region. I shall not point out the loss of lives in the region as you all are well aware of those. Our project has also been badly hit due to the same and we have been assessing the damage over the last one week. After analyzing damage, we have made changes in project schedule. Now we will be making only one unit of 150 MW operational on April 1, 2016 and 1 unit each will be added in each of subsequent year(s).

Development as on September 30, 2015 Post the flash floods, lot of environmentalists started raising issues of changes in environment due to construction of large number of dams. A few Public Interest Litigations (PILs) have been filed in various courts.

Honorable High Court of MP on September 27, 2015, banned construction of any dams in the region and banned permissions for new dams till next hearing scheduled on November 30, 2015. MCC in its press release has indicated that they will apply to the higher court on the matter.

After the developments of March 31, 2015, assuming revenues are directly linked to the power production and the EBITDA margins remain intact for the year, as were projected, compute the revised interest coverage ratio for FY17 and FY18?

- A. FY17: 0.90; FY18: 1.85
- B. FY17: 1.85; FY18: 2.93
- C. FY17: 0.49; FY18: 0.97
- D. FY17: 1.80; FY18: 2.78

Correct Answer: B

QUESTION 6

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 7

Which of the following is a factor considered while evaluating resources profile for rating of bank?

- A. Size and growth of deposits
- B. All of the three
- C. Deposit composition and stickiness
- D. Geographic distribution of deposits

Correct Answer: B

QUESTION 8

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As a credit rating analyst on September 30, 2015, on receipt of the high court order, what rating action you will take:

A. Put ratings on rating watch.



- B. Change rating outlook for long term to negative.
- C. No action, wait for order if higher courts or hearing on November 30, 2015.
- D. Immediately downgrade ratings of SPV.

Correct Answer: A

QUESTION 9

Proportion of fee based income is examined as the same is an _____ efficient source of bank's profitability.

- A. Interest based
- B. Capital
- C. Current
- D. Fee Based

Correct Answer: A

QUESTION 10

Case Facts as on March 31, 2012

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Based on the initial projections, do scenario analysis assuming only 75% capacity is utilized in FY17 and FY18 and thereby revenues will be proportionally reduced.



Compute DSCR under such scenario for FY17 and FY18, assuming other things remain constant?

- A. FY17: 0.85; FY18: 1.26
- B. FY17: 0.74; FY18: 1.09
- C. FY17:1.35; FY18: 2.09
- D. FY17:0.98; FY18: 1.46

Correct Answer: A

QUESTION 11

If you yield curve is humped and the medium rates drop, what will happen to the yield curve?

- A. It will move from negative to positive
- B. It will shift up in a uniform fashion
- C. It will become steeper
- D. It will flatten

Correct Answer: C

QUESTION 12

Which of the following are types of bank guarantee?

- A. Deferred and Term
- B. Financial and Performance
- C. Usance and Sight

Correct Answer: B

Reference <https://www.hdfcbank.com/sme/trade-services/letters-of-credit-and-bank-guarantees>

QUESTION 13

Ms. Mary Brown is a credit rating analyst. She had prepared a detailed report on one of her client, FlyHigh Airlines Ltd, a company operating chartered aircrafts in India. As she was heading for a meeting with her superior on the matter, coffee spilled over her set of prepared paper(s). As she was getting late for meeting, instead of preparing entire set she could recollect few numbers from her memory and reconstructed following partial financial table:



Period Ended	FY10	FY11	FY12
Working Results			
Total Income			
EBITDA			
Interest			
Depreciation	20.00	25.00	30.00
Effective Tax Rate	20%	24%	25%
PBT			
PAT			
Financial Position			
Net Worth	370.00	430.00	535.67
Total Debt	743.00		
Ratios			
Growth			
Growth in Total Income (%)		25%	15%
Growth in EBITDA (%)		30%	20%
Growth in PAT (%)		20%	
Profitability			
EBITDA Margins		32%	
PAT Margins			
RONW			
Solvency			
Overall Gearing Ratio		2.2	
Interest coverage ratio	3.2		3.1
Total Debt / EBITDA		4.5	5.2

What is Total Income FY10 and FY12?

- A. FY10: INR400 Million; FY12:INR575 Million
- B. FY10: INR525.56 Million; FY12: INR755.49 Million
- C. Insufficient Information to compute
- D. FY10: INR656.94 Million; FY12: INR821.18 Million



Correct Answer: A

QUESTION 14

Following is information related banks:

Auckland Ltd is a public sector bank operating with about 120 branches across India. The bank has been

in business since 1971 and has about 40% branches in rural areas and about 75% of all branches are in Western India. On the basis of the size, Auckland Ltd will be ranked at number 31 amongst 40 banks in India. Although top management has appointment period of 5 years, generally they retire on each serving age of 60 years with an average tenure of only 2 years at the top job.

Profit and Loss Account

Particulars	FY11	FY12	FY13
Interest on advances bills	124,000	182,000	283,000
Interest on investments	15,000	18,000	14,000
Interest on balances with Banking Regulator and other inter-bank funds	1,100	1,000	1,700
Other interest income	40,000	49,000	54,000
Other Income	80,000	95,000	99,000
Total Income	260,100	345,000	451,700
Interest expenses	105,000	148,000	235,000
Operating expenses	23,000	28,000	32,000
Total expenditure	128,000	176,000	267,000
Operating Profit	155,100	197,000	216,700
Provisions	72,000	102,000	174,000
Profit before tax	83,100	95,000	42,700
Tax	16,600	19,000	8,500
Profit after Tax	66,500	76,000	34,200

Balance Sheet



Assets	March 31 2011	March 31 2012	March 31 2013
Cash and Balances with Reserve Bank of India	120,000	420,000	770,000
Balances with Banks and Money at Call and Short Notice	745,000	789,000	1194,000
Investments	598,000	689,000	1139,000
Advances	1432,000	1709,000	2485,000
Fixed Assets	223,000	234,000	245,000
Other Assets	567,000	670,000	970,000
TOTAL	3685,000	4511,000	6803,000

Liabilities	March 31 2011	March 31 2012	March 31 2013
Capital	31,000	31,000	42,000
Reserves and Surplus	294,000	370,000	1154,000
Deposits	2100,000	2120,000	2450,000
Borrowings	960,000	1590,000	2657,000
Other Liabilities and Provisions	300,000	400,000	500,000
TOTAL	3685,000	4511,000	6803,000

The rating wise break-up of assets for FY11 is as follows:

Rating	FY11
AAA	120,000
AA	530,000
A	220,000
BBB	150,000
BB and below	310,000
Unrated	102,000
Total	1432,000

The ROTA for Auckland deteriorated from ____ in FY12 to ____ in FY13.

- A. 0.7%, 0.3%
- B. 7%; 2%
- C. 2.3%; 0.7%
- D. 1.9%; 0.6%

Correct Answer: C

**QUESTION 15**

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Working Results			
Total Income			
EBITDA			
Interest			
Depreciation	20.00	25.00	30.00
Effective Tax Rate	20%	24%	25%
PBT			
PAT			
Financial Position			
Net Worth	370.00	430.00	535.67
Total Debt	743.00		
Ratios			
Growth			
Growth in Total Income (%)		25%	15%
Growth in EBITDA (%)		30%	20%
Growth in PAT (%)		20%	
Profitability			
EBITDA Margins		32%	
PAT Margins			
RONW			
Solvency			
Overall Gearing Ratio		2.2	
Interest coverage ratio	3.2		3.1
Total Debt / EBITDA		4.5	5.2

Compute growth in PAT for FY12?



A. 25%

B. 19%

C. 22%

D. 21%

Correct Answer: B

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