CCRA Q&As

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QUESTION 1

Stand by letter of credits are typically taken as credit enhancement for____________

A. Commercial Paper

B. Long term Bond issues

C. Long term debenture issues

D. Bank debt

Correct Answer: D

Reference: https://www.investopedia.com/terms/s/standbyletterofcredit.asp

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QUESTION 2

Butterfly strategy is a combination of

A. Ladder and Barbell on the same market sides

B. Barbell and Bullet on the opposite market sides

C. Barbell and Bullet on the same market sides

D. Ladder and barbell on the opposite market sides

Correct Answer: B

Reference: https://books.google.com.pk/books?id=WTvNAgAAQBAJandpg=PA213andlpg=PA213anddq=Butterfly+strategy+is+a+combination+of+Barbell+and +Bullet +on+the+opposite+market+sidesandsource=blandots=cdWVJkVMRGandsig=XIB7YqySq5YDEUmEWusH5JCsjYandhl =enandsa=Xandved=2ahUKEwj3_pCrxN7eAhVkK8AKHYuDCwUQ6AEwB noECAUQAQ#v=onepageandq=Butterfly%20strategy%20is%20a%20combination%20of%20Barbell%20and %20Bullet%20on%20the% 20opposite%20market%20sidesandf=false

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QUESTION 3

Scott is a credit analyst with one of the credit rating agencies in India. He was looking in Oil and Gas Industry companies and has presented brief financials for following 4 entities:

Particulars	A Ltd	B Ltd	C Ltd	D Ltd
Total Income	2000	2400	3000	3500
EBITDA	500	550	650	460
Interest	100	100	125	130
Total Debt	1000	1400	1000	1500

From the data given below, calculate the standard deviation of the credit portfolio assuming that facility\\'s exposure is known with certainty, customer defaults and LGDs are independent of one another and LGDs are independent across borrower(s).

Credit Facility A ?Loss Equivalent Exposure of $60m, expected Default frequency of 1.5%, loss given default of 30%, Std Deviation of LGD ?5% and Correlation to portfolio ?0.10

Credit Facility B ?Loss Equivalent Exposure of $25m, expected Default frequency of 2%, loss given default of 12%, Std Deviation of LGD ?12% and Correlation to portfolio ?0.45

Credit Facility C ?Loss Equivalent Exposure of $15m, expected Default frequency of 5%, loss given default of 85%, Std Deviation of LGD ?18% and Correlation to portfolio ?0.22

A. US$6.88 million

B. US$ 1.16 million

C. US$ 1.66 million

D. US$ 0.10 million

Correct Answer: B

QUESTION 4

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?

A. None of the three

B. Asset Turnover ratio

C. Current Ratio

D. Quick Ratio

Correct Answer: C

QUESTION 5

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 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:

A. 1.64%

B. 0.43%

C. 0.61%

D. 1.46%

Correct Answer: A

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