

Unit 13 - Week 11

Course outline

How does an NPTEL online course work?

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- Lecture 52 : Management of Deposits - II
- Lecture 53 : Management of Non-Deposit Liabilities
- Lecture 54 : Management of Off-Balance Sheet Activities - I
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Week 11 Lecture material

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Week 11 Assignment 11

The due date for submitting this assignment has passed. **Due on 2020-04-15, 23:59 IST.**
 As per our records you have not submitted this assignment.

- 1) Which of the following statement(s) is/are true?
- | | |
|--------------|---|
| Statement I | The ownership of demand deposits can be transferred from one person to another via cheques or electronic transfers. |
| Statement II | There is no fixed term to maturity to demand deposits |
- a. Only I
 b. Only II
 c. Both I and II
 d. Neither I nor II
- a.
 b.
 c.
 d.
- No, the answer is incorrect.
 Score: 0
 Accepted Answers: c.
- 2) Which of the following is/are true about term deposit?
- | | |
|--------------|---|
| Statement I | Deposits are of fixed tenure |
| Statement II | Interest rate depends upon the tenure and amount of deposit |
- a. Only I
 b. Only II
 c. Both I and II
 d. Neither I nor II
- a.
 b.
 c.
 d.
- No, the answer is incorrect.
 Score: 0
 Accepted Answers: c.
- 3) Sam purchased a bond with a specified interest rate of 17%. He has invested \$100,000. Assuming that the bond is compounded annually, which of the following statement(s) is true?
- a. The real interest rate is 17%
 b. The effective interest rate will be more than 17%
 c. Both effective interest rate and nominal interest rate will be 17%
 d. None of the above
- a.
 b.
 c.
 d.
- No, the answer is incorrect.
 Score: 0
 Accepted Answers: c.
- 4) If interest rates are increasing, marginal cost of raising new funds may fall below historical average cost over all funds used.
- a. True
 b. False
- a.
 b.
- No, the answer is incorrect.
 Score: 0
 Accepted Answers: b.
- 5) Calculate the Effective Annual Rate of a bond with 24% interest compounded monthly
- a. 24.0755%
 b. 25.1798%
 c. 25.6825%
 d. 26.8241%
- a.
 b.
 c.
 d.
- No, the answer is incorrect.
 Score: 0
 Accepted Answers: c.
- 6) A bank raises INR 25 million in new deposits by offering its depositors an interest rate of 7%. It is estimated that if the interest rate is increased to 7.5%, the bank can raise a total of INR 50 million. The marginal cost rate of the bank is closest to _____ %
- a. 2
 b. 4
 c. 6
 d. 8
- a.
 b.
 c.
 d.
- No, the answer is incorrect.
 Score: 0
 Accepted Answers: d.
- 7) ANZ Savings Association finds that it can attract the following amounts of deposits if it offers new depositors and those rolling over their maturing CDs the interest rates indicated below:
- | Expected Volume of New Deposits
INR Million | Rate of Interest Offered to Depositors
(%) |
|--|---|
| 125 | 7.00 |
| 150 | 7.50 |
| 175 | 8.00 |
| 200 | 8.50 |
| 225 | 9.00 |
- Management anticipates being able to invest any new deposits raised in loans yielding 10 percent. How far should this thrift institution go in raising its deposit interest rate in order to maximize its total profits?
- a. 7.50%
 b. 8.00%
 c. 8.50%
 d. 9.00%
- a.
 b.
 c.
 d.
- No, the answer is incorrect.
 Score: 0
 Accepted Answers: a.
- 8) _____ favors large denomination deposits because services are free if account balance stays above some minimal figure.
- a. Flat-rate pricing
 b. Free pricing
 c. Conditionally free pricing
 d. Minimum cost pricing
- a.
 b.
 c.
 d.
- No, the answer is incorrect.
 Score: 0
 Accepted Answers: c.
- 9) The nominal rate of interest on a 2-year term deposit is 16 percent and if the interest amount is compounded on a quarterly basis. The effective rate is closest to _____
- a. 16.868%
 b. 16.986%
 c. 23.101%
 d. 33.971%
- a.
 b.
 c.
 d.
- No, the answer is incorrect.
 Score: 0
 Accepted Answers: b.
- 10) Sam deposits INR 5000 in his reinvestment account with bank J. The interest rate offered are 12% for 1 year scheme, 16% for 2 years scheme and 18 % for 3 year scheme. The maturity amount for a quarterly re-investment of INR 5,000 for a period of 2 years is closest to _____
- [Hint: Use values upto 4 decimal points]
- a. 5948.2170
 b. 6333.8504
 c. 6829.1235
 d. 6843.3300
- a.
 b.
 c.
 d.
- No, the answer is incorrect.
 Score: 0
 Accepted Answers: d.
- 11) Ron invested in a recurring deposit scheme. He paid a monthly installment of INR 1000 for 36 months. If the interest rate applied is 7 percent per annum and computed quarterly, the maturity value is closest to _____
- [Hint: Use values upto 4 decimal points]
- a. 36630.0000
 b. 37191.4825
 c. 39978.1123
 d. 42740.2978
- a.
 b.
 c.
 d.
- No, the answer is incorrect.
 Score: 0
 Accepted Answers: c.
- 12) Consider the following information available for Bank A.
- | Break of total capital raised by bank A | Value in INR Millions |
|---|-----------------------|
| Checkable deposit | 230 |
| Time and savings deposit | 130 |
| Borrowed from money market | 170 |
| From its owners in the form of equity capital | 470 |
- The interest and non interest costs spent to attract the checkable deposits total 12% of the amount of checkable deposits, while thrift deposits and money market borrowings each cost 19% of funds raised in interest and non-interest expenses. Equity capital costs an estimated 20% of any new equity raised.
- Let the reserve requirements, deposit insurance fee and uncontrolled balances (float) reduce the amount of money actually available for investing in interest-bearing assets by 10% for checkable deposits, 5% for thrift deposits, and 5% for borrowings in the money market.
- Given this scenario, the institute's weighted average before-tax cost of funds is closest to _____ ?
- a. 16.459%
 b. 17.000%
 c. 17.860%
 d. 18.466%
- a.
 b.
 c.
 d.
- No, the answer is incorrect.
 Score: 0
 Accepted Answers: d.
- 13) ABC Savings Association finds that it can attract the following amounts of deposits if it offers new depositors and those rolling over their maturing CDs the interest rates indicated below:
- | Expected Volume of New Deposits
INR Million | Rate of Interest Offered to Depositors
(%) |
|--|---|
| 10 | 3.00% |
| 15 | 3.25% |
| 20 | 3.50% |
| 26 | 3.75% |
| 28 | 4.00% |
- Management anticipates being able to invest any new deposits raised in loans yielding 6.25 percent. How far should this thrift institution go in raising its deposit interest rate in order to maximize its total profits?
- a. 3.25%
 b. 3.50%
 c. 3.75%
 d. 4.00%
- a.
 b.
 c.
 d.
- No, the answer is incorrect.
 Score: 0
 Accepted Answers: c.
- 14) If enough deposits are not immediately available to cover for loans and investments, then management should seek out the lowest-cost source of borrowed funds available to meet its customers' credit needs.
- a. True
 b. False
- a.
 b.
- No, the answer is incorrect.
 Score: 0
 Accepted Answers: a.
- 15) Requirement for CRR needs reduces demand for liquidity in call money market
- a. True
 b. False
- a.
 b.
- No, the answer is incorrect.
 Score: 0
 Accepted Answers: b.
- 16) _____ is an undertaking given by the bank on behalf of the purchaser to the seller to make payment of a stated amount on presentation of stipulated documents and fulfillment of all the terms and conditions. It facilitates settlement of payment of trade transactions.
- a. Letter of Credit
 b. Certificate of Deposits
 c. Commercial Papers
 d. Guarantee
- a.
 b.
 c.
 d.
- No, the answer is incorrect.
 Score: 0
 Accepted Answers: a.
- 17) Which of the following statement(s) is/are true about collateralized borrowing and lending obligation?
- | | |
|--------------|---|
| Statement I | It is an instrument for borrowing funds by selling securities with an agreement to repurchase |
| Statement II | It is operated by SEBI |
- a. Only I
 b. Only II
 c. Both I and II
 d. Neither I nor II
- a.
 b.
 c.
 d.
- No, the answer is incorrect.
 Score: 0
 Accepted Answers: d.
- 18) Which of the following is not a bank loan commitments?
- a. Line of Credit
 b. Revolving Loan Commitments
 c. Eurodollar
 d. Arrangers and Tender Panels
- a.
 b.
 c.
 d.
- No, the answer is incorrect.
 Score: 0
 Accepted Answers: c.
- 19) Repurchase agreement consists of short-term notes, with maturities normally ranging from three or four days to nine months, issued by well-known companies to raise working capital
- a. True
 b. False
- a.
 b.
- No, the answer is incorrect.
 Score: 0
 Accepted Answers: b.
- 20) Which of the following is not a letter of credit?
- a. Deferred payment letter of credit
 b. Guaranteed letter of credit
 c. Anticipatory letter of credit
 d. Revolving letter of credit
- a.
 b.
 c.
 d.
- No, the answer is incorrect.
 Score: 0
 Accepted Answers: b.