

Unit 4 - Week 2

Course outline

How does an NPTEL online course work?

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Week 2

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Assignment 2

The due date for submitting this assignment has passed. As per our records you have not submitted this assignment.

Due on 2020-02-12, 23:59 IST.

- 1) Which of the following statement(s) is/are true?

Statement I: Bank performance measures are evaluated with help of the Income Statement
 Statement II: Bank performance measures are evaluated with help of the Balance Sheet

 - 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) Banks use customer profitability analysis to differentiate between the firm's high value customers and those customers who are marginally profitable in order to move these latter customers to a more profitable position for the bank
 - a. True
 - b. False

a
 b

No, the answer is incorrect.
 Score: 0
 Accepted Answers: a
- 3) Which of the following statement(s) is/are true?

Statement I: Typically non interest margin is negative
 Statement II: The largest banks generally report the lowest non-interest margin

 - 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: a
- 4) RAROC compares business unit profits with the unit's cost of capital whereas the EVA compares business unit profit with the capital-at risk
 - a. True
 - b. False

a
 b

No, the answer is incorrect.
 Score: 0
 Accepted Answers: b
- 5) _____ measures the effectiveness of a firm's intermediation function in borrowing and lending money
 - a. ROA
 - b. ROE
 - c. Earnings spread
 - d. Net interest margin

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: c
- 6) The DuPont Approach breaks down the earning power on shareholders' book value (ROE) as follows: ROE = _____.
 - a. Net profit margin × Total asset turnover × Equity multiplier
 - b. Total asset turnover × Gross profit margin × Debt ratio
 - c. Total asset turnover × Net profit margin
 - d. Total asset turnover × Gross profit margin × Equity multiplier

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: a
- 7) In conducting a common-size analysis every balance sheet item is divided by _____ and every income statement is divided by _____.
 - a. its corresponding base year balance sheet item; its corresponding base year income statement item
 - b. its corresponding base year income statement item; its corresponding base year balance sheet item
 - c. net sales or revenues; total assets
 - d. total assets; net sales or revenues

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: d
- 8) Which group of ratios measure a firm's ability to meet short-term obligations?
 - a. Liquidity ratios
 - b. Debt ratios
 - c. Coverage ratios
 - d. Profitability ratios

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: a
- 9) General customer profitability rule is that ____ if a firm's customers contribute about ____ of overall profits
 - a. 10%, 90%
 - b. 20%, 80%
 - c. 50%, 50%
 - d. 20%, 90%

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: b
- 10) Which of the following does not help in improving operating efficiency?
 - a. Reduction of costs but maintaining the existing level of products and services
 - b. Digitalization of the system
 - c. Increasing the level of output but maintaining the level of current expenses
 - d. Improvement of workflow

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: b
- 11) _____ is a measure of managerial efficiency.
 - a. ROA
 - b. Financial leverage ratio
 - c. Earnings spread
 - d. Net interest margin

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: a
- 12) Which of the following is not a component of tier I capital?
 - a. Statutory Reserves
 - b. Subordinate debt
 - c. Surplus guaranteed from sale of capital assets
 - d. Paid-up Capital

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: b
- 13) If the asset remained as NPA for a period more than 12 months, it is classified as:
 - a. Doubtful Assets
 - b. Loss Assets
 - c. Sub-standard Assets
 - d. Gross Non-Performing Assets

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: a
- 14) State whether the following statement is true/false:

"Liquidity is defined as the extent to which the bank has funds available to meet cash demands for loans"

 - a. True
 - b. False

a
 b

No, the answer is incorrect.
 Score: 0
 Accepted Answers: b
- 15) Using the information given below, the total cost before capital change is _____.

Cost of funds	5%
Provision for loan loss	2%
Direct Expenses	0.10%
Indirect Expenses	0.35%
Overhead expenses	0.55%

 - a. 5%
 - b. 7%
 - c. 8%
 - d. 9%

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: c
- 16) Let the tax rate = 60% After tax capital charge = 2%; Equity to loan ratio= 14%. The pre tax capital charge rate is _____.
 - a. 2
 - b. 3
 - c. 4
 - d. 5

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: d
- 17) A higher EVA can be achieved by boosting adjusted earnings (via lowering costs, increasing sales etc) and increasing cost of equity
 - a. True
 - b. False

a
 b

No, the answer is incorrect.
 Score: 0
 Accepted Answers: b
- 18) Under customer profitability analysis, an account generates a return in excess of the minimum return required by the bank if:
 - a. Revenue > Expenses + Target Profit
 - b. Revenue = Expenses + Target Profit
 - c. Revenue < Expenses
 - d. Revenue < Expenses + Target Profit

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: a
- 19) Under _____ method, average loan rate is used as transfer price for loans and mean deposit rate is used as transfer price for deposits
 - a. Single Pool
 - b. Multiple Pool
 - c. Double Pool (Split Pools)
 - d. Matched Rate

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: c
- 20) ROA approximates the net benefit that the shareholders have received from investing their capital in the financial firm
 - a. True
 - b. False

a
 b

No, the answer is incorrect.
 Score: 0
 Accepted Answers: b