

# Unit 6 - Week 4

**Course outline**

How does an NPTEL online course work?

**Week 0**

**Week 1**

**Week 2**

**Week 3**

**Week 4**

- Lecture 16: Commercial Bank Risk - I
- Lecture 17: Commercial Bank Risk - II
- Lecture 18: Commercial Bank Risk - III
- Lecture 19: Commercial Bank Risk - IV
- Lecture 20: Commercial Bank Risk - V
- Lecture Materials
- Quiz : Assignment 4
- Feedback Form

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details Solution

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## Assignment 4

The due date for submitting this assignment has passed. **Due on 2020-02-26, 23:59 IST.**  
 As per our records you have not submitted this assignment.

- Risk management is a process by which managers identify, assess, monitor, and transforms risk associated with a financial institution's activities

  - True
  - False

a  
 b

No, the answer is incorrect.  
Score: 0  
Accepted Answers: b
- \_\_\_\_\_ is the potential variation in net income and market value of equity resulting from this nonpayment or delayed payment

  - Credit risk
  - Liquidity risk
  - Market risk
  - Operational risk

a  
 b  
 c  
 d

No, the answer is incorrect.  
Score: 0  
Accepted Answers: a
- \_\_\_\_\_ is the current and potential risk to earnings and stockholders' equity resulting from adverse movements in market rates or prices

  - Market risk
  - Operational risk
  - Reputation risk
  - Legal risk

a  
 b  
 c  
 d

No, the answer is incorrect.  
Score: 0  
Accepted Answers: a
- \_\_\_\_\_ is the risk of loss resulting from inadequate or failed internal processes, people, and system, or from external event

  - Market risk
  - Operational risk
  - Reputation risk
  - Legal risk

a  
 b  
 c  
 d

No, the answer is incorrect.  
Score: 0  
Accepted Answers: b
- Funding liquidity risk is the inability of bank to easily unwind or offset specific exposures without significant losses from inadequate market depth or market disturbances

  - True
  - False

a  
 b

No, the answer is incorrect.  
Score: 0  
Accepted Answers: b
- \_\_\_\_\_ captures the variations around the average of any random parameter or target variable both up side and down side

  - Sensitivity
  - Volatility
  - Downside risk
  - Upside risk

a  
 b  
 c  
 d

No, the answer is incorrect.  
Score: 0  
Accepted Answers: b
- \_\_\_\_\_ is a measure of down side risk.

  - Covariance
  - Standard Deviation
  - Correlation
  - Value at Risk

a  
 b  
 c  
 d

No, the answer is incorrect.  
Score: 0  
Accepted Answers: d
- Which of the following are true about volatility?

  - It is a statistical measure of the dispersion around the average of any random variable such as interest rate, exchange rate, earnings, mark-to-market values, and other market parameters
  - It is measured through the standard deviation of the values of the variables
  - It is feasible to calculate the historical volatility using the historical data
  - All of the above

a  
 b  
 c  
 d

No, the answer is incorrect.  
Score: 0  
Accepted Answers: d
- The volatility of an asset price is 40% per year. The standard deviation of the percentage change in the asset price in one week is approximately closest to:

  - 2.88%
  - 4.16%
  - 4.98%
  - 5.55%

a  
 b  
 c  
 d

No, the answer is incorrect.  
Score: 0  
Accepted Answers: d
- $X_1=10, X_2=14, X_3=18, X_4=12, \text{ and } X_5=11$

The sample standard deviation is closest to:

  - 10.00
  - 8.00
  - 3.16
  - 2.82

a  
 b  
 c  
 d

No, the answer is incorrect.  
Score: 0  
Accepted Answers: c
- Consider an investor had a \$10 million portfolio of bonds in a long position. Suppose the confidence interval is 95%. The actual daily standard deviation of the portfolio over one trading day in 5%, what is the daily VaR of this portfolio? What is the VaR for a 1-month horizon (30days)?

  - \$4505018.035
  - \$45050180.35
  - \$8,225,000
  - \$8,225,00

a  
 b  
 c  
 d

No, the answer is incorrect.  
Score: 0  
Accepted Answers: a
- Consider an investor had a \$10 million portfolio of bonds in a long position. Suppose the confidence interval is 95%. The actual daily standard deviation of the portfolio over one trading day in 7%, what is the daily VaR of this portfolio?

  - 1645000
  - 1151500
  - 1115100
  - 1155100

a  
 b  
 c  
 d

No, the answer is incorrect.  
Score: 0  
Accepted Answers: b
- Exceptional loss represents a statistical loss over a portfolio of a large number of loans.

  - True
  - False

a  
 b

No, the answer is incorrect.  
Score: 0  
Accepted Answers: b
- Expected Loss represents the potential losses in excess of the expected value

  - True
  - False

a  
 b

No, the answer is incorrect.  
Score: 0  
Accepted Answers: b
- A high sensitivity implies a higher risk than a low sensitivity

  - True
  - False

a  
 b

No, the answer is incorrect.  
Score: 0  
Accepted Answers: a
- With respect to the transversal process, the basic horizontal processes are:

  - Avoid single loss
  - Diversification of commitments
  - Avoid lending to any borrower beyond borrowing capacity
  - None of the above

a  
 b  
 c  
 d

No, the answer is incorrect.  
Score: 0  
Accepted Answers: d
- Which of the following is/are source(s) of credit risk?

  - Changes in general economic conditions
  - High loan growth
  - Different types of asset and off-balance sheet activities
  - All of the above

a  
 b  
 c  
 d

No, the answer is incorrect.  
Score: 0  
Accepted Answers: d
- Banks that lend funds to foreign governments and corporate borrowers take country risk

  - True
  - False

a  
 b

No, the answer is incorrect.  
Score: 0  
Accepted Answers: a
- A low-risk position implies low-performance position however, a high risk position is not always a high performance position

  - True
  - False

a  
 b

No, the answer is incorrect.  
Score: 0  
Accepted Answers: b
- Interest rate risk, equity and security price risk, and foreign exchange risk are components of:

  - Market risk
  - Operational risk
  - Reputation risk
  - Legal risk

a  
 b  
 c  
 d

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