CCRA Q&As

Certified Credit Research Analyst

Pass AIWMI CCRA Exam with 100% Guarantee

Free Download Real Questions & Answers **PDF** and **VCE** file from:

https://www.pass2lead.com/ccra.html

100% Passing Guarantee
100% Money Back Assurance

Following Questions and Answers are all new published by AIWMI Official Exam Center

QUESTION 1

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 2

"Following four entities operate in the Indian IT and BPO space. They all are into same segment of providing off-shore analytical services. They all operate on the labour cost-arbitrage in India and the countries of their clients. Following information pertains for the year ended March 31, 2013.

Particular	Beautiful	Handsome	Glowing	Glamorous
Number of Employees	300	450	700	1200
Major clients based out of	UK	USA	USA	UAE
Billing currency	GBP	INR	USD	USD

Particular	Beautiful	Handsome	Glowing	Glamorous
Revenue	36	72	116	188
Employee Cost	16	22	44	88
Other Delivery Cost	2	3	4	6
Administrative and Selling Cost	2	3	3	5
Finance Cost	1	2	1	4
Depreciation	2	6	6	9
Taxes	2	8	9	12

Particular	Beautiful	Handsome	Glowing	Glamorous
Assets				
Fixed Assets	10	24	24	37
Short Term Investments	3	7	6	8
Debtors	6	18	22	48
Total	19	49	52	93
Liabilities				
Equity Share Capital	2	8	12	10
Reserves and Surplus	5	12	24	43
Term Loans	8	16	6	24
Working Capital Borrowings	4	11	9	12
Creditors	0	2	1	4
Total	19	49	52	93

The year FY13, was typically a good year for Indian IT companies. For FY14, the economic analysts have given following predictions about the IT Industry:

A. It is expected that INR will appreciate sharply against other USD.

B. Given high inflation and attrition in IT Industry in India, the wages of IT sector employees will increase more sharply than Inflation and general wage rise in country.

C. US Congress will be passing a bill which restricts the outsourcing to third world countries like India. While analyzing the four entities, you come across following findings related to Glowing:

Glowing is promoted by Mr.M R Bhutta, who has earlier promoted two other business ventures, He started with ABC Entertainment Ltd in 1996 and was promoter and MD of the company. ABC was a listed entity and its share price had sharp movements at the time of stock market scam in late 1990s. In 1999, Mr.Bhutta sold his entire stake and resigned from the post of MD. The stock price declined by about 90% in coming days and has never recovered. Later on in 2003, Mr. Bhutta again promoted a new business, Klear Publications Ltd (KCL) an in the business of magazine publication. The entity had come out with a successful IPO and raised money from public. Thereafter it ran into troubles and reported losses. In 2009, Mr. Bhutta went on to exit this business as well by selling stake to other promoter(s). There have been reports in both instances with allegations that promoters have siphoned off money from listed entities to other group entities, however, nothing has been proved in any court."

What will be impact of on the predictions A and B of the economic analysts, on companies:

A. Handsome: No Impact on sales; Margins may squeeze; Glowing: INR Sales may decline; margins may squeeze.

B. Handsome: INRSales may increase; margins may squeeze; Glowing: INRSales will increase;

margins may squeeze.

C. Handsome: INR Sales may decline; margins may squeeze; Glowing: INR Sales may decline;

margins may squeeze.

D. Handsome: No Impact on sales; Margins may squeeze; Glowing: No Impact on sales; Margins may squeeze.

Correct Answer: B

QUESTION 3

A coupon bond is trading at 110% of the USD 1000 par value. If the last interest payment was made one month ago and the coupon rate is 12%, the accrued interest on this bond is_______

A. 110

B. 100

C. 120

D. 10

Correct Answer: D

Reference: http://www.faculty.umassd.edu/xtras/catls/resources/binarydoc/2288.pdf

---

QUESTION 4

Provisioning Coverage Ratio (PCR) is essentially the ratio of provisioning to ______ and indicates the extent of funds a bank has kept aside to cover loan losses.

A. total loan portfolio

B. gross non-performing assets

C. total assets

Correct Answer: B

Reference: https://currentaffairs.gktoday.in/tags/provision-coverage-ratio

QUESTION 5

Z spreads in Callable bonds include:

A. Does not include premium for credit risk and call option price for prepayment risk.

B. Premium for credit risk and call option price for prepayment risk in included.

C. Premium for credit risk is only included.

D. Premium for call option price for prepayment risk os only included.

Correct Answer: B

Reference: https://books.google.com.pk/books?id=WTvNAgAAQBAJandpg=PA224andlpg=PA224anddq=credit +Z+spreads+in+Callable+bonds+include+Premium+for+credit+risk+and+call+option+price+for +prepayment+risk+in +includedandsource=blandots=cdWVJiWQSCandsig=d9Y2vg5dyIZIrlBT7tmKRihUg2Mandhl=enandsa=Xandved=2ahUKEwiUqN2I_93eAhXMA8AKHSb1B7gQ6AEwCXoECAcQAQ#v=onepageandq=credit%20Z%20spreads%20in%20Callable%20bonds% 20include%20Premium%20for%20credit%20risk%20and%20call%20option %20price%20for%20prepayment%20risk%20in%20includedandf=false