

# CCRA<sup>Q&As</sup>

Certified Credit Research Analyst

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**QUESTION 1**

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=WTvNAAQBAJandpg=PA213andlpg=PA213anddq=Butterfly+strategy+is+a+combination+of+Barbell+and+Bullet+on+the+opposite+market+sides&source=bl&ots=cdWVJkVMRG&sig=XIB7YqySq5YDEUmEWusH5JCsjYandhl=en&sa=X&ved=2ahUKEwj3\\_pCrXN7eAhVkk8AKHYuDCwUQ6AEwBnoECAUQAQ#v=onepage&dq=Butterfly%20strategy%20is%20a%20combination%20of%20Barbell%20and%20Bullet%20on%20the%20opposite%20market%20sides&f=false](https://books.google.com.pk/books?id=WTvNAAQBAJandpg=PA213andlpg=PA213anddq=Butterfly+strategy+is+a+combination+of+Barbell+and+Bullet+on+the+opposite+market+sides&source=bl&ots=cdWVJkVMRG&sig=XIB7YqySq5YDEUmEWusH5JCsjYandhl=en&sa=X&ved=2ahUKEwj3_pCrXN7eAhVkk8AKHYuDCwUQ6AEwBnoECAUQAQ#v=onepage&dq=Butterfly%20strategy%20is%20a%20combination%20of%20Barbell%20and%20Bullet%20on%20the%20opposite%20market%20sides&f=false)

**QUESTION 2**

Which of the following is false in case of credit enhancements?

- A. It reduces the default risk of the borrowing entity for the lender, thereby deteriorating the overall credit worthiness of the borrower
- B. Credit enhancement could be implicit or explicit
- C. Credit enhancement is a mechanism whereby external cash flows is extended by an entity which has a stringer credit profile, so that it benefits the fund raising entity

Correct Answer: A

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**QUESTION 3**

Which of the following is not an importance of the sovereign rating?

- A: To arrive at cost of lending to a country
- B: To set lower floor for the rating of the corporate and banks of the countries on international scale.
- C:  
For determining the risk levels for international investment portfolios

- A.  
Only A and C

B.

Only B

C.

Only A and B

D.

None of the three

Correct Answer: B

**QUESTION 4**

Following is information related banks:

Auckland Ltd is a public sector bank operating with about 120 branches across India. The bank has been in business since 1971 and has about 40% branches in rural areas and about 75% of all branches are in Western India. On the basis of the size, Auckland Ltd will be ranked at number 31 amongst 40 banks in India. Although top management has appointment period of 5 years, generally they retire on each serving age of 60 years with an average tenure of only 2 years at the top job.

Profit and Loss Account

Particulars	FY11	FY12	FY13
Interest on advances bills	124,000	182,000	283,000
Interest on investments	15,000	18,000	14,000
Interest on balances with Banking Regulator and other inter-bank funds	1,100	1,000	1,700
Other interest income	40,000	49,000	54,000
Other Income	80,000	95,000	99,000
Total Income	260,100	345,000	451,700
Interest expenses	105,000	148,000	235,000
Operating expenses	23,000	28,000	32,000
Total expenditure	128,000	176,000	267,000
Operating Profit	155,100	197,000	216,700
Provisions	72,000	102,000	174,000
Profit before tax	83,100	95,000	42,700
Tax	16,600	19,000	8,500
Profit after Tax	66,500	76,000	34,200

Balance Sheet

<b>Assets</b>	<b>March 31 2011</b>	<b>March 31 2012</b>	<b>March 31 2013</b>
Cash and Balances with Reserve Bank of India	120,000	420,000	770,000
Balances with Banks and Money at Call and Short Notice	745,000	789,000	1194,000
Investments	598,000	689,000	1139,000
Advances	1432,000	1709,000	2485,000
Fixed Assets	223,000	234,000	245,000
Other Assets	567,000	670,000	970,000
<b>TOTAL</b>	<b>3685,000</b>	<b>4511,000</b>	<b>6803,000</b>

<b>Liabilities</b>	<b>March 31 2011</b>	<b>March 31 2012</b>	<b>March 31 2013</b>
Capital	31,000	31,000	42,000
Reserves and Surplus	294,000	370,000	1154,000
Deposits	2100,000	2120,000	2450,000
Borrowings	960,000	1590,000	2657,000
Other Liabilities and Provisions	300,000	400,000	500,000
<b>TOTAL</b>	<b>3685,000</b>	<b>4511,000</b>	<b>6803,000</b>

The rating wise break-up of assets for FY11 is as follows:

<b>Rating</b>	<b>FY11</b>
AAA	120,000
AA	530,000
A	220,000
BBB	150,000
BB and below	310,000
Unrated	102,000
<b>Total</b>	<b>1432,000</b>

Computer risk weighted assets for Auckland Ltd for FY11:

- A. 10,10,000 Million
- B. 13,24,500 Million
- C. 11,64,500 Million
- D. 11,60,000 Million

Correct Answer: C

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**QUESTION 5**

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

Which of the four entities has best interest coverage ratios?

- A. C Ltd
- B. D Ltd
- C. A Ltd
- D. B Ltd

Correct Answer: D

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