

Certified Credit Research Analyst (Mock Test-3)

1) _____ is a corporate action in which a company buys most, if not all, of the target company's ownership stakes in order to assume control of the target firm.

- A. Merger
- B. Consolidation
- C. Acquisition
- D. Take over

2) Which of the following is an unsecured promissory note?

- A. Commercial Paper
- B. Corporate Bond
- C. Zero coupon Bond
- D. Non Convertible Debenture

3) Money market instruments typically have the following maturity period.

- A. 1 to 2 years
- B. 2 to 10 years
- C. greater than 10 years
- D. Less than 1 year

4) Who among the following can issue commercial paper?

- A. Central banks
- B. Corporate
- C. Governments
- D. Individuals

5) This money market instrument has its principal and interest paid at maturity.

- A. US Treasury bills
- B. CP
- C. Certificate of Deposits

6) The central banks use the repo and reverse repo with commercial banks to _____.

- A. Control the short-term interest rates
- B. Control the long-term interest rates
- C. Control both short-term and long-term interest rates

7) Agency Mortgage-backed securities (MBSs) in the US that are guaranteed by the three government Agencies (Ginnie Mae, Fannie Mae and Freddie Mac) carry _____.

- A. All risks apart from prepayment and credit risk
- B. No prepayment risk but only credit risk
- C. Credit Risk as well as pre-payment risk
- D. No credit risk but only prepayment risk

8) What is the Book value for a 5% coupon USD 5m debt issue with maturity of 3 years if the market rate is 8%?

- A. USD 4.2m
- B. USD 5m
- C. USD 4.6m

9) What is the interest expense reported in income statement for a 4% coupon 1 million dollar debt issue with maturity of 4 years if the market rate is 6%?

- A. 60000
- B. 55841
- C. 37459

10) Which of the following is most likely the TRUE statement for that duration in Yield curves?

- A. Duration is an inappropriate measure when Yield on different bonds change by similar amounts
- B. Duration is an inappropriate measure when Yield on different bonds change by different amounts.
- C. Duration is Inappropriate for Parallel shifts.

11) Which of the following embedded option is helpful to a Bond issuer?

- A. Floor option
- B. Conversion Option
- C. Prepayment option

12) If the Clean price of a bond which is trading flat is USD 225. Which of the following statement is correct?

- A. Issuer of the bond is trustworthy.
- B. Dirty price of the bond that the buyer of the bond has to pay is USD 225
- C. Dirty price of the bond that the buyer of the bond has to pay cannot be calculated as accrued interest is not given.

13) Which of the following statement is TRUE for Credit spread?

- A. Credit spread is same for every security of a same issuer
- B. Credit spread tends to narrow during economic contraction
- C. Credit spread tends to narrow during economic expansions

14) The market value of an 12-year semi-annual paying zero-coupon bond with a maturity value of USD 1,000 discounted at a 10% Yield will be:

- A. 310.06
- B. 101.52
- C. 318.63

15) If an investor who is getting a return of 4% in a tax-exempt bond is interested in a taxable bond and the tax rate is 25%. What should be the return from the taxable bond so that the investor makes the same return as from the tax-exempt one?

- A. 0.05
- B. 0.03

C. 0.0533

16) A puttable bond has a Z spread of 8% and the value of the embedded option is 2%. What is the OAS spread of this bond?

A. 0.1

B. 0.08

C. 0.06

17) A firm has issued USD 1000 semiannual pay bond with 8% coupon which increases by .25% in every six months. Which of the following is most likely the type this bond can be referred to?

A. Deferred coupon bonds

B. Step up notes

C. Floating Rate securities

18) Given that the six-month spot rate is 4%, the 12-month spot rate is 5% and the 18-month spot rate is 6%, which of the following is the price of an 18-month bond with 10% coupon?

A. 109.1

B. 105.6

C. 98.4

19) If the relative yield spread is 4.56%, then the yield ratio of the bond is:

A. 1.0456

B. 1.456

C. 0.0456

20) A USD 100000 par value TIPS has 4% coupon rate, set at issuance. If the annual inflation rate after 6 months is 3%, which of the following is the closest to the semiannual coupon payment made at that time?

A. 3500

B. 2030

C. 2060

21) Which of the following is least appropriate with respect to Treasury Inflation Protected Security (TIPS)?

A. If the adjusted par value of the bond is more than the original, the holders receive the new par value

B. The minimum repayment amount for a TIPS is the original face value of the security

C. The coupon payments may be made either annually or semiannual

22) A USD 1000 par value bond has a coupon rate of 8% and pays coupons semiannually. The bond's maturity is 15 year(s). The bond's current market price is USD 840. Which of the following is closest to the Bond Equivalent Yield?

A. 0.0505

B. 0.101

C. 0.072

23) For a 5-year Treasury STRIP selling at a price of USD 780, which of the following is closest to the semiannual-pay Yield to Maturity?

A. 0.0478

B. 0.0645

C. 0.0503

24) A 20-year 12% semiannual pay bond with a full price of USD 1200 can be called in 5 years at USD 1100 and at par in 8 year(s) Which of the following is closest to the Yield to First Par Call?

A. 0.0425

B. 0.075

C. 0.085

25) As per ABC Ltd 2012 Balance Sheet, it shows that Assets(Gen Security) worth USD 275,000 in the Application Side. In the Sources Side Senior, Subordinated and Junior Subordinated bondholders amounts to USD 100,000, USD 125,000 and USD 75,000 respectively. The company was liquidated on April 4th 2013. How much Junior Subordinated will receive after the liquidation

A. Insufficient data to calculate

B. Zero

C. 50000

D. 75000

26) As per ABC Ltd 2012 Balance Sheet, it shows that Assets (Gen Security) worth USD 275,000 in the Application Side. In the Sources Side Senior, Subordinated and Junior Subordinated bondholders amounts to USD 100,000, USD 125,000 and USD 75,000 respectively. The company was liquidated on April 4th 2013. How much senior bondholders will receive after the liquidation?

- A. 75000
- B. Zero
- C. 100000
- D. Insufficient data to calculate

27) As per ABC Ltd 2012 Balance Sheet, it shows that Assets (Gen Security) worth USD 275,000 in the Application Side. In the Sources Side

Senior, Subordinated and Junior Subordinated bondholders amounts to USD 100,000, USD 125,000 and USD 75,000 respectively. The company was liquidated on April 4th 2013. How much Subordinated bondholders will receive after the liquidation?

- A. 100000
- B. 125000
- C. Zero
- D. Insufficient data to calculate

28) Choose the correct option which depicts the seniority and ranking of Bondholder

- A. 1. Senior Secured 2. Senior Unsecured 3. Senior Subordinated 4. Subordinated 5. Junior Subordinated
- B. 1. Senior Secured 2. Senior Unsecured 3. Subordinated 4. Senior Subordinated 5. Junior Subordinated
- C. 1. Senior Secured 2. Subordinated 3. Senior Unsecured 4. Junior Subordinated 5. Senior Subordinated
- D. 1. Senior Secured 2. Senior Unsecured 3. Subordinated 4. Junior Subordinated 5.

Senior Subordinated

29) The difference between the yields on a Treasury security and a non-treasury security like a corporate bond measured in basis points (bps) (100

bps = 1%) is defined as the _____ spread.

- A. Z Spread
- B. Option Adjusted Spread
- C. Nominal Spread

30) The Z-spread is calculated as the spread that will make the present value of cash flows from the non-treasury security when they are discounted at the _____ plus the Z-spread equal to the non-Treasury securities price.

- A. Treasury Spot Rates
- B. Credit Curve
- C. Term Structure

1. C	2. A	3. D
4. B	5. A	6. A
7. D	8. C	9. A
10.B	11.C	12. B
13.C	14.A	15.C
16.A	17.B	18.A
19. A	20.B	21.A

22.B	23.C	24.C
25.C	26.C	27.B
28.A	29.C	30.A