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PRM Certification - Exam IV: Case Studies; Standards: Governance, Best Practices and Ethics

PRMIA 8004

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QUESTION NO: 1

The problems at Bankgesellschaft Berlin can best be characterized as failures related to:

- A. Market Risk
- B. Credit Risk
- C. Operational Risk
- D. Both B and C

ANSWER: D

QUESTION NO: 2

An Organization as a Whole must:

- I. Provide an environment in which an Escalation Policy can be effective
 - II. Commit itself to actual enforcement of corporate governance policies
 - III. Provide ongoing education and training to all employees on the role of risk management and corporate governance in the organization
 - IV. Publish an external auditor's opinion that the corporation is in compliance with the Board's publicly stated Standards of Corporate Governance
- A. I, II and III only
 - B. I, III and IV only
 - C. I, II and IV only
 - D. All of these are expectations of the Organization as a Whole
 - E. Provide an environment in which an Escalation Policy can be effective
 - II. Commit itself to actual enforcement of corporate governance policies
 - III. Provide ongoing education and training to all employees on the role of risk management and corporate governance in the organization
 - IV. Publish an external auditor's opinion that the corporation is in compliance with the Board's publicly stated Standards of Corporate Governance

ANSWER: D

QUESTION NO: 3

The Risk Management Infrastructure of an organization must:

- I. To the extent possible, avoid silos of control and oversight
 - II. Have budgets set by the business unit leaders
 - III. Actively provide ongoing professional development for risk management staff and require them to be committed to standards of best practice, conduct and ethics in their work
 - IV. Provide general risk management and related corporate governance training for employees of the organization as a Whole
- A.** I only
- B.** I, III and IV only
- C.** I and III only
- D.** All of these are expected of the Risk Management Infrastructure
- E.** To the extent possible, avoid silos of control and oversight
- II. Have budgets set by the business unit leaders
- III. Actively provide ongoing professional development for risk management staff and require them to be committed to standards of best practice, conduct and ethics in their work
- IV. Provide general risk management and related corporate governance training for employees of the organization as a Whole

ANSWER: B

QUESTION NO: 4

With a PRMIA member's need to reconcile their internal and external responsibility to perform their work in an independent and appropriate fiduciary manner, which of the following options must be taken into consideration when performing risk management duties?

- A.** Internal controls of the organization, and the local regulator
- B.** Internal controls, and the expectations of stakeholders, shareholders, and the general public
- C.** The local regulator, internal controls, and shareholders
- D.** Only the internal controls and compliance standards

ANSWER: B

QUESTION NO: 5

What is (are) the lesson(s) of the Barings' failure?

- A.** Incentive plans have risk management implications
- B.** Front and back offices need to be independent
- C.** Large profits can be an indicator of risk

D. All of the above

ANSWER: D

QUESTION NO: 6

The failure of Washington Mutual was NOT due to which one of the following?

- A. Using a combination of subprime mortgage loans and credit cards
- B. It failed due to the poor quality of its assets
- C. Low lending standards and bad quality acquisitions
- D. A run on its deposits by bank customers

ANSWER: D

QUESTION NO: 7

According to the Group of 30 Report, dealers and end-users are encouraged to:

- A. Use separate trading agreements for interest rate derivatives, equity derivatives and foreign exchange transactions.
- B. Use a common trading agreement for interest rate and equity derivatives but a separate agreement for foreign exchange transactions.
- C. Use one trading agreement for foreign exchange forwards and another for foreign exchange options.
- D. Use a single master trading agreement as widely as possible with each counter party.

ANSWER: D

QUESTION NO: 8

The sensitivity analysis required under IFRS would have done what for China Aviation Oil?

- A. Provided investors and analysts with insight into the dynamics of value changes, and the sensitivity of fair value to the underlying drivers of interest rates, exchange rates, and commodity prices
- B. Only provided the intrinsic value of its outstanding option positions
- C. Only provided the time value of its outstanding option position
- D. None of the above

ANSWER: A

QUESTION NO: 9

The "normal" credit loss profile of Washington Mutual was increased by which of the following?

- A. The general downturn in the economy of the US
- B. By lowering its own credit underwriting standards
- C. Acquisitions like Long Beach and Provident
- D. Catastrophic losses in its own credit card division

ANSWER: C**QUESTION NO: 10**

For the sentence

"The organization shall encourage all employees to keep abreast of the latest developments in their particular areas of expertise, through _____, _____, and _____ and shall make adequate resources available to enable this to occur,"

Choose the correct combinations of words from the following options:

- A. courses, conferences, journals
- B. conferences, discussion groups, blog sites
- C. courses, educational certification, journals
- D. journals, courses, compliance mandates

ANSWER: A