

# DUMPS ARENA

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**AIWMI CCRA**

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**QUESTION NO: 1**

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

Giving equal weightage to all three ratios, determine which of the above entities should be rated highest on a relative scale.

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

**ANSWER: C**

**QUESTION NO: 2**

Ms. Mary Brown is a credit rating analyst. She had prepared a detailed report on one of her client, FlyHigh Airlines Ltd, a company operating chartered aircrafts in India. As she was heading for a meeting with her superior on the matter, coffee spilled over her set of prepared paper(s). As she was getting late for meeting, instead of preparing entire set she could recollect few numbers from her memory and reconstructed following partial financial table:

Period Ended	FY10	FY11	FY12
Working Results			
Total Income			
EBITDA			
Interest			
Depreciation	20.00	25.00	30.00
Effective Tax Rate	20%	24%	25%
PBT			
PAT			
Financial Position			
Net Worth	370.00	430.00	535.67
Total Debt	743.00		
Ratios			
Growth			
Growth in Total Income (%)		25%	15%
Growth in EBITDA (%)		30%	20%
Growth in PAT (%)		20%	
Profitability			
EBITDA Margins		32%	
PAT Margins			
RONW			
Solvency			
Overall Gearing Ratio		2.2	
Interest coverage ratio	3.2		3.1
Total Debt / EBITDA		4.5	5.2

Compute growth in PAT for FY12?

A. 25%

- B. 19%
- C. 22%
- D. 21%

**ANSWER: B**

### QUESTION NO: 3

Mr. Gopi, while teaching the CCRA course to students described Altman's Model and stated that following variables do exist for Altman's Model:

1. total debt/total assets,
2. retained earnings/total assets.
3. earnings before interest and taxes/total assets,
4. market value equity/book value of total liabilities,
5. sales/total assets

Exactly how many variables are incorrectly identified?

- A. Exactly Four
- B. Exactly One
- C. Exactly Two
- D. Exactly Three

**ANSWER: A**

**Explanation:**

Reference: <https://www.investopedia.com/terms/a/altman.asp>

### QUESTION NO: 4

If XYZ Ltd. incurs (with purchase and installation of machinery) using cash, which of the following ratios will remain unchanged, if all other things remain constant?

- A. None of the three
- B. Asset Turnover ratio
- C. Current Ratio

D. Quick Ratio

**ANSWER: C**

**QUESTION NO: 5**

If you yield curve is humped and the medium rates drop, what will happen to the yield curve?

- A. It will move from negative to positive
- B. It will shift up in a uniform fashion
- C. It will become steeper
- D. It will flatten

**ANSWER: C**

**QUESTION NO: 6**

Which of the following is a factor considered while evaluating resources profile for rating of bank?

- A. Size and growth of deposits
- B. All of the three
- C. Deposit composition & stickiness
- D. Geographic distribution of deposits

**ANSWER: B**

**QUESTION NO: 7**

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

**ANSWER: A****QUESTION NO: 8**

Based on the common size statement analysis which of the following statement regarding employee cost is correct?

Particulars (USD Million)	YE FY14	YE FY15
SALES	2800	3800
Employee Cost	1200	1400
Power and Establishment Cost	160	180
Depreciation	26	31
Interest	25	37
Taxes	200	240

- A. The employee cost is expected to contribute 8% to decrease in PAT in FY15
- B. The employee cost is expected to contribute 7% to decrease in PAT in FY15
- C. The employee cost is expected to contribute 6% to decrease in PAT in FY15
- D. The employee cost is expected to contribute 5% to decrease in PAT in FY15

**ANSWER: C****QUESTION NO: 9**

The longer the term to maturity of bond:

- A. term to maturity and price of a bond are not related
- B. The lesser is the risk associated with price of a bond
- C. The higher is the return from the bond
- D. The more risk in the price of a bond

**ANSWER: D**

**Explanation:**

Reference: <https://www.investopedia.com/university/advancedbond/advancedbond5.asp>

**QUESTION NO: 10**

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:

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Two credit analysts are discussing the DM-approach to credit risk modeling. They make the following statements:

Analyst A: A portfolio's standard deviation of credit losses can be determined by considering the standard deviation of credit losses of individual exposures in the portfolio and summing them all up.

Analyst B: I do not fully agree with that. Apart from individual standard deviations, one also needs to consider the correlation of the exposure with the rest of the portfolio so as to account for diversification effects. Higher correlations among credit exposures will lead to higher standard deviation of the overall portfolio.

- A. Only Analyst A is correct
- B. Both are correct
- C. Only Analyst B is correct
- D. Both are incorrect

**ANSWER: C**