DUMPSQUEEN

Exam IV: Case Studies: Standards: Governance, Best Practices and Ethics - 2015 Edition

PRMIA 8009

Version Demo

Total Demo Questions: 10

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QUESTION NO: 1

The financial intermediary services provided by Fannie Mae and Freddie Mac were designed to

A. Offer loans directly to the consumer

B. Compete directly with banks in selling mortgaged to would-be home owners

C. Repackage mortgage loans made by banks and sell them on to investors as asset backed securities

D. Buy mortgage-backed loans for banks and keep them all on their books, using them as collateral for the US government to borrow

ANSWER: C

QUESTION NO: 2

According to the Group of 30 Report, important risks associated with dynamic hedging are:

A. Greater volatility than expected over the life of an option

B. Sudden gaps in market prices

C. Both A and B

D. Neither A nor B

ANSWER: C

QUESTION NO: 3

Select the one correct statement relative to Barings Bank.

A. Proprietary and agency trading were combined and therefore did not increase risk.

B. Proprietary and agency trading were separate and therefore did not increase risk.

C. Proprietary and agency trading were combined and therefore did increase risk.

D. Proprietary and agency trading were separate and did increase risk.

ANSWER: C

QUESTION NO: 4

The Bankers Trust Case Study is about:

A. overexposure to the real estate market

B. large losses at the proprietary trading desk

C. reliance on thinly traded derivatives to hedge

D. failure to guard its clients' best interests

ANSWER: D

QUESTION NO: 5

The hedging strategy employed by MG Refining & Marketing has been called:

A. Dynamic hedging

B. A stacked hedge

C. A differential hedge

D. Nothing because MG Refining & Marketing did not hedge its position

ANSWER: B

QUESTION NO: 6

National Australia Bank and Barings cases are similar in that:

A. Losses kept increasing while rogue trader(s) hid their positions

B. The back offices had inadequate procedures

C. Both A and B

D. None of the above

ANSWER: C

QUESTION NO: 7

Unlike the case at Barings Bank, National Australia Bank:

A. Had a risk management infrastructure that was credited with doing its' job well, despite the losses

B. Was not dealing in derivatives

C. Had a Board of Directors that was unaware of the true nature of trading activities

D. Had a separation of duties between trading and back office

ANSWER: D

QUESTION NO: 8

John Smith wants to run for election to the Board of Directors of PRMIA. To be nominated, he needs:

A. The backing of three other members

B. To go through a screening process conducted by the Nominations Committee

C. The backing of 6% of local members

D. The backing of five other members and to be serving on at least one PRMIA Committee

ANSWER: A

QUESTION NO: 9

The Financial Accounting and Reporting Infrastructure of any organization must:

I. Accurately represent the corporation's current and known financial condition in a timely

manner

II. Only use off-balance sheet transactions which have a legitimate economic, tax, risktransfer or risk mitigating purpose

III. Provide a detailed description of the Risk Management Infrastructure in theorganization's Annual Report to Shareholders

IV. Provide an auditable Annual Statement of Compliance with the Board's publicly stated

Standards of Corporate Governance to the Board and Audit Committee

A. I, II and III only

B. I, III and IV only

C. I and III only

D. All of these are expected of the Financial Accounting and Reporting Infrastructure

E. Accurately represent the corporation's current and known financial condition in a timely manner

II. Only use off-balance sheet transactions which have a legitimate economic, tax, risktransfer or risk mitigating purpose

III. Provide a detailed description of the Risk Management Infrastructure in theorganization's Annual Report to Shareholders

IV. Provide an auditable Annual Statement of Compliance with the Board's publicly stated Standards of Corporate Governance to the Board and Audit Committee

ANSWER: D

QUESTION NO: 10

Which of the following was NOT a factor in the WorldCom collapse?

A. Failed corporate governance

B. Accounting abuses

C. Unfair pricing to customers

D. Over stating actual sales

ANSWER: C