

DUMPS ARENA

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

PRMIA 8004

Version Demo

Total Demo Questions: 10

Total Premium Questions: 110

Buy Premium PDF

<https://dumpsarena.co>

sales@dumpsarena.co

sales@dumpsarena.co
dumpsarena.co

QUESTION NO: 1

Zheng Zhu wants to open a new PRMIA Chapter in Wuhan, China. He can do this if:

- A. At least 100 members live within 50 miles
- B. A local business sponsors the chapter
- C. Approved by the Board of Directors
- D. All of the above

ANSWER: C

QUESTION NO: 2

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: 3

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: 4

Every PRMIA chapter is designed to serve the local needs of members, so they often have fairly independent planning structures and ideas. According to the PRMIA Bylaws, Regional Chapters and Regional Directors:

- A. Can have their own offices, bylaws and regulations provided they do not conflict with those of PRMIA
- B. Can have meetings that only local members are allowed to attend
- C. Can sign contracts on behalf of PRMIA without prior approval from the Board of Directors
- D. All of the above

ANSWER: A

QUESTION NO: 5

What was the main type of risk that Metallgesellschaft was exposed to?

- A. Basis Risk
- B. Currency Settlement
- C. Interest Rate
- D. Inflation

ANSWER: A

QUESTION NO: 6

Boards, including Audit and Risk Committees must:

- I. Clearly articulate the corporate risk appetite to senior management
 - II. Thoroughly review compensation plans of potentially "highly compensated positions" for consistency with corporate risk appetite, competitive market conditions and fiduciary responsibility to shareholders
 - III. Have a single member formally given responsibility for understanding and reporting the effectiveness of the corporation's risk management infrastructure
 - IV. Be fully accountable to shareholders and work to the benefit of public good and financial stability
- A. I and II only
 - B. I, II and IV only
 - C. I, II and III only
 - D. All of these are responsibilities of Board and Audit Committees
 - E. Clearly articulate the corporate risk appetite to senior management
 - II. Thoroughly review compensation plans of potentially "highly compensated positions" for consistency with corporate risk appetite, competitive market conditions and fiduciary responsibility to shareholders

- III. Have a single member formally given responsibility for understanding and reporting the effectiveness of the corporation's risk management infrastructure
- IV. Be fully accountable to shareholders and work to the benefit of public good and financial stability

ANSWER: D

QUESTION NO: 7

The multi-dimensional risk problem at Northern Rock did not include which one of the combinations of the following?

- A. LPHI Risk; Business Model; Solvency vs. Liquidity; and Deposit Protection
- B. Corporate Governance; Moral Hazard; Role of Government; and Credit Risk
- C. Deposit Protection; Moral Hazard; Business Model; and LPHI Risk
- D. Business Model; Corporate Governance; Moral Hazard; and Deposit Protection

ANSWER: B

QUESTION NO: 8

The Q4 2003 trading strategy of China Aviation Oil was

- A. to buy puts and sell calls
- B. to buy calls and sell puts
- C. to sell puts and buy calls
- D. to sell calls and buy puts

ANSWER: D

QUESTION NO: 9

A risk manager is asked to analyze the credit risk of a convertible bond. The risk manager has never analyzed convertible bonds, but does have significant expertise in credit risk. The risk manager accepts the assignment, finds a paper on the subject through the PRMIA web site and copies the method used there. The risk manager completes the assignment and delivers a report to his or her direct supervisor and the supervisor is quite pleased.

According to the PRMIA Standards of Best Practice, Conduct and Ethics (Code of Conduct), this was acceptable behavior if the following conditions were met:

- I. The risk manager disclosed the lack of knowledge about convertible bonds
- II. The methodology employed is disclosed and explained
- III. The report was just to be used for analysis and not in practice

IV. The risk manager was sure of his/her understanding of the paper found on the web

A. I and II

B. I, II and IV

C. I, II and III

D. I only

E. The risk manager disclosed the lack of knowledge about convertible bonds

II. The methodology employed is disclosed and explained

III. The report was just to be used for analysis and not in practice

IV. The risk manager was sure of his/her understanding of the paper found on the web

ANSWER: A

QUESTION NO: 10

According to the Group of 30 Report, option contracts:

A. Always generate credit risk to both counterparties

B. Create credit risk only for the buyer (due to default by the seller) provided the premium is due, and paid, at contract initiation

C. Create no credit risk, since the buyer need not exercise the option

D. Usually create credit risk only for the seller (to default by the buyer)

ANSWER: B