

DUMPS ARENA

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

PRMIA 8009

Version Demo

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sales@dumpsarena.co

sales@dumpsarena.co
dumpsarena.co

QUESTION NO: 1

When local rules and regulations conflict with the PRMIA Standards of Best Practice, Conduct and Ethics the PRMIA member should ...

- A. Seek advice from a qualified party, being mindful of legal and confidentiality requirements
- B. Modify the interpretation of local rules and regulations to meet the situation
- C. Ignore local rules and regulations
- D. Respect local rules and regulations

ANSWER: A**QUESTION NO: 2**

Boards of Directors, including Audit and Risk Committees must review thoroughly compensation plans of potentially "highly compensated positions" for:

- I. competitive market conditions
- II. ensuring compliance with their corporate risk appetite and fiduciary responsibility to shareholders
- III. ensuring any discretionary bonus plans are geared towards keeping high income /revenue generators
- IV. reporting all such personnel to the local regulator

- A. II, III and IV only
- B. I, II and IV only
- C. All of the above
- D. I and II only

- E. competitive market conditions
- II. ensuring compliance with their corporate risk appetite and fiduciary responsibility to shareholders
- III. ensuring any discretionary bonus plans are geared towards keeping high income /revenue generators
- IV. reporting all such personnel to the local regulator

ANSWER: D**QUESTION NO: 3**

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: 4**

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: 5

Which of the following should NOT be part of the Risk Management Infrastructure?

- A. Define the organization's definition of risk management as articulated by the Board in clear and uncertain terms
- B. Include financial risk management, compliance and external reporting and, to the extent that resources allow, should exclude legal or accounting
- C. Be independently staffed and report to an employee who is on the Executive Committee (Operating Committee) but who is NOT a business unit leader
- D. Review continually the application of the Principles of Good Governance to the Risk Management Infrastructure, financial accounting and reporting infrastructure and the organization as a whole

ANSWER: D

QUESTION NO: 6

Washington Mutual's acquisition of Long Beach Financial changed its business model and increased its credit loss profile because

- A. The resulting loss rate for Washington Mutual was more than 3 times higher than other mortgage lenders tracked by the FDIC
- B. the two banks were focussed in different markets
- C. Long Beach Financial had losses which it hadn't realized at the time of the takeover
- D. Of a general deterioration of credit quality generally

ANSWER: A

QUESTION NO: 7

The early 2003 trading strategy of China Aviation oil was

- A. to buy calls and sell puts

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

ANSWER: A

QUESTION NO: 8

PwC concluded that the accounting policy adopted by China Aviation Oil was incorrect because it

- A. only regarded the intrinsic value (i.e. the difference between the strike price and the forward price of the underlying commodity) as the fair value of its options
- B. took into account both the intrinsic value and the time value
- C. only took into account the time value of the option (which includes recognizing the time left to maturity of the option, the volatility of the spot price of the underlying commodity, interest rates and other factors)
- D. used neither the intrinsic value nor the time value

ANSWER: A

QUESTION NO: 9

The problems at Bankers Trust can best be characterized as failures related to:

- A. Market Risk
- B. Credit Risk
- C. Operational and Regulatory Compliance Risk
- D. All of the Above

ANSWER: C

QUESTION NO: 10

Mary Jones wants the Bylaws of PRMIA to be changed so that people can't join PRMIA unless they meet a set of criteria she has devised with her colleagues. She can do this by getting which of the following approvals:

- A. The Board of Directors, but only if the Blue Ribbon Panel affirms the change
- B. The Board of Directors and a majority of the Members**
- C. The Board of Directors alone
- D. 34 of all Members

ANSWER: B