

# CAIIB June 2025

## ABFM Memory Based Question



**Must For Dec'25 Cycle**

**1 Arrange the following steps of controlling in the correct sequence:**

- I. Setting performance standards
- II. Measurement of actual performance
- III. Comparison of actual performance with standards
- IV. Taking corrective action
- V. Analysing deviations

**Options:**

- A. I, II, III, V, IV
- B. I, III, II, IV, V
- C. III, I, II, IV, V
- D. IV, II, III, I, V

☒ **Correct Answer: A. I, II, III, V, IV**



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2 Statement 1: Psychological appraisal relies heavily on assessing an employee's personality traits and emotional intelligence to predict future performance potential.  
 Statement 2: Assessment center method uses multiple techniques like simulations, role plays, and interviews in a controlled setting to evaluate an employee's competencies.  
 Statement 3: Rating scale method is highly objective as it compares employees only based on quantifiable output metrics, ignoring qualitative aspects.

Choose the correct alternative:

- a) 1 and 2 only
- b) 2 and 3 only
- c) 1 and 3 only
- d) All 1, 2 and 3

Answer: a) 1 and 2 only

*Explanation:* Psychological appraisals assess traits including emotional intelligence; assessment centers use diverse simulation techniques; rating scales include subjective qualitative ratings, not purely objective quantifiable outputs

### 3 Which of the following statements correctly differentiates between PERT and CPM?

- A. PERT uses deterministic time estimates for project tasks, while CPM uses probabilistic estimates.
- B. PERT focuses on the sequence and timing of project activities, often under uncertainty, whereas CPM emphasizes the identification of the longest path of dependent activities to determine the project duration.
- C. PERT is suitable for projects with fixed timelines, while CPM is used for projects with flexible schedules.
- D. Both PERT and CPM ignore task dependencies in project management.

✓ **Correct Answer: B**

4 Which of the following is NOT an advantage of planning?

- a) Helps coordinate activities and allocate resources effectively
- b) Reduces uncertainties by providing a clear direction
- c) Enhances organizational efficiency and goal achievement
- d) Completely eliminates risks and uncertainties from business operations

Answer: d) Completely eliminates risks and uncertainties from business operations



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**5 Statement I:** Informal organisation arises spontaneously from personal and social interactions among employees and is not deliberately created by the management

**Statement II:** It has no definite structure or form because it is a complex network of social relationships among members."

- A. Both statements are true.
- B. Both statements are false.
- C. Only statement I is true.
- D. Only statement II is true.

ANS A



6 Statement 1: In BARS, behavior descriptions are anchored to rating scale points that typically range from “unsatisfactory” to “outstanding,” ensuring clarity in performance levels.

Statement 2: BARS can be used effectively across all job types without the need for customization of behavior anchors since behaviors are universally applicable.

Statement 3: One key benefit of BARS is its ability to provide actionable feedback pinpointing specific behavioral strengths and areas needing improvement.

- a) Only Statements 1 and 3 are correct
- b) Only Statements 2 and 3 are correct
- c) All statements are correct
- d) Only Statement 1 is correct

Answer: a) Only Statements 1 and 3 are correct

*Explanation:* BARS must be customized for each job role; behaviors are not universally applicable.

Ques 7: Match the following?

Function

Activity

(A) Planning.

(1) It involves taking a call on future and deciding about it, in line with the objectives of the organization.

(B) Organizing.

(2) Structuring and arranging the resources of the organization, viz. the people employed by the organization, the materials, capital and technology used for achieving the objectives of the enterprise.

(C) Directing.

(3) It covers the functions of guiding and supervising the activities performed by subordinates.

(D) Controlling.

(4) It is required to ensure that actions taken by the management help in achievement of organizational goals.

OPTIONS

- A. 2341
- B. 1324
- C. 1234
- D. 4321

ANS C



## Case Study Scenario

Qu 8 A large urban branch of a public sector bank is preparing an aggressive credit growth strategy. The planning team must anticipate macroeconomic risks, competitive actions, regulatory changes, and digital transformation challenges. Senior management expects simultaneous achievement of growth, compliance, and operational efficiency targets.

While designing the credit growth strategy, which aspect of planning best addresses the uncertainty created by fluctuating interest rates and economic cycles?

- a) Programmed decision making
- b) Contingency planning
- c) Single-use planning
- d) Policy planning

Answer: b) Contingency planning

*Explanation: Contingency planning prepares for unexpected changes in the environment, such as economic cycles or interest rate shifts, ensuring the strategy can be adapted in dynamic conditions.*

**9 Statement 1:** Macroeconomic risks can impact the bank's loan portfolio quality.

**Statement 2:** Competitive actions from other banks may affect the bank's credit growth.

**Statement 3:** Digital transformation has no role in achieving operational efficiency.

Options:

- a) Only Statement 1 is correct
- b) Only Statement 1 and 2 are correct
- c) Only Statement 2 and 3 are correct
- d) All statements are correct

**Answer:** b) Only Statement 1 and 2 are correct

**Explanation:** Digital transformation plays a **major role** in efficiency, so Statement 3 is wrong

10 What is the effect of incorporating cross-functional teams (credit, compliance, IT) in planning but failing to establish information-sharing protocols?

- a) Enhanced innovation
- b) Delayed execution
- c) Increased synergies
- d) Improved morale

Answer: b) Delayed execution



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"XYZ Corp" continuously monitors customer preferences and adapts its production processes and products accordingly. This illustrates which nature of management as an internal function?

- A) Management is a static function focused strictly on operational control
- B) Management is a dynamic and goal-oriented function responding to environmental changes
- C) Management is only concerned with financial accounting and reporting
- D) Management focuses solely on top-down decision making without external feedback

*Correct answer: B) Management is a dynamic and goal-oriented function responding to environmental changes*

Effective management adapts plans and actions based on changing conditions, ensuring organizational relevance and success.

12 An Indian public sector bank is restructuring its branches to improve efficiency and compliance. The head office decides to implement a formal organisation structure where reporting lines, delegated authorities, and job descriptions are clearly laid out. Despite this, some employees continue to use informal channels for decision-making, leading to ambiguity in task allocation and accountability.

Which of the following is most likely to occur as a consequence of inadequate adherence to formal organisation structure in this scenario?

- a) Increased innovation due to flexibility
- b) Enhanced employee morale owing to informal relations
- c) Confusion in accountability and risk of regulatory non-compliance
- d) Faster decision-making through informal channels

Answer: c) Confusion in accountability and risk of regulatory non-compliance

*Explanation: Formal structure ensures clear accountability and compliance, which is compromised if informal channels override it.*

13 Statement I: In a formal organisation, roles and responsibilities are clearly specified and generally documented via manuals or charts.

Statement II: Task allocation in a formal organisation is subjective and changes with employee preference.

- a) Only Statement I is correct
- b) Only Statement II is correct
- c) Both statements are correct
- d) Both statements are incorrect

Answer: a) Only Statement I is correct

*Explanation: Task allocation is objective and structured, not left to personal choice.*



## 14 Business models

(A) Time Model.

offer the basic product free and make

(B) Multi-component Systems Model

fast research and

(C) Advertisement Model.

by companies like

(D) Efficiency model.

following this model just waits for the

A. 2314

B. 1243

C. 3241

D. 2143

ANS A

## Definition

(1) These models

money through advertising. YouTube, Google etc. are live examples.

(2) This model depends on how

development happens. A business which pioneers some new idea shall be successful initially, till other competitors join the bandwagon.

(3) Such models have been used

Gillette and HP. Gillette sold the cheaper razors at no-profit no-loss basis and made money on High-end razor blades.

(4) A business

market to mature with standardization of the product and enters with low-cost and low-margin products with mass appeal.

A nationalized bank plans restructuring across its metro branches to improve operational efficiency and compliance with RBI's updated guidelines. The bank's senior management initiated a project to revise the formal organisation structure. The key objectives are to:

- Clearly define roles, reporting relationships, and delegated authorities.
- Reduce overlap of functions between credit, compliance, and operations teams.
- Improve coordination through new communication protocols.
- Facilitate faster decision-making while ensuring accountability.
- Introduce a matrix structure in select branches to better handle project and routine banking workflows simultaneously.

Challenges identified:

- Resistance from staff due to change in reporting lines.
- Lack of clarity on authority for urgent loan approvals resulting in delays.
- Overburdened middle managers facing conflicting instructions from multiple supervisors in the matrix setup.
- Informal channels still getting preference over the formal structure, causing confusion.
- Coordination gaps between credit and compliance departments causing regulatory risk



15 Which organisational principle is most likely being violated if middle managers receive conflicting directions from multiple supervisors in the matrix structure?

- a) Authority and Responsibility
- b) Division of Work
- c) Scalar Chain
- d) Unity of Command

Answer: d) Unity of Command

*Explanation: Unity of Command states each employee should report to one supervisor; violation causes confusion and conflict.*



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**Rajeev Sir**  
BFM Expert Exp: 14+ Years

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16 The resistance from staff regarding altered reporting lines primarily reflects a challenge related to:

- a) Organisational change management
- b) when conducting Auditing
- c) Formalisation
- d) Hierarchical control

Answer: a) Organisational change management

17 Introducing a matrix structure helps in:

- a) Clear linear reporting and task specialization
- b) Handling multiple projects while using existing resources flexibly
- c) Eliminating middle management roles
- d) Removing accountability

Answer: b) Handling multiple projects while using existing resources flexibly



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18 To reduce coordination gaps between credit and compliance, the bank should:

- a) Intensify use of informal communication
- b) Define clear roles, responsibilities, and communication protocols
- c) Decentralize all authority to branches
- d) Keep the departments working independently

Answer: b) Define clear roles, responsibilities, and communication protocols



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19 Which of the following best characterizes the core focus of transactional leadership theories?

- A) Inspiring followers through charismatic vision and mission
- B) Emphasizing emotional connections and long-term loyalty with employees
- C) Using rewards and punishments to motivate followers to meet clear goals
- D) Developing followers to exceed expectations through empowerment and innovation

*Correct answer:* C) Using rewards and punishments to motivate followers to meet clear goals.

20 Statement 1: Management by Objectives (MBO) is a performance appraisal method where managers and employees collaboratively set measurable goals and evaluate the outcomes against those goals.

Statement 2: The 360-degree feedback method gathers performance input only from an employee's direct supervisor, providing a limited but focused overview.

Statement 3: The Behaviorally Anchored Rating Scales (BARS) method assesses employees based on specific behavioral examples tied to each performance level, reducing subjectivity in ratings.

Which of the statements given above is/are correct?

- a) 1, 2, 3 only
- b) 2 and 3 only
- c) 1 and 2 only
- d) All 1 and 3

Answer: d) 1 and 3 only

*Explanation:* MBO focuses on joint goal setting and evaluation, BARS links behaviors to ratings for objectivity, but 360-degree feedback involves multiple raters including peers, subordinates, and customers, not just supervisors

XYZ Bank was facing low employee engagement and falling productivity in one of its regional branches. The branch manager noticed that employees lacked clear goals and felt unrecognized for their efforts. Applying Maslow's Hierarchy of Needs, the manager ensured the employees' basic safety needs by assuring job security during restructuring. Using Herzberg's Two-Factor Theory, the bank improved hygiene factors by upgrading the workspace and revised salary policies. To boost motivation, the manager introduced monthly 'Employee of the Month' awards and created opportunities for skill development. Additionally, the bank linked performance bonuses directly to achieving specific targets, aligning with Vroom's Expectancy Theory. Within three months, employee morale improved noticeably, and branch performance indicators showed a steady rise.



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21 Statement 1: In the XYZ Bank case, ensuring job security during restructuring directly addresses employees' safety needs according to Maslow's Hierarchy of Needs.

Statement 2: Herzberg's Two-Factor Theory suggests that improving hygiene factors like salary and workspace alone can fully motivate employees.

Statement 3: Introducing 'Employee of the Month' awards aligns with Herzberg's motivators, targeting achievement and recognition to boost morale.

- a) Only Statement 1 are correct
- b) Only Statements 2 and 3 are correct
- c) All three statements are correct
- d) Only Statements 1 and 3 is correct

Answer: d) Only Statements 1 and 3 are correct

*Explanation:* Hygiene factors reduce dissatisfaction but do not fully motivate; motivators like recognition directly increase job satisfaction.



22 Statement 1: The case study shows that combining intrinsic (recognition, skill development) and extrinsic (salary, bonuses) rewards leads to improved employee performance.

Statement 2: Applying motivational theories helped XYZ Bank to reduce turnover and improve service quality simultaneously.

Statement 3: According to Herzberg, improving hygiene factors alone can lead to sustained employee motivation and high productivity

- a) Only Statements 1 and 2 are correct
- b) Only Statement 2 is correct
- c) All three statements are correct
- d) Only Statement 1 is correct

Answer: a) Only Statements 1 and 2 are correct

*Explanation:* Hygiene factors prevent dissatisfaction but do not sustain motivation over time.

23 Statement 1: According to Maslow, safety needs must be met before employees become motivated by social or esteem needs, which was demonstrated by the job security assurance at XYZ Bank.

Statement 2: Recognition and skill development programs primarily address employees' physiological needs in Maslow's hierarchy.

Statement 3: Vroom's theory highlights the importance of employees believing their effort will lead to desired rewards, impacting motivation.

- a) Only Statements 1 and 3 are correct
- b) Only Statements 2 and 3 are correct
- c) Only Statement 1 is correct
- d) All three statements are correct

Answer: a) Only Statements 1 and 3 are correct

*Explanation:* Recognition and skill development satisfy esteem and growth needs, not physiological needs.

24 What is the primary advantage of the Behaviorally Anchored Rating Scale (BARS) method?

- a) Uses only numerical ratings for simplicity
- b) Anchors rating points to specific employee behaviors to improve objectivity
- c) Requires no training for raters
- d) Compares employees to each other rather than fixed standards

Answer: b) Anchors rating points to specific employee behaviors to improve objectivity



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25 A startup wanted to know how many units of its product it needs to sell to cover its costs. Using break-even analysis, it calculated fixed costs, variable costs per unit, and projected sales volume.

What traditional controlling insight does break-even analysis provide?

- A) Identification of performance bottlenecks and employee inefficiencies
- B) The minimum sales volume required to avoid losses, aiding pricing and production decisions
- C) Real-time customer satisfaction metrics to adapt marketing
- D) Predicting long-term market share and competitor moves

*Correct answer:* B) The minimum sales volume required to avoid losses, aiding pricing and production decisions

26 Statement 1: In the Forced Choice Method, raters select from predetermined statements about an employee's traits, which helps reduce rater bias by preventing leniency or severity errors.

Statement 2: The 720-Degree Feedback Method includes feedback not only from internal sources like peers and supervisors but also from external stakeholders such as clients and vendors.

Statement 3: The Pen Portrait Method involves quantitative scoring and ranking employees based on numerical scales for various skills and competencies.

- a) Only Statements 1 and 3 are correct
- b) Only Statements 2 and 3 are correct
- c) Only Statements 1 and 2 are correct
- d) All statements are correct

Answer: c) Only Statements 1 and 2 are correct

**Explanation:** Pen Portrait is descriptive and qualitative, not quantitative scoring

27 Financial leverage primarily measures the sensitivity of:

- a) Earnings Before Interest and Taxes (EBIT) to sales
- b) Earnings Per Share (EPS) to changes in Operating Income
- c) Total revenue to the number of shares outstanding
- d) Net profit to production volume

Answer: b) Earnings Per Share (EPS) to changes in Operating Income

28 Combined leverage is the product of:

- a) Operating leverage and business risk
- b) Financial leverage and investment risk
- c) Operating leverage and financial leverage
- d) Business risk and financial risk

Answer: c) Operating leverage and financial leverage



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29 If a firm has high operating leverage, then:

- A. A small change in sales leads to a large change in EBIT
- B. A small change in EBIT leads to a small change in EPS
- C. EBIT remains unaffected by sales
- D. There is no risk in financing

✓ **Answer: A**



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CAIIB Expert

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Suppose a company makes **shoes**.

- **Fixed Costs (FC):** ₹1,00,000 (factory rent, salaries)
- **Variable Cost (VC):** ₹200 per shoe
- **Selling Price (SP):** ₹300 per shoe

- Sales ↑ 10%
- EBIT ↑ from 50,000 → 65,000 (which is **30% increase** 📈)

### Case 1: Sales = 1,500 shoes

- Revenue =  $1,500 \times 300 = ₹4,50,000$
- Variable Cost =  $1,500 \times 200 = ₹3,00,000$
- Contribution = ₹1,50,000
- EBIT = Contribution - Fixed Cost =  $1,50,000 - 1,00,000 = ₹50,000$

👉 This shows **small change in sales** → **big change in EBIT** when operating leverage is high.

### Case 2: Sales increase by just 10% → 1,650 shoes

- Revenue =  $1,650 \times 300 = ₹4,95,000$
- Variable Cost =  $1,650 \times 200 = ₹3,30,000$
- Contribution = ₹1,65,000
- EBIT =  $1,65,000 - 1,00,000 = ₹65,000$



30 Which of the following statements is correct?

- A. Operating leverage = % change in EBIT / % change in Sales
- B. Financial leverage = % change in EPS / % change in EBIT
- C. Combined leverage = % change in EPS / % change in Sales
- D. All of the above

✓ Answer: D



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**Aishwarya Ma'am**  
CAIIB Expert

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31 This type of management involves those decisions and actions of the management that determine the long-term performance of a business entity?

- a. MBO.
- b. Strategic Management.
- c. Basic Budgetary Management.
- d. Total Quality Management.

B



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Concept + Questions

Medium: English

500+ MCQs

**Saloni Ma'am**  
CAIIB Expert

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## 32 Function

(A) Paid up Share Capital.  
maximum amount of capital that

(B) Forfeited Shares  
the portion of the issued share capital that is

(C) Authorized Capital.  
amount of money a company has

(D) Subscribed Share Capital.  
subscribed capital, which is not fully paid as

## Activity

(i) This represents the

the company is authorized to issue which can be in any instalments as the Board decides.

(ii) It is

subscribed by the public, i.e., applied for and allotted by the company.

(iii) This capital is the

received from shareholders in exchange of shares.

(iv) Part of the

required and as a final resort, the company forfeits the amount so that it can be reissued as the Board decides.

C. 2134

D. 3124

A

A company is evaluating two mutually exclusive projects **Project X** and **Project Y**, each requiring an initial investment of ₹50,000.

The expected cash inflows are as follows:

Year	Project X (₹)	Project Y (₹)
1	10,000	20,000
2	15,000	15,000
3	20,000	10,000
4	25,000	10,000
5	30,000	10,000

33 What is the payback period of **Project X**?

- A. 2.5 years
- B. 3 years
- C. 3.2 years
- D. 4 years

✓ Answer: C

Q34 What is the payback period of **Project Y**?

- A. 2.8 years
- B. 3 years
- C. 3.5 years
- D. 4 years

✓ Answer: C



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## Payback Period Calculation

### Project X

- Year 1 → 10,000
- Year 2 → 25,000 (10,000 + 15,000)
- Year 3 → 45,000 (25,000 + 20,000)
- Year 4 → 70,000 (45,000 + 25,000)

The investment is fully recovered between Year 3 and Year 4.

Payback =  $3 + (5,000 \div 25,000) = \mathbf{3.2 \text{ years}}$

### Project Y

- Year 1 → 20,000
- Year 2 → 35,000 (20,000 + 15,000)
- Year 3 → 45,000 (35,000 + 10,000)
- Year 4 → 55,000 (45,000 + 10,000)

👉 The investment is fully recovered between Year 3 and Year 4.

Payback =  $3 + (5,000 \div 10,000) = \mathbf{3.5 \text{ years}}$

✅ **Conclusion:** Project X is preferable because it has a **shorter payback period** than Project Y.

35 Which project should be preferred based on the payback method?

- A. Project Y, because it gives uniform cash inflows
- B. Both are equal, as they are recovered in the 4th year
- C. Project X, because it has a shorter payback period
- D. None, as both exceed 3 years

✓ **Answer: C**

**Q36 (Theory-based from case)**

Which of the following is a limitation of the payback method as applied in this case?

- A. It ignores the risk element in projects
- B. It ignores cash inflows after the payback period
- C. It considers time value of money
- A. is complex to calculate

✓ **Answer: B**

37 Financial leverage becomes relevant when:

- A.  $DFL = 0$
- B.  $DFL < 1$
- C.  $DFL > 1$
- D.  $DFL = \text{Undefined}$

✓ **Answer: C**

38 When DFL is **positive**, it indicates that:

- A. The firm is operating below break-even, EPS is negative
- B. The firm is operating above break-even, EBIT and EPS move in the same direction
- C. The firm has no financial risk
- D.  $EBT = \text{NIL}$

✓ **Answer: B**





### 👉 When $DFL > 1$

It means the company has **taken loans** and is paying **fixed interest**.

- Because of this loan, even a **small change in EBIT (profit before interest)** will create a **big change in EPS (profit for shareholders)**.
- This is called the **magnifying effect of debt**.
- Example: If EBIT increases by 10%, EPS might increase by 20% or 30% because of leverage.
- But the reverse is also true: If EBIT falls by 10%, EPS may fall by 20% or 30%.

👉 So,  **$DFL > 1$  means debt is actually working** – it makes returns bigger (positive or negative), which is why financial leverage becomes **relevant**.

### 39 Which statement is incorrect about preference shares or preference capital?

- a. This is that part of the capital which provides lesser risk to the investor compared to that which is taken by the equity investors.
- b. If equity is a preferred stock, preference share is common stock.
- c. The holder gets a preference with respect to dividend as well as payment in case of liquidation.
- d. It is a quasi-risk capital because it is not as safe as secured debts which get payment priority over preference shares in case of liquidation of a company.

B

40 The interest coverage ratio measures:

- A. ility of a firm to repay its principal
- B. ility of a firm to pay dividend
- C. ility of a firm to meet its interest obligations from EBIT
- D. ility of a firm to cover depreciation charges

✓ **Answer: C**

**Explanation:**  $ICR = EBIT \div \text{Interest}$ . It shows how many times the firm can pay its interest from earnings before interest and taxes.

**Q41 .** If  $EBIT = ₹4,00,000$  and  $\text{Interest} = ₹1,00,000$ , then the interest coverage ratio is:

- A. 2 times
- B. 3 times
- C. 4 times
- D. 5 times

✓ **Answer: C**

**Explanation:**  $ICR = 4,00,000 \div 1,00,000 = 4$  times.

42 Statement I: Redeemable debentures are those which are repaid by the company after a fixed period, while irredeemable debentures are not repaid during the lifetime of the company.

Statement II: Zero coupon debentures are issued at a discount and do not carry any periodic interest payment.

Statement III: Registered debentures are transferable by endorsement and delivery, without any need for company records.

Statement IV: Partly convertible debentures allow only a portion of the debenture value to be converted into equity shares, with the remaining portion redeemed in cash.

Which of the above statements are incorrect?

A) I, II, and IV only

B) II and III only

E

C) I and III only

D) I, II, III, and IV

E) Only III

Zero coupon debentures are a type of debt security that do not pay any periodic interest (coupon) to investors during their life. Instead, they are issued at a deep discount to their face (par) value. When the debenture matures, the investor receives the full face value, and the return is the difference between the purchase price and the maturity (face) value.

Key features of zero coupon debentures:

- No periodic interest payments: Investors do not receive regular interest; all returns are realized at maturity.
- Issued at a discount: These debentures are sold for much less than their face value.
- Lump-sum payment at maturity: At maturity, the full face value is paid to the investor.
- Return equals the difference: The investor's profit is the difference between what they paid and what they receive at maturity.
- Higher sensitivity to interest rates: Prices of zero coupon debentures fluctuate more with changes in interest rates compared to regular coupon-paying bonds.
- Tax considerations: Even though no interest is paid annually, investors may still owe taxes each year on the "imputed" interest, depending on jurisdiction.

Example:

If you purchase a zero coupon debenture with a face value of ₹1,000 for ₹700, you will receive ₹1,000 at maturity. Your return is ₹300, representing the interest earned over the period.

## ✗ Statement III:

“Registered debentures are transferable by endorsement and delivery, without any need for company records.”

👉 **Wrong.**

- **Registered debentures** → Holder's name is recorded in company's register. Transfer needs execution of a transfer deed + company's record update.
- The statement given actually describes **bearer debentures**, which are transferable just by delivery.



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### 43 Problem:

A project costs \$50,000 and generates cash inflows of \$20,000, \$15,000, \$25,000, and \$10,000 over four years. If the discount rate is 10%, calculate the NPV.

Solution:

- Year 1:  $\$20,000 \times 0.909 = \$18,180$
- Year 2:  $\$15,000 \times 0.826 = \$12,390$
- Year 3:  $\$25,000 \times 0.751 = \$18,775$
- Year 4:  $\$10,000 \times 0.683 = \$6,830$
- Total PV of inflows =  $\$18,180 + \$12,390 + \$18,775 + \$6,830 = \$56,175$
- NPV =  $\$56,175 - \$50,000 = \$6,175$  (Accept project as NPV > 0)

## 44 What is the main difference between Activity-Based Costing (ABC) and traditional costing methods?

- a) ABC allocates all costs based on direct labor hours.
- b) ABC assigns overhead costs based on the activities that drive those costs, while traditional costing uses a single cost driver.
- c) ABC is only applicable to service industries.
- d) Traditional costing is more accurate than ABC because it uses fewer cost drivers.

**Answer:** b) ABC assigns overhead costs based on the activities that drive those costs, while traditional costing uses a single cost driver.



## 45 What is the purpose of 'H' in the H Model?

- A) To adjust for taxes
- B) To represent half of the extraordinary growth period
- C) To represent holding period
- D) To calculate the present value of dividends

**Answer:** ☒ B) To represent half of the extraordinary growth period




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- The **H-Model** is a way to **value a company's share price** when the company's **dividend growth is high now but expected to slow down gradually** over time.
- The H model is another growth model that consists of two stages. The H model, as opposed to the traditional two-stage model, postulates that the exceptional growth rate in the beginning stage does not remain constant but rather decreases linearly over time until it achieves a stable rate in the steady stage.
- The H model, which was developed by Fuller and Hsia, makes the assumption that the earnings growth rate starts off at a high initial rate ( $g_a$ ), and then decreases at a linear rate over the course of  $2H$  years to a stable growth rate ( $g_n$ ), which is maintained forever.
- This model also assumes that the earnings growth rate will remain stable forever, after the stability has been achieved. It operates under the presumption that the dividend payment rate and the cost of equity will not change over the course of time and will not be affected by the fluctuating growth rates.

The equation for H model of valuation is as under:

$$P_0 = \frac{D_0[(1 + g_n) + H(g_a - g_n)]}{r - g_n}$$

where  $r$  is the rate of return needed by investors,  $P_0$  is the intrinsic value of each share,  $D_0$  is the current dividend per share,  $g_n$  is the expected long-term growth rate,  $g_a$  is the current growth rate, and  $H$  is the one half of duration during which  $g_a$  levels out to  $g_n$ .

- **$P_0$ : Value of the stock or equity**
- **$D_0$ : Per-share dividend received in the present year**
- **$g_a$ : Growth rate in the short term/in the company's high growth phase**
- **$g_n$ : Growth rate in the long term/in the company's mature phase**
- **$r$ : Rate of dividend growth in the present year**
- **$H$ : Half-life of the high-growth rate period**

46 If risk free interest rate in US 3% in India 9%, SPOT USD = 83 Rs. then calculate 2nd year forward rate of USD? (Answer can be in approx)

- a. 104
- b. 100
- c. 108
- d. 92

Ans d



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## Question Data

- Risk-free interest rate (USA) = **3%** = 0.03
- Risk-free interest rate (India) = **9%** = 0.09
- Spot rate (S0S0) = **₹83**
- Time = **2 years**

## Formula

$$S_t = S_0 \times (1 + r_f)(1 + r_h)^t$$

Where:

- $r_h$  = India's rate = 0.09
- $r_f$  = USA's rate = 0.03

## Step 1: Year 1 forward rate

$$S1 = 83 \times 1.09/1.03$$

$$S1 = 83 \times 1.05825 = 87.83$$

## Step 2: Year 2 forward rate

$$S2 = 83 \times (1.09/1.03)^2$$

$$S2 = 83 \times (1.05825)^2$$

$$S2 = 83 \times 1.1209 = 92.04$$



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47 A Ltd. is expected to pay an annual dividend of ₹ 0.80 a share next year. The market price of the stock is ₹ 22.40 and the growth rate is 5%. What is the firm's cost of equity?

- (A) 7.58 per cent
- (B) 7.91 per cent
- (C) 8.24 per cent
- (D) 8.57 per cent

Opt d

## Formula (Gordon Growth Model):

$$K_e = D_1 / P_0 + g$$

Where:

- $k_e$  = Cost of equity
- $D_1$  = Expected dividend next year = ₹0.80
- $P_0$  = Current market price of share = ₹22.40
- $g$  = Growth rate = 5% = 0.05

**Cost of Equity ( $K_e$ ) = 8.57%**



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### 48 Debenture is defined in?

- a. Section 2(30) of the Companies Act, 2013.
- b. Debenture Act, 2010.
- c. Debt Act 2001.
- d. FEMA 1999.

ANS A

### Ques 49 Which of the following prohibits giving any voting rights to a debenture holder?

- a. Section 2(30) of the Companies Act, 2013.
- b. Section 71(2) of the Companies Act, 2013.
- c. Section 100 of the Companies Act, 2013.
- d. None.

ANS B

50 Sensitivity analysis is also called:

- a) Break-even analysis
- b) What-if analysis
- c) Scenario planning
- d) Monte Carlo simulation

**Answer:** b) What-if analysis

**Explanation:** It checks "what if" a variable changes—e.g., what if sales fall by 10%.



## 51 Function

(x) Horizontal Merger.  
recently merged are both

(y) Vertical Merger.  
when two

(z) Congeneric Merger.  
merging

(t) Reverse merger.  
smaller, unlisted

A. 1234

B. 3214

C. 2134

D. 4321

ANS A

## Activity

(i) The two businesses that have

operating in the same market sector.

(ii) This type of merger takes place

organizations that have a “buyer-seller” relationship  
come together to form a single entity.

(iii) The acquiring company and the company it is

with are connected in some way, whether it is through  
fundamental technologies, industrial methods, or market  
segments.

(iv) A reverse merger occurs when a

company acquires a larger, publicly listed company.

52 As on the 31st of March, 2024, the XYZ Limited had 15 lakh shares that were still outstanding. The market value of XYZ Limited's equity was Rs. 7.50 Crore at the end of trading on that day as it was priced at Rs. 50 a share.

Additionally, as of the 31st day of March in 2022, the Company had an outstanding debt that totaled Rs. 15 Crore, which had a market valuation of Rs. 14.80 Crore. What is the total value for the company as per Stock and Debt Approach?

- a. 22.30 Crore.
- b. 22.50 Crore.
- c. 22.60 Crore.
- d. 22.40 Crore.

Ans a



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## Data Given:

- **Equity (Shares)** = 15 lakh shares
- **Price per share** = ₹50

Market Value of Equity (E) =  $15,00,000 \times 50 = ₹7.50$  Crore

- **Debt (Book Value)** = ₹15 Crore
- **\*\*Market Value of Debt (D)\*\*** = ₹14.80 Crore

## Formula:

Total Value of Firm (V) = E + D

## Step 1: Add Equity & Debt values

$V = 7.50 + 14.80 = 22.30$  Crore

✓ **Total Value of the Company = ₹22.30 Crore**

52 Under the Indian Income Tax Act, which section provides for tax neutrality in case of amalgamation of companies?

- A) Section 80C
- B) Section 72A
- C) Section 35D
- D) Section 44AB

B

53 Which of the following is NOT a feature of the Discounted Cash Flow (DCF) valuation method?

- A) Considers future free cash flows
- B) Uses a discount rate reflecting the riskiness of cash flows
- C) Ignores the time value of money
- D) Requires estimation of terminal value

C

54. You are a business consultant, and you want to use the Kodak case as an example to highlight the importance of adapting to technological and market changes. What key lessons can be learned from the Kodak case?

(A) Kodak's focus on traditional film photography was successful, and its strategy remained effective until the company's decline.

(B) Kodak's management was quick to adapt to emerging technology and market changes, which led to its continued success.

(C) Kodak's failure to embrace digital photography and adapt to market trends resulted in its decline and eventual workforce reduction.

(D) Kodak successfully competed with larger companies in the digital camera market, leading to its continued growth.

ANS C

55 A valuation expert is tasked with estimating the value of a high-growth company. The expert uses a model that divides the valuation into three stages: an initial high-growth period, a transition phase, and a final stable growth phase. Each phase is modeled with different growth rates and discount rates. Which DCF approach is the expert applying?

- A) Single-Stage DCF Model
- B) Two-Stage DCF Model
- C) Multi-Stage DCF Model
- D) Dividend Discount Model

Answer: C

*Explanation: Multi-stage DCF models are used for companies with complex growth patterns, especially those transitioning from high growth to stability*



56 Company PQR just paid a dividend of ₹8 per share. Dividends are expected to grow at a rate of 5% per year. If the required rate of return is 9%, what is the intrinsic value of the stock using the Gordon Growth Model?



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Calculation:

## 1. Calculate the next year's dividend (D1):

- $D1 = D0 * (1 + g)$
- $D1 = ₹8.00 * (1 + 0.05)$
- $D1 = ₹8.00 * 1.05$
- **$D1 = ₹8.40$**

## 2. Apply the Gordon Growth Model formula:

- $P = D1 / (r - g)$
- $P = ₹8.40 / (0.09 - 0.05)$
- $P = ₹8.40 / 0.04$
- **$P = ₹210.00$**

Explanation:

- **Gordon Growth Model:** This model values a stock based on the present value of its future dividends, assuming they grow at a constant, perpetual rate.
- **D0:** This is the current or last paid dividend, which is ₹8.00.
- **D1:** This is the dividend expected at the end of the next period (Year 1), not the current dividend.
- **r:** This is the required rate of return or the cost of equity capital.
- **g:** This is the constant dividend growth rate.

57 What is a "Poison Pill" in the context of takeover defense?

- A) A financial incentive for the acquiring company.
- B) A strategy to quickly merge two companies.
- C) A defense mechanism to make a takeover more expensive.
- D) A legal prohibition against hostile takeovers.

Option c



58 Which of the following is a requirement for availing tax benefits under Section 72A in an amalgamation?

- A) The amalgamating companies must be engaged in unrelated business activities.
- B) The amalgamation must be approved by the Ministry of Finance.
- C) The shareholders of the amalgamating company must receive shares in the amalgamated company.
- D) The amalgamating companies must file separate tax returns.

OPT C

59 A company's current dividend ( $D_0$ ) is ₹2 per share. The dividend growth rate is expected to be high at 12% for the next eight years, after which it will linearly decline to a stable long-term rate of 4%. The required rate of return ( $r$ ) for shareholders is 10%. Use the H-model to estimate the current intrinsic value of the stock ( $P_0$ ). The length of the high growth period is 8 years.

What is the estimated value of the company's stock?

Options:

- A) ₹32.57
- B) ₹10.67
- C) ₹45.34
- D) ₹38.40

## Solution Steps

Given:

$D_0 = 2$  (current dividend)

$g_S = 12\% = 0.12$  (initial high growth rate)

$g_L = 4\% = 0.04$  (stable long-term growth rate)

$r = 10\% = 0.10$  (required rate of return)

8 years high growth period, so

$H = 8/2 = 4$

$$P_0 = \frac{D_0(1 + g_L)}{r - g_L} + \frac{D_0 \cdot H \cdot (g_S - g_L)}{r - g_L}$$




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Step 1: Calculate the first term (value based on stable growth):

$$\frac{2 \times (1 + 0.04)}{0.10 - 0.04} = \frac{2 \times 1.04}{0.06} = \frac{2.08}{0.06} = 34.67$$

Step 2: Calculate the second term (value from excess growth during the high growth phase):

$$\frac{2 \times 4 \times (0.12 - 0.04)}{0.10 - 0.04} = \frac{2 \times 4 \times 0.08}{0.06} = \frac{0.64}{0.06} = 10.67$$

Step 3: Add the two terms to find intrinsic value:

$$P_0 = 34.67 + 10.67 = 45.34$$

Estimated intrinsic value of the stock  $P_0$  is ₹45.34.



**60 Which of the following best describes a "carve-out" in the context of divestitures?**

- A) Selling a subsidiary or business unit to a competitor
- B) Creating a separate publicly traded entity from a division of the parent company
- C) Merging the subsidiary with another company
- D) Closing down the subsidiary or business unit

**Answer: B) Creating a separate publicly traded entity from a division of the parent company**

**61 Statement I:** Price-to-Book Value (P/BV) is particularly meaningful for financial institutions because assets are marked closer to market value.

**Statement II:** Replacement cost models assume that the value of a business equals the cost of replacing its assets with identical ones.

**Statement III:** Liquidation value always exceeds going-concern value.

Which are correct?

- a) I and II only
- b) II and III only
- c) I and III only
- d) I, II and III

✓ **Answer:** a) I and II only

**Explanation:** Liquidation value is usually lower, not higher, than going-concern value.



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**62 Statement I:** Loss-making firms can still be valued using EV/EBITDA if EBITDA is positive.

**Statement II:** When EBITDA is also negative, EV/Revenue becomes a preferred metric.

**Statement III:** Multiples such as EV/EBITDA and P/E remain meaningful for distressed firms under restructuring.

Which statements are correct?

- a) I and II only
- b) II and III only
- c) I and III only
- d) I, II and III

**Answer: a) I and II only**

**Explanation:** EV/EBITDA works when  $EBITDA > 0$ , EV/Revenue when even  $EBITDA < 0$ . P/E or EV/EBITDA for distressed firms are misleading, so III is false.

**63 Statement I:** A firm that invents disruptive technology but fails to commercialize it (like Xerox) demonstrates a gap between innovation and strategy.

**Statement II:** In valuation, this gap means that market multiples cannot be applied directly from successful peers.

**Statement III:** Strategic blunders create “value traps” where market price looks cheap, but intrinsic value is low.

Which are correct?

- a) I and II only
- b) II and III only
- c) I and III only
- d) I, II and III

✓ **Answer: d) I, II and III**

**Explanation:** Multiples of successful peers overstate value; instead, caution is required since innovation  $\neq$  commercialization.

**64 Statement I:** Strategic missteps affect both the **growth rate** and the **risk premium** of a company.

**Statement II:** A higher risk premium increases discount rates, reducing intrinsic value.

**Statement III:** Strategic errors do not influence valuation since multiples are market-based.

Correct option:

- a) I and II only
- b) II and III only
- c) I and III only
- d) I, II and III

✓ **Answer: a) I and II only**

**Explanation:** Strategic failures increase uncertainty (risk premium) and lower growth, reducing valuation. III is false.

65 A company has:

- Equity Market Cap = ₹6,000 crore
- Debt = ₹4,000 crore
- Cash = ₹1,000 crore
- EBITDA = ₹1,000 crore

Find the **EV/EBITDA multiple**.

- 7
- 8
- 9
- 10

✓ **Answer:** b) 9

**Explanation:**  $EV = 6000 + 4000 - 1000 = 9000$ .  $EV/EBITDA = 9000/1000 = 9$ .

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66 Match the **merger types** with their correct description:

- A. Horizontal Merger
- B. Vertical Merger
- C. Conglomerate Merger
- D. Congeneric Merger

1. Between unrelated industries, for diversification.
2. Between companies in the same industry producing similar products.
3. Between supplier and manufacturer in the same supply chain.
4. Between firms in related industries with complementary products.

**Options:**

- a) A-2, B-3, C-1, D-4
- b) A-3, B-2, C-4, D-1
- c) A-4, B-2, C-1, D-3
- d) A-2, B-1, C-3, D-4

✓ **Answer:** a) A-2, B-3, C-1, D-4

67 Firm A = ₹100 crore, Firm B = ₹25 crore.

Synergies (PV) = ₹25 crore.

Cash offered by A = ₹30 crore.

Find **NPV for Firm A**.

- a) ₹15 crore
- b) ₹20 crore
- c) ₹25 crore
- d) ₹30 crore

✓ **Answer:** b) ₹20 crore

**Explanation:**  $NPV(A) = (150 - (100+25)) - (30-25) = 25 - 5 = 20$ .

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68 Match the **exchange ratio basis** with its calculation:

- A. Book Value Method
- B. EPS Method
- C. Market Price Method
- D. Dividend Discount Method

1. Compares current dividend value per share.
2. Uses market trading prices of both companies.
3. Compares net worth per share.
4. Compares profitability per share.

**Options:**

- a) A-3, B-4, C-2, D-1
- b) A-2, B-3, C-1, D-4
- c) A-4, B-1, C-3, D-2
- d) A-3, B-1, C-4, D-2

✓ **Answer:** a) A-3, B-4, C-2, D-1

69 Match the type of **divestiture** with its description:

- A. Spin-off
  - B. Equity Carve-out
  - C. Slump Sale
  - D. Demerger
1. Selling entire unit (assets + liabilities) for lump-sum price.
  2. Selling some shares of subsidiary via IPO.
  3. Creating independent company, shareholders of parent get shares.
  4. Splitting one company into multiple focused units.

**Options:**

- a) A-3, B-2, C-1, D-4
- b) A-2, B-3, C-4, D-1
- c) A-4, B-1, C-2, D-3
- d) A-1, B-2, C-3, D-4

✓ **Answer:** a) A-3, B-2, C-1, D-4

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In April 2017, the **State Bank of India (SBI)** merged with **five of its associate banks** (State Bank of Bikaner & Jaipur, State Bank of Mysore, State Bank of Travancore, State Bank of Patiala, State Bank of Hyderabad) and **Bharatiya Mahila Bank**.

**Key Aspects:**

- SBI became one of the **top 50 global banks** in terms of assets.
- Objective: Reduce duplication, strengthen capital, improve efficiency, and build a global-sized Indian bank.
- Benefits: Larger balance sheet, better risk absorption capacity, cost synergies, unified technology, and greater reach.
- Challenges: Integration of staff, harmonization of pay scales, cultural differences, managing higher NPAs.
- Government supported merger for banking sector consolidation.

70 The merger of SBI with its associate banks is an example of:

- a) Vertical merger
- b) Horizontal merger
- c) Conglomerate merger
- d) Reverse merger

☒ **Answer:** b) Horizontal merger

**Explanation:** All banks were in the same industry and segment.

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71 Which of the following was the **biggest challenge** in SBI's merger?

- a) Finding new customers
- b) Integrating employees and managing NPAs
- c) Building new IT systems from scratch
- d) Lack of government support

✓ **Answer:** b) Integrating employees and managing NPAs



72 Match the **benefit** with its correct description:

- A. Cost Synergy
- B. Risk Absorption
- C. Technology Integration
- D. Scale Advantage

1. Reduced overlapping branches and operational expenses.
2. Greater ability to handle loan defaults and crises.
3. Unified IT platforms and online banking.
4. Larger balance sheet improves global competitiveness.

### Options:

- a) A-1, B-2, C-3, D-4
- b) A-2, B-1, C-4, D-3
- c) A-3, B-4, C-1, D-2
- d) A-1, B-3, C-2, D-4

✓ **Answer:** a) A-1, B-2, C-3, D-4



**73 Assertion (A):** Post-merger, SBI entered the league of the world's top 50 banks by assets.

**Reason (R):** Consolidation created economies of scale, larger capital base, and stronger balance sheet.

- a) A true, R true, and R is the correct explanation of A
- b) A true, R true, but R is not correct explanation of A
- c) A true, R false
- d) A false, R true

✓ **Answer:** a) A true, R true, and R is the correct explanation of A

74 After the merger, SBI's position in the Indian banking system can best be described as:

- a) A small regional bank
- b) A mid-sized private bank
- c) A systemically important, globally recognized bank
- d) A niche rural-focused lender

✓ **Answer:** c) A systemically important, globally recognized bank



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### 75 Who is called Limited Partner in VC?

- a. Limited Partners (LPs) is the term used for experienced investment experts who do the actual management of the fund.
- b. Limited Partners (LPs) is the term used for investors in venture capital firms.
- c. Limited Partners (LPs) is the term used for person at a company who do not participate in the decision-making process, but they may surely make a good first impression on those who are responsible for making decisions.
- d. None.

Opt b

**76 Which of the following statement is true?**

**Statement 1:** As per Section 43 of the Companies Act, 2013, Preference Share Capital in case of any company limited by shares, shareholder would carry a preferential right with respect to:

(1) Payment of taxable or tax-free dividend, as a fixed amount or at a fixed rate.

(2) Repayment of paid-up or deemed paid-up share capital, in the case of a winding-up.

**Statement 2:** In terms of provisions of Section 47, where the dividend in respect of a class of preference shares has not been paid for a period of 2 years or more, such class of preference shareholders shall have a right to vote on all the resolutions placed before the company.

- a. Only 1.
- b. Only 2.
- c. Both 1 & 2.
- d. None.

ANS C

## 77 Match the following?

(A) Descriptive analytics.

(1) This approach makes use of data on previous performance to make recommendations for how similar situations should be managed in the future.

(B) Diagnostic analytics.  
statistics to

(2) This is the practice of applying

estimate and evaluate future outcomes by employing statistical models and techniques derived from machine learning.

(C) Predictive analytics.  
previous

(3) This type of analysis focuses on

performance to understand which factors drive particular trends.

(D) Prescriptive analytics.  
of

(4) This method involves the interpretation

- A. 1234
- B. 2341
- C. 4312
- D. 4321

Opt d

historical data and key performance indicators to discover patterns and trends.

## 78 Most appropriate characteristic shared by Private Equity and Venture Capital?

- a. A private equity investment deal may incorporate debt, which is unusual for a venture capital investment deal.
- b. Private equity investors place a greater premium on good corporate governance, whereas various venture capital investors devote more of their attention on management capability.
- c. They make investments in businesses that are either unable or not yet prepared to raise funds from members of the general public.
- d. None.

OPT C

79 What is the primary purpose of the Insolvency and Bankruptcy Code 2016, and how does it affect the winding up process for start-up companies?

- (A) The primary purpose of the Code is to provide a framework for insolvency resolution, and it allows start-up companies to wind up their activities in 180 days.
- (B) The primary purpose of the Code is to expedite the resolution of insolvency cases for various entities, and it permits start-up companies to wind up their activities within 90 days.
- (C) The primary purpose of the Code is to protect the interests of promoters and management in winding up activities for start-up companies.
- (D) The primary purpose of the Code is to facilitate debt restructuring for corporate persons, partnership firms, and individual debtors.

ANS B

## 80 Match the following?

(A) Principals.  
cusp of

(1) They are persons who are on the

becoming partners in the company. They hold a position of authority inside the company, yet they cannot be ranked among the most senior employees of the company.

(B) Analysts role.  
strive to

(2) Those with the least experience

become this. These individuals are either folks who have recently graduated from school or MBA students who are participating in an internship.

(C) Partners.  
senior

(3) They are considered to be the most

members of a venture capital firm, placing them a tier above principals.

(D) Associates.  
background

(4) People who arrive with a financial

and significant skills in creating relationships are typically the types of people who are considered this.

- A. 1234
- B. 3241
- C. 2413
- D. 1432

OPPA

81 Under the comprehensive eligibility norms detailed in the latest amendments to the Startup India Action Plan as recognized by the Department for Promotion of Industry and Internal Trade (DPIIT), an Indian startup must satisfy several stringent requirements to be eligible for government incentives, tax exemptions, and regulatory benefits. One of the most critical criteria is the maximum permissible turnover threshold, which any entity aspiring for recognition must not breach in any financial year since its incorporation. Considering the enhanced definition that was expanded to foster greater inclusivity in the Indian entrepreneurial ecosystem, what is the upper limit of annual turnover—calculated as the aggregate value of realized revenue from supply or sale of goods or provision of services—beyond which an enterprise shall cease to qualify as a startup under the Startup India scheme as of Dec 2024?

- A) Rs. 25 crores - consistent with the original threshold before 2019 amendments
- B) Rs. 50 crores - an interim threshold cited during transitional policy discussions
- C) Rs. 75 crores - applied to certain other MSME categories but not for startups
- D) Rs. 100 crores - the current maximum turnover, as per the expanded eligibility definition of Startup India Action Plan (Correct)

Correct Answer: D) Rs. 100 crores

82 Private equity (PE) and Venture Capital (VC) is managed under which act?

- a. SEBI (Alternative Investment Funds) Regulation, 2012.
- b. SEBI (Venture Capital Funds) Regulation, 1996.
- c. SEBI (Mutual Funds) Regulations, 1996.
- d. SEBI (Collective Investment Schemes) Regulations, 1999.

ANS A

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### 83 Match the following?

(x) ISO 32210.  
impacts.

(y) ISO 14007.

(z) ISO 14008.  
related

(t) ISO 14097.

A. 3412

B. 4231

C. 1234

D. 2413

(i) Monetary valuation of environmental

(ii) Framework for Sustainable Finance.

(iii) Assessing and reporting investments

to climate change.

(iv) Environmental costs and Benefits.

OPT D

84 Banks may issue Perpetual Non-Cumulative Preference Shares (PNCPS) with a call option at a specific date but the call option on the instrument is acceptable after it has run for ----- ?

- a. At least 5 years.
- b. Less than 5 years.
- c. 5 years.
- d. At least 10 years.

ANS A



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85------ of the Companies Act, 2013, states that issue of irredeemable shares is prohibited and puts an outer limit for redemption of a period not exceeding 20 years from the date of their issue but permits issue of preference shares for a period exceeding 20 years for infrastructure projects, subject to the redemption of such % of shares as may be prescribed on an annual basis at the option of such preferential shareholders?

- a. Section 43.
- b. Section 55.
- c. Section 47.
- d. Section 62.

ANS B

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86 Startup India Seed Fund Scheme's (SISFS) primary mission is?

- a. To identify prospective business owners living in metropolitan areas and provide them with a venue to promote their company.
- b. To provide funding to startups for proof of concept, product trials, prototype development, commercialization and market entry.
- c. To increase the amount of available capital, stimulating private investment.
- d. None.

OPT B

**87 Statement 1:** Profitability Index (PI) is a ratio of present value of future cash inflows to the initial investment.

**Statement 2:** If PI is greater than 1, the project should be rejected.

- A. Both statements are true.
- B. Statement 1 is true, Statement 2 is false.
- C. Statement 1 is false, Statement 2 is true.
- D. Both statements are false.

ANS B



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88 FII's and NRIs may invest upto \_\_\_\_\_ of the issue, respectively , with each investor limited to \_\_\_\_\_

- A. 49% and 24 % , 10 % and 5 %
- B. 59% and 24 % , 15 % and 5 %
- C. 10% and 5% , 49 % and 24 %
- D. 15% and 24 % , 49 % and 5 %

ANS A

89 Which of the following statements best describes a Foreign Currency Convertible Bond (FCCB)?

- A) It is a bond issued in local currency with an option to convert into gold.
- B) It is a bond issued by an Indian company in a foreign currency, which can be converted into equity shares of the issuing company.
- C) It is a bond issued in foreign currency that cannot be converted into any other security.
- D) It is a government bond issued to foreign investors with no conversion option.

Answer:

- B) It is a bond issued by an Indian company in a foreign currency, which can be converted into equity shares of the issuing company.

90 Consider the following statements about analytics:

- Statement 1: This type of analytics involves the interpretation of historical data and key performance indicators to discover patterns and trends.
- Statement 2: It helps summarize what has happened in the past, often through reports, charts, and dashboards.
- Statement 3: It focuses on understanding past performance using data aggregation and data mining.

Which type of analytics do these statements describe?

- a) Diagnostic analytics
- b) Predictive analytics
- c) Descriptive analytics
- d) Prescriptive analytics

ANS C

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Anshul Ma'am

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91 In Kubeflow Pipelines, what is the main advantage of using containerized components?

- a) Components cannot be reused or shared
- b) It restricts the pipeline to a specific cloud provider
- c) It ensures portability, reproducibility, and scalability of machine learning workflows
- d) Containerization increases pipeline execution time significantly
- Answer: c) It ensures portability, reproducibility, and scalability of machine learning workflows

Johns Hopkins Hospital faced the challenge of high patient readmission rates within 30 days of discharge, leading to increased costs and preventable health complications. To address this, the hospital developed a predictive analytics model utilizing over 200 variables from patients' electronic health records, including medical history and lab results. This model accurately predicted the likelihood of readmission, enabling healthcare providers to intervene proactively with personalized care plans. As a result, the hospital reduced readmission rates by 10%, significantly lowered costs, and improved patient outcomes through timely and targeted treatment strategies. This case exemplifies how predictive analytics can transform healthcare by enabling proactive decision-making and resource optimization.

92 Which of the following is NOT a typical challenge faced in Big Data projects?

- a) Data volume and scalability
- b) Variety of data formats
- c) Velocity of incoming data
- d) Limited data privacy concerns

Answer: d



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93 In Hadoop, the function of the DataNode is to:

- a) Manage the metadata of the file system
- b) Schedule MapReduce tasks
- c) Monitor cluster health only
- d) Store actual data blocks and serve read/write requests

Answer: d



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**Pradyumna Sir**

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94 In data mining, which of the following statements is true about the FP-Growth algorithm?

- a) It generates candidate itemsets explicitly before mining frequent patterns.
- b) It constructs a frequent pattern tree (FP-tree) to compress the dataset without candidate generation.
- c) It is less efficient than the Apriori algorithm for large datasets.
- d) It only works on transactional datasets with binary attributes.
- Answer: b) It constructs a frequent pattern tree (FP-tree) to compress the dataset without candidate generation.



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95 Which of the following best describes the role of weights in a neural network?

- a) They store the input data values
- b) They decide the activation function for neurons
- c) They adjust based on learning to influence the strength of input signals
- d) They represent the final output of the network
- Answer: c) They adjust based on learning to influence the strength of input signals

96 In the Hadoop ecosystem, what is the primary function of YARN?

- a) Handling distributed storage
- b) Managing and scheduling cluster resources
- c) Running MapReduce jobs exclusively
- d) Managing metadata services
- Answer: b) Managing and scheduling cluster resources



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97 The Sustainable Development Goal that aims to ‘Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss’ is:

- a) SDG 10
- b) SDG 12
- c) SDG 14
- d) SDG 15

Answer: d



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98 Read the following statements:

- Statement 1: This approach analyzes past data to explain why a certain event or trend occurred.
- Statement 2: It often involves root cause analysis, data discovery, and drill-down techniques to identify factors driving the outcomes.
- Statement 3: This type of analytics goes beyond "what happened" to answer "why did it happen?" to provide actionable insights for problem-solving.

These statements best describe which type of analytics?

- a) Predictive analytics
- b) Descriptive analytics
- c) Diagnostic analytics
- d) Prescriptive analytics

ANS C

99 Consider the following statements about Green Masala Bonds:

- Statement 1: They are rupee-denominated bonds issued in foreign markets by Indian entities.
- Statement 2: These bonds help avoid currency risk for Indian issuers while attracting overseas investors.
- Statement 3: Green Masala Bonds specifically finance renewable energy and environmentally sustainable projects.

Which of the following is true about Green Masala Bonds?

- a) They are denominated in US Dollars and issued within India.
- b) They primarily finance fossil fuel based infrastructure projects.
- c) They expose Indian issuers to foreign exchange risk.
- d) They allow Indian entities to raise capital overseas in rupees without currency risk.

Answer: d

100 Which challenges are specific to text mining compared to traditional data mining?

- a) Handling structured and numeric data formats
- b) Noise, ambiguity, and the unstructured nature of text data
- c) Generating frequent itemsets from transaction data
- d) Scalability of large numeric datasets
- Answer: b) Noise, ambiguity, and the unstructured nature of text data



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101 Which of the following statements is correct regarding vertical mergers?

- A) They always involve companies from different industries
- B) They are intended to reduce competition between firms
- C) They combine companies at different stages of the supply chain
- D) They never result in economies of scale

Answer: C) They combine companies at different stages of the supply chain

102 What is a "White Knight" in the context of takeover defense?

- A) A potential hostile acquirer.
- B) An independent third party sought by the target company to counter a hostile bidder.
- C) The target company's board of directors.
- D) A financial advisor to the acquiring company.

OPT B



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