

## Non-Performing Assets

**Question 1 :** The Indian banking sector is facing the problem of heavy NPAs. Which among the following industries has contributed least to the level of NPAs ?

- a) Real estate sector
- b) Iron and steel
- c) Software and BPO
- d) Infrastructural development

**Answer : c**

**Question 2 :** Which of the following is not part of criteria laid down by RBI for NPA ?

- a) Interest on loan remains overdue for a period of 90 days.
- b) Interest on loan taken for a long-duration agricultural crop remains unpaid for one crop season.
- c) Interest on loan taken for a short duration agricultural crop remains unpaid for two crop seasons.
- d) Interest on loan taken to purchase personal asset remains overdue for 60 days.

**Answer : d**

**Question 3 :** Which of the following statements is correct regarding Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act,2002 ?

- a) The act enables banks to recover NPAs through easy disposal of secured assets.
- b) The act enables banks to do multiple lending on deposits received by the public.
- c) The act requires courts to give priority to cases involving NPAs of banks.
- d) None of the above .

**Answer : a**

**Question 4 :** Economic Survey 2017 has recommended establishment of Public Asset Rehabilitation Agency. What will be the function of this agency ?

- a) The agency will sell assets of loss making PSUs.
- b) The agency will collect the payments due towards electricity boards.
- c) The agency will guide and chart out the path for loss-making PSUs.
- d) The agency will take over the non-performing assets of banks.

**Answer : d**

**Question 5 :** Anchor Banks refer to

- a) Public-sector banks that will drive the consolidation process among the state-owned banks.
- b) Public-sector banks that are providing most of the infrastructural financing.
- c) Public-sector banks that will coordinate banking activities in a district.
- d) Public-sector banks that have been classified as Domestic Systemically Important Banks (D-SIBs).

**Answer : a**

**Question 6 :** The government has launched Mission Indradhanush as a seven-pronged plan to resolve the problems faced by public-sector banks. Which of the following recommendation is not part of mission Indradhanush ?

- a) Capital infusion in public-sector banks
- b) Regular gyan sangam to discuss state of banks
- c) Infusion of technology in functioning of banks
- d) Reduction in government interference in the appointments of public-sector banks

**Answer : c**

**Question 7 :** Which of the following statements is/are correct regarding monetary transmission?

1. It refers to the process by which a central bank's monetary policy decisions are passed on to the financial markets.
2. Rising non-performing assets (NPAs) and higher returns on small saving schemes may hinder effective monetary transmission.
3. Lowering of CRR and SLR requirements may help ensure effective monetary transmission.

Select the correct answer using the codes given below :

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

**Answer : d**

**Question 8 :** Which of the following are probable benefits of securitization, in which assets are transformed into security?

1. For the owner of the asset, it improves the liquidity position as the future receivables are replaced by cash.
2. It improves the channelization of money in the economy.

Which of the statements given above is/are correct ?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

**Answer : c**

**Question 9 :** What is the purpose of forming Banks Board Bureau ?

1. The bureau will recommend appointment of senior officials in public-sector banks and thus, will insulate public-sector banks from government interference .
2. The bureau will inspect the level of NPAs of public-sector banks.
3. The bureau will identify the best practices in private-sector banks and seek their implementation in public sector banks.

Select the correct answer using the codes given below :

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

**Answer : a**

**Question 10 :** Consider the following statements regarding Basel norms :

1. Basel norms are standards of capital adequacy for banks across the world.
2. At present, banks are adhering to Basel III norms.
3. Basel norms are mandatory for banks in India.

Select the correct answer using the codes given below :

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

**Answer : c**

**11. A term loan is said to be non performing when interest and/or installment of principal remain overdue for a period of more than \_\_\_\_\_ .**

- A) 30 days**
- B) 90 days**
- C) 45 days**
- D) 180 days**

**Answer**

**Option B**

**Explanation: Banks should, classify an account as NPA only if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter.**

**12. Any loan for short duration crops is classified as NPA when the installment of principal or interest there on remains overdue for \_\_\_\_ crop seasons**

- A) one**
- B) four**
- C) three**
- D) two**

**Answer Option D**

**Explanation: the installment of principal or interest there on remains overdue for two crop seasons for short duration crops**

**13. Any loan for long duration crops is classified as NPA when the installment of principal or interest there on remains overdue for \_\_\_\_ crop seasons**

- A) one**
- B) four**
- C) three**
- D) two**

**Answer**

**Option A**

**Explanation:** the instalment of principal or interest there on remains overdue for one crop season for long duration crops,

**14. An account should be treated as \_\_\_\_\_ if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power.**

- A) out of limit**
- B) out of order**
- C) out of drawing**
- D) out of line**

**Answer**

**Option B**

**Explanation:** An account should be treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts should be treated as 'out of order'.

**15. A substandard asset is one, which has remained NPA for a period less than or equal to \_\_\_\_\_.**

- A) 6 months**
- B) 12 months**
- C) 18 months**
- D) 24 months**

**Answer**

**Option B**

**Explanation:** With effect from 31 March 2005, a substandard asset would be one, which has remained NPA for a period less than or equal to 12 months.



**16. An asset is classified as doubtful if it has remained in the substandard category for a period of \_\_\_\_.**

- A) 6 months**
- B) 12 months**
- C) 18 months**
- D) 24 months**

**Answer**

**Option B**

**Explanation:** In simple words after an asset has remained NPA for more than 12 months is it a doubtful asset.

**17. A \_\_\_\_\_ is one where loss has been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly.**

- A) Standard Asset**
- B) Loss Asset**
- C) By-stand Asset**
- D) Loan Asset**

**Answer**

**Option B**

**Explanation:** A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly. In other words, such an asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

**18. \_\_\_\_\_ is one where the bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the bank would not otherwise consider.**

- A) Renovated account**
- B) Reprimed account**

- C) Advance account
- D) Restructured account

**Answer**

**Option D**

**Explanation:** Restructuring would normally involve modification of terms of the advances / securities, which would generally include, among others, alteration of repayment period / repayable amount/ the amount of instalments / rate of interest (due to reasons other than competitive reasons).

**19. What does M stands for in SMA with respect to NPA?**

- A) Monetary
- B) Monopoly
- C) Money
- D) Mention

**Answer**

**Option D**

**Explanation:** SMA- Special Mention Accounts. Banks will categorise accounts as SMA when the money remains outstanding for 30-90 days after due payment date.

**20. How many sub-categories are there in Special Mention Accounts (SMA)?**

- A) 2
- B) 3
- C) 4
- D) 5

**Answer**

**Option B**

**Explanation:** SMA-0 => Principal or interest payment not overdue for more than 30 days.

**SMA-1 => Principal or interest payment overdue between 31-60 days**

**SMA-2 => Principal or interest payment overdue between 61-180 days**

