20 True or False

Decide, then check the answer and reason below each statement.

Question 1

Asset Liability Management aims to generate steady earnings and build equity while taking calculated risk.

TRUE

This is the core definition of ALM given in the guide.

Question 2

Net Interest Income is calculated as Interest Income minus Interest Expenses.

TRUE

NII is a rupee value representing net interest profit.

Question 3

Net Interest Margin is calculated as Interest Income divided by Total Liabilities.

FALSE

NIM is Net Interest Income divided by Average Total Assets, not Interest Income over Total Liabilities.

Question 4

Economic Equity Ratio is calculated as Shareholders' Funds divided by Total Funds.

TRUE

This ratio measures the cushion of owners' capital against total resources.

Question 5

A positive gap occurs when rate-sensitive assets exceed rate-sensitive liabilities.

TRUE

This is the standard definition of a positive gap in gap analysis.

Question 6

A bank with a positive gap benefits when interest rates fall.

FALSE

A positive gap benefits from rising interest rates, not falling rates.

Question 7

A negative gap occurs when liabilities exceed assets, and the bank benefits when rates fall.

TRUE

This is the standard definition of a negative gap and its rate sensitivity.

Question 8

Deposits and Borrowings are listed among the liabilities side of a bank's balance sheet.

TRUE

These are two of the six liability categories described in the balance sheet structure.

Question 9

Advances and Investments are listed among the assets side of a bank's balance sheet.

TRUE

These are two of the six asset categories described in the balance sheet structure.

Question 10

Call money market loans are typically repayable within 15 days of being made.

TRUE

This is a specific fact tested about the interbank call money market.

Question 11

Contingent liabilities are obligations recorded as certain, confirmed debts.

FALSE

Contingent liabilities are obligations that may arise depending on a future event, not confirmed debts.

Question 12

ALM's growing importance is attributed to Volatility, Product Innovation, Regulatory Environment and Management Recognition.

TRUE

These four drivers are specifically listed as reasons ALM gained importance.

Question 13

ALM operates only at a single, unified level with no distinction between macro and micro goals.

FALSE

ALM operates at both macro and micro levels, each with distinct goals.

Question 14

At the micro level, ALM focuses on profitability through price matching and liquidity through maturity matching.

TRUE

This is the description given for micro-level ALM goals.

Question 15

ALM is concerned only with interest-rate risk and has no role in liquidity risk.

FALSE

ALM also manages liquidity risk and exchange-rate risk, not just interest-rate risk.

Question 16

Income on investments is earned in the form of dividends and interest.

TRUE

This is explicitly stated as the source of investment income.

Question 17

Price matching in ALM aims to deploy assets at a rate lower than the cost of liabilities.

FALSE

Price matching aims to deploy assets at a rate higher than the cost of liabilities to maintain the spread.

Question 18

Cash credits and overdrafts are classified as loans repayable on demand regardless of any specific due date.

TRUE

This classification applies to cash credits, overdrafts and demand loans as stated in the guide.

Question 19

NII and NIM are described as interchangeable terms measuring the exact same thing.

FALSE

NII is a rupee value while NIM is a ratio; the guide explicitly warns against confusing them.

Question 20

Reserves and Surplus on a bank's balance sheet includes share premium and the profit and loss account balance.

TRUE

These specific components are listed under the Reserves and Surplus account.