

CCP PAPER 1 – FINANCIAL SYSTEM AND PRINCIPLES OF CREDIT
SAMPLE MULTIPLE-CHOICE QUESTIONS

1. Which of the following financial institutions does **NOT** come within the purview of the provisions of the Banking and Financial Institutions Act 1989?
 - A. Commercial banks.
 - B. Discount houses.
 - C. Credit and leasing companies.
 - D. Islamic banks.

2. In the money multiplier $k = (c + 1) / (c + r)$, c is the:
 - A. ratio of bank reserves to total demand deposits.
 - B. ratio of net domestic claims on public sector to domestic claims on private sector.
 - C. ratio of quantity of money to real income.
 - D. ratio of currency in circulation to total demand deposits.

3. What is the maximum limit that a financial institution can lend to a single customer under BAFIA?
 - A. 25% of its capital funds.
 - B. 30% of its capital funds.
 - C. 35% of its capital funds.
 - D. 40% of its capital funds.

4. Under BNM/GP3, when should term loans be classified as non-performing loans (NPL)? After the principal or interest has been in arrears for _____ or more.
 - A. 3 months
 - B. 4 months
 - C. 5 months
 - D. 6 months

5. Under the Exchange Control Rules e.g. ECM6, ECM8 and ECM10, there are rules on extending credit to non-resident controlled companies.

Which of the following is a non-resident?

 - A. A Malaysian citizen holding a permanent resident status in Singapore and lives in Singapore.
 - B. A Malaysian citizen holding a permanent resident status in Singapore but lives in Johor.
 - C. A Singapore citizen holding a permanent resident status in Malaysia and lives in Kuala Lumpur.
 - D. A company owned by non-residents but is incorporated in Malaysia.

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6. Under the fundamental principles of credit risk management, the “principle of control” refers to:
- A. a good understanding of the company’s financial standing.
 - B. a proper valuation of the collateral and the stages of proper liquidation.
 - C. a proper structuring of facilities.
 - D. a good knowledge of the company’s management ability.
7. Which of the following components is **NOT** associated to financial risks?
- A. Profitability.
 - B. Capital expenditure.
 - C. Liquidity.
 - D. People management.
8. Which of the following is **NOT** a type of preference share?
- A. Perpetual.
 - B. Redeemable.
 - C. Warrants.
 - D. Cumulative/non-cumulative redeemable.
9. The basic credit factors (not necessarily in the sequence of importance), commonly referred to as the 5Cs, are:
- A. capital, capacity, control, customer and collateral.
 - B. capital, control, collateral, character and customer.
 - C. conditions, control, character, customer and capacity.
 - D. conditions, character, capacity, capital and collateral.
10. A good security needs to have the attribute of:
- A. volatility.
 - B. enforceability.
 - C. efficiency.
 - D. restrictiveness.

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11. The source of repayment in a project financing proposal should generally be from:
- A. dividend income.
 - B. owner and guarantors of the business.
 - C. liquidation of assets.
 - D. cash flow generated through business operation.
12. Loan pricing is affected by all of the following factors **EXCEPT**:
- A. general economic condition.
 - B. the competitive environment.
 - C. the legal environment.
 - D. the bank's branch network.
13. "The bank accepts deposits from customers who are looking for investment opportunities for their funds. Under this principle, the bank provides the entrepreneurship and the customer acts as the capital provider. All profits are shared in accordance with the pre-agreed profit-sharing ratio. Losses, if any, are borne entirely by the capital provider – i.e. the depositor".

The above principle relates to:

- A. Al Wadiah Yad Dhamanah.
- B. Al Mudharabah.
- C. Al Murabahah.
- D. Al Musyarakah.

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ANSWERS TO THE SAMPLE MULTIPLE-CHOICE QUESTIONS

Question No.	Answer	CCP Study Manual Chapter	CCP Study Manual Page No.
1.	D	1	1-6
2.	D	2	2-8
3.	A	3	3-14
4.	D	4	4-4
5.	A	5	5-5
6.	C	7	7-12
7.	D	8	8-2
8.	C	9	9-12 to 9-13
9.	D	10	10-2 to 10-7
10.	B	11	11-11
11.	D	12	12-2
12.	D	13	13-6
13.	B	14	14-2