Quarterly Quiz Answers

Winter 2007/08

Question 1

Answer
The right answer is
  (a) to promote the success of the company and to exercise independent judgement

Each of the other answers includes one duty that is effective now and one that becomes effective in October of 2008.

The Treasurer, December 2007 The Companies Act 2006 by Jennifer Carruth pp36-37
The Treasurer November 2007, Technical Update by Peter Matza pp8-9

Question 2

Answer
The right answer is (c) life expectancy after 65 is 16.9 yrs for men and 19.7 yrs for women.

Office of National Statistics website:
http://www.statistics.gov.uk/CCI/nugget.asp?ID=168&Pos=1&ColRank=1&Rank=374
The Treasurer December 2007, Pensions: A Fragile Recovery by Graham Buck pp20-22

Question 3

Answer
The right answer is (b) alternative finance investment bonds

Since the Finance Act 2003 the legislation has avoided any reference to Islamic finance or the Arabic names for finance instruments. This is because tax law must be seen to be equally applicable to all taxpayers regardless of belief. The legislation therefore focuses on the structure itself rather than its name.

The Treasurer November 2007, pp 34-36, An Important First Step by Mohammed Amin.

Question 4

Answer
The right answer is (c) $3.1bn $11.5bn $13bn
on monoline and mortgage related write-downs and new equity raised respectively.

FT January 17th 2008 Merrill Lynch's pain.
http://www.ft.com/cms/s/1/b81521fe-c50a-11dc-811a-0000779fd2ac.html

Question 5

Answer
The right answer is (a) that your bank has taken CDS cover against your borrowing

The reason to fear this is that the bank may find it more profitable to refuse the waiver and thereby create the "credit event" to crystallise the CDS cover, rather than spend significant management time in trying to work through the problem. Without CDS cover the bank would be facing the traditional problem of whether or not to accept a short term difficulty rather than a potential write off the loan.

The Treasurer, October 2007, The Invisible Threat by Jane Hands of Slaughter and May

Question 6

Answer
The right answer is (d) a portion of the contractually specified cashflows of a non-financial instrument.

The proposed amendments are quite clear that it is only for financial instruments that a portion of cashflows will be allowed as a designated hedge. Non-financial instruments will not qualify.

The Treasurer, November 2007, Technical Update by Peter Matza, pp8-9