

INSTITUTE OF ACTUARIES OF INDIA

CB3 - BUSINESS MANAGEMENT

SAMPLE QUESTION PAPER

[This is a sample examination paper that may not fully represent the actual exam, but it does show the distribution between multiple-choice questions and those requiring detailed answers]

Part A: Multiple Choice Questions – Maximum 30 Marks

Indicative Duration: 20 Minutes.

Guidelines for Candidates

- Answer **all questions**. Total of All Multiple-choice questions **30 marks**.
- Manage your time wisely: spend about **20 minutes for Part A**

Q 1) What is the primary characteristic that distinguishes a tort from a breach of contract?

- A. The presence of a written agreement.
- B. The duty in tort is primarily fixed by law and owed generally, while in contract, it arises from the agreement between specific parties.
- C. Tort actions result in criminal penalties, while contract actions result in monetary damages.
- D. Breach of contract always involves intentional wrongdoing, whereas torts can be unintentional.
- E. Remedies in tort are always liquidated damages, while contract remedies are unliquidated.

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Q 2) What essential element must be present for an agreement to be considered a legally enforceable contract?

- A. The agreement must be in writing and signed by both parties and both parties must have equal advantages.
- B. Both parties must be corporations or registered businesses.
- C. The agreement must involve the exchange of goods, not services.
- D. The agreement must be made by competent parties, with free consent, for lawful consideration and object, and not be expressly declared void.
- E. One party must gain a significant advantage over the other party.

[2]

Q 3) When can a firm practice as Actuaries?

- A. All the partners are Fellow of Institute of Actuaries of India (FIAI)
- B. Some of the partners are FIAI while some can be members of other professional bodies
- C. Some of the partners are FIAI while some can be Associates of Institute of Actuaries of India
- D. Professional qualification of partners doesn't matter
- E. Need not be a member of any professional body

[2]

Q 4) Which of the following is not an issue / challenge for actuaries working in life insurance companies in India?

- A. Treating customers fairly.
- B. Fast changing regulations resulting in business challenges.

- C. Move towards risk based and market consistent reporting and valuation techniques.
- D. Ensuring policyholders are adequately serviced.
- E. Resolution of policyholders' complaints

[2]

Q 5) A group of individuals forms 'EcoSolutions Ltd.' to develop environmental cleanup technology. The company secures a large loan personally guaranteed by its directors. Despite initial promise, the technology fails, and the company becomes insolvent. Can the bank recover the outstanding loan amount directly from the personal assets of the directors?

- A. No, directors are never personally liable for company debts due to separate legal entity principle.
- B. Yes, because the directors mismanaged the company, leading to insolvency.
- C. Only if the directors committed fraudulent trading.
- D. No, the bank must first exhaust all options to recover assets from the company itself.
- E. Yes, the bank can enforce the personal guarantees given by the directors against their personal assets.

[3]

Q 6) Mr. Sharma creates a trust, transferring his property to Mrs. Gupta with instructions to manage it and use the income for the education of Mr. Sharma's minor son until he turns 21, after which the property should be transferred to the son. What are Mrs. Gupta's primary duties as a trustee?

- A. To follow the trust's purpose, protect the property, keep accounts, and act in the beneficiary's best interest.
- B. To sell the property when the market is at its peak and transfer the proceeds to the son.
- C. To maximize profit from the property for her own benefit.
- D. To delegate all management tasks to a third party who can maximize the profits and keep proper accounts.
- E. To mix the trust funds with her personal funds for easier management.

[3]

Q 7) Which of the following constitutes professional guidance by the Institute of Actuaries of India?

- A. Professional guidance consists of the Professional Conduct Standards only
- B. Professional guidance consists of the Professional Conduct Standards and Actuarial Practice Standards
- C. Professional guidance consists of all Guidance Notes and Standards of Practice issued by the International Actuarial Association
- D. Professional guidance consists of the Professional Conduct Standards, all Actuarial Practice Standards and all Guidance Notes
- E. None of the above

[2]

Q 8) According to the governing legislation, which body is primarily responsible for the management of the affairs of the Institute of Actuaries of India and discharging the functions assigned to it?

- A) The Quality Review Board
- B) The Disciplinary Committee
- C) The Central Government
- D) The Council of the Institute
- E) The Appellate Authority

[2]

Q 9) What is one of the primary functions of the Quality Review Board of Institute of Actuaries of India established under the governing legislation?

- A) To elect the President of the Council.
- B) To prosecute members for misconduct.
- C) To conduct examinations for membership.
- D) To maintain the register of members.
- E) To review the quality of services provided by members of the Institute.

[2]

Q 10) An actuary in practice discovers a material misstatement in a financial statement they are reviewing for a client. The client insists the statement should be submitted as is. According to professional conduct standards, what should the actuary do?

- A) Report the material misstatement in their professional capacity.
- B) Resign from the engagement immediately without reporting the misstatement.
- C) Submit the report as requested by the client to maintain the relationship.
- D) Seek a second opinion from another actuary before deciding.
- E) Modify the misstatement slightly to reduce its impact before submitting.

[3]

Q 11) An actuary employed by an insurance company is asked by their manager to use assumptions in a valuation that the actuary believes are inappropriate and could materially misrepresent the company's financial position. What ethical obligation is most pertinent here?

- A) The obligation to follow the manager's instructions.
- B) The obligation to maintain confidentiality above all else.
- C) The obligation to complete the task within agreed timelines as any escalation will delay the valuation.
- D) The obligation to seek partnership opportunities.
- E) The obligation to act with integrity and uphold professional standards, potentially requiring escalation.

[3]

Q 12) One form of research used with consumers to explore their needs is called Conjoint Analysis. For what precise purpose would you use this research? Choose the correct statement.

- A. To discover how they rate the importance and quantify the value of different attributes of a product or service.
- B. To find out which types of people would buy the product or service.
- C. To see in what different types of circumstances people might use the product or service.
- D. To find out what attributes of the product they are most familiar with.
- E. None of the above

[2]

Q 13) The Value Chain shows the activities required to deliver value to...

- A. shareholders.
- B. customers.
- C. products.
- D. the economy.
- E. employees

[2]

Part B: Short Answer Questions – 70 Marks**Indicative Duration: 70 Minutes****Guidelines for Candidates**

- Answer **all questions**. Each question carries **10 marks**.
- Manage your time wisely: spend about **10 minutes per each question**. Each sub-part should normally be **4–6 sentences (about 70–90 words)**.
- Keep answers **concise but well-structured** (bullet points and short paragraphs are acceptable).
- Use **real-world actuarial or financial services examples** where asked.
- Quality of reasoning and clarity of expression will be given more weight than length of answers.

Q 14) Business Environment and Professional Skills

Naresh is a new actuarial associate at a large Indian insurance company. He wants to fit in well and contribute to important projects in financial services. His supervisor expects him to keep up with trends in pensions and healthcare and understand how global economic changes and regulations affect actuarial work in India.

Answer the following:

- List the key skills Naresh should develop.
- Explain what parts of the company he needs to learn about.
- Describe why knowing about industry trends and global changes is important.
- Give two real-world examples from the financial services sector to support your points.

[10]

Q 15) Strategic Thinking and Competitive Positioning

A mid-sized general insurance company in India faces tough competition from startups and international firms. The Board wants the actuarial team to help create a new strategy to stay competitive for the next five years.

Answer the following:

- Explain how you would analyze the company's current position.
- Describe how to carry out a PEST (Political, Economic, Social, Technological) analysis.
- Outline how you would present your strategic advice to the Board.
- Discuss how company culture and structure could affect your approach.

[10]

Q 16) Decision Making in Practice

An actuary is part of a team choosing a new technology partner for an actuarial modelling system. The deadline is tight, and team members have different opinions. There is a lot of conflicting information from vendors.

Answer the following:

- (i) Describe how you would help the team decide.
- (ii) Explain how you would manage gathering and organizing information.
- (iii) Discuss ways to handle disagreements and manage time pressure.
- (iv) Explain how you would clearly communicate the final decision.
- (v) Mention how risk attitudes and competition might affect the team's choice.

[10]

Q 17) Legal Principles and Actuarial Practice

A life insurance company signs a contract with a software provider for a new system. Later, the provider delays delivery and tries to avoid responsibility by using exclusion clauses in the contract.

Answer the following:

- (i) Explain how you would review the contract terms using Indian contract law.
- (ii) Discuss whether the exclusion clauses are valid.
- (iii) Outline what legal actions or damages the company might pursue.

[10]

Q 18) Professional Liability and Agency

An external administrator acting as an agent for a pension fund makes a serious mistake in calculating member benefits, causing financial loss.

Answer the following:

- (i) Analyze this situation using agency law and professional negligence principles.
- (ii) Identify the types of authority the agent may have had.
- (iii) Explain what is needed to hold the agent liable.
- (iv) Discuss the duties the agent owes to the pension fund.

[10]

Q 19) Company Law and Governance

An actuary at an investment firm notices possible conflicts of interest between directors and shareholders over the firm's dividend policy. Some directors might have made questionable decisions.

Answer the following:

- (i) Explain the roles and responsibilities of directors and shareholders under Indian company law.
- (ii) Describe the idea of limited liability.
- (iii) Suggest how the actuary should handle these conflicts when reporting to the Board.

[10]

Q 20) Professionalism and Ethics in Action

An actuary is asked to publicly comment on a health insurer's solvency. Management wants a positive statement, but the actuary suspects compliance issues.

Answer the following:

- (i) Explain how the actuary should handle this ethical problem following the Actuaries' Code.
- (ii) Discuss the regulatory safeguards and role of the IAI.
- (iii) Describe how governance helps support ethical behaviour.

[10]

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