Your grade: 100%

Your latest: **100%** • Your highest: **100%**
To pass you need at least 80%. We keep your latest score.

Graded Assignment

Qualified Assessment

Assignment details

Due
Jan 15, 11:59 PM IST

Attempts
Unlimited

Retry

Submitted
Jan 8, 11:05 PM IST

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To pass you need at least 80%. We keep your latest score.

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1. Types & Features of Credit – Secured vs. Unsecured

1 / 1 point

A lender (like a commercial bank or a credit union) will register charges against the assets of its borrowers using public security registries (often called Liens).

Based on the loan details and payment schedule below, what type of loan is this?

Loan Details:

Principal Amount	250,000
Amortization	25 years
Interest Rate	5%
Annual Principal Amount	10,000
Collateral	House

- [x] Secured loan with equal payments
- [ ] Unsecured equal-amortizing loan
- [ ] Secured equal-amortizing loan
- [ ] Unsecured loan with equal payments

Correct

2. Types & Features of Credit – Fixed vs. Variable

1 / 1 point

There are many loan characteristics to take into consideration, but is whether the rate is fixed or variable.

What is one advantage of a variable-rate loan?

- [ ] It typically has high breakage costs
- [ ] It's easier for the borrower to plan for future payments
- [ ] It protects the borrower from rising interest rates
- [x] Borrower can capitalize on a reference rate decrease

Correct

3. Types & Features of Credit – Amortizing vs. Non-Amortizing

1 / 1 point

When financing is of the "term" variety, meaning it's not operating credit, it can be structured as either amortizing or as non-amortizing.

Which of the following loans is most likely to have the lowest total interest cost?

- [ ] Secured, non-amortizing loan
- [ ] Unsecured, amortizing loan
- [x] Secured, amortizing loan
- [ ] Unsecured, non-amortizing loan

Correct

4. The Credit Process & Analysis Fundamentals – The 5 Cs of Credit

1 / 1 point

The 5 Cs is a foundational framework used by lenders when analyzing and assessing the creditworthiness of a prospective (or current) borrower.

Which of the following are not part of the 5Cs of credit? Select all that apply.

- [ ] Conditions
- [x] Commitment

Correct

- [ ] Collateral
- [x] Candor

Correct

- [ ] Character

5. Types & Features of Credit – Total Interest Considerations

1 / 1 point

There are many considerations when it comes to creating a custom "loan structure."

After building our amortization schedules, which of the following statements is NOT true?

- [x] If a client wants a variable interest rate, the loan should be structured as an equal payment loan
- [ ] The principal portion of the total payment is always higher with equal amortizing loans
- [ ] The proportion of principal being repaid gets larger every period when a loan is structured as an equal payment loan
- [ ] The proportion of interest being repaid gets smaller every period when a loan is structured as an equal payment loan

Correct

6. Introduction to Credit - Source Funding

1 / 1 point

There are many different sources of funding available for a company to be able to purchase CAPEX, or invest in projects, each with pros and cons.

Which of the following is an advantage of using debt as a source of funding? Select all that apply.

- [x] The cost of debt is usually lower than the cost of equity

Correct

- [ ] It's very liquid and always accepted
- [ ] It doesn't have additional financial commitments
- [x] It won't dilute existing shareholder's value or change ownership percentage

Correct

7. Types & Features of Credit - Interest

1 / 1 point

There are two kinds of interest, simple interest and compounding interest.

If you borrow $5,000 with 4% interest compounded annually, how much total interest do you need to pay after 2 years?

- [x] 408
- [ ] 404
- [ ] 412
- [ ] 400

Correct

8. The Credit Process & Analysis Fundamentals – The 5 Cs of Credit

1 / 1 point

The 5 Cs is a foundational framework used by lenders when analyzing and assessing the creditworthiness of a prospective (or current) borrower.

In the 5 Cs of credit, what does capacity measure?

- [x] The company's actual ability to service debt obligations and the cash flow available to support payments
- [ ] The management's attitude towards risk and growth
- [ ] The assets available to secure the debt in the event of a default
- [ ] The financial structure and overall financial strength of a company

Correct

9. The Credit Process & Analysis Fundamentals – Financial Ratios

1 / 1 point

Financial ratios help us understand and evaluate a company's overall financial health.

What do the liquidity ratios tell you about a borrower?

- [ ] The proportion of debt vs. equity funding
- [ ] The efficiency of its operations
- [x] The company's ability to cover current liabilities and obligations with its current assets
- [ ] The profitability of the company

Correct

10. The Credit Process & Analysis Fundamentals – Career Opportunities for Credit Professionals

1 / 1 point

There are many career opportunities available to aspiring credit professionals.

Which of the following statements are true regarding career opportunities for credit professionals? (Select all that apply)

- [ ] Corporations usually hire teams of analysts to assess trade credit risk for external, third-party portfolios
- [x] Analysts employed with rating agencies assess the risk of publicly traded companies to help price fixed-income securities

Correct

- [x] Roles in a financial institution - typically classified as either business, commercial, or corporate banking

Correct

- [x] Institutional investors hire experienced credit analysts to manage risks in their investment portfolios

Correct

11. The Credit Process & Analysis Fundamentals – The Credit Process

1 / 1 point

There is a process through which credit gets extended to a borrower. What does the Analysis/Underwriting stage include in the Credit Process?

- [ ] Disbursing funds
- [ ] Creating documentation for the borrower to sign
- [x] Formal approval by Credit Committee
- [ ] Researching new prospective clients

Correct

12. Introduction to Credit - Why is Debt a Lower Risk Source of Funding?

1 / 1 point

Different sources of funding (ie. credit vs. equity) have different relative levels of risk, and they're priced accordingly.

Which of the following statements about debt and equity are true? (Select all that apply)

- [ ] Debt is usually unsecured and therefore has less restrictive repayment terms
- [x] Interest payments are made higher up the income statement than dividends (and even than taxes)

Correct

- [ ] Debt is lower on the "capital stack" than equity
- [x] Creditors have higher priority on claims against company assets (than stockholders do)

Correct

13. The Credit Process & Analysis Fundamentals – Industry, Business and Management Analysis

1 / 1 point

Industry, Business, and Management analysis are categories that we would classify as being the more qualitative parts of a credit assessment.

Which of the following tools is used to analyze the industry attractiveness in the credit application process?

- [ ] SWOT analysis
- [ ] Ratios analysis
- [x] PESTEL analysis
- [ ] The MAST framework

Correct

14. Introduction to Credit – How & Why Credit is Used

1 / 1 point

There are a variety of reasons why a management team may wish to use debt in its capital structure.

Which of the following statements are true about using debt as a funding source? (Select all that apply)

- [x] Credit can be structured such that repayment aligns with the cash generated by the underlying assets being financed

Correct