

CBE Competency 3
FS.CO3.LMO3 Module 3
Summative Assessment

Instructions: True or False: Please review the statements carefully and provide the answer that best describes the concept

1. The investment portfolio for a financial institution has three main (3) categories: 1. Investments held to maturity, fixed assets for sale and capital stock

Answer: 1. Investments held to maturity, 2. Investments available for sale (AFS) and 3. Trading securities

2. Loans to deposits financial indicator is the ratio used to determine ability of the financial institution to cover withdrawals made by customers.

Answer: True

3. Lack of trust of clients due to negative media on the financial institution has no impact on the depositor base.

Answer: False : Lack of trust of clients due to negative media on the financial institution may cause a deposit run-off in a financial institution

4. Earnings are the first defense against capital deterioration in a financial institution.

Answer: True

5. The financial institution's earnings performance has no impact on the credit rating assessment.

Answer: False: The financial institution's earnings performance has a major impact on the credit rating assessment.

6. The inclusion of non-recurrent profitability components is a critical element in the analysis of a financial institution earnings performance.

Answer: False: Analysis of the strength of earnings performance needs to exclude profitability components associated with non-recurring events.

7. When evaluating the financial institution's earnings performance there are two (2) different approaches :
Trend Analysis and level Analysis

Answer: True

8. Trend Analysis is the prediction of the financial institution's future performance as it operates/progresses throughout the years.

Answer: False: Trend Analysis is the assessment of the financial institution's historical performance as it operates/progresses throughout the years.

9. When evaluating asset quality in a financial institution it is important to determine present and future loss exposure

Answer: True

10. One of the most important segments in a financial institution's examination is the safety and soundness evaluation.

Answer: True

11. The analysis of the financial standing of a financial institution is performed by Bank regulators using a criteria denominated as "CAMEL": *Capital, Asset Quality, Management Efficiency, Earnings Quality and Liquidity*

Answer: True

12. Due to de-regulation in financial services in recent years activities in the investments and banking sectors are not completely separate.

- ***Answer: False: Due to de-regulation in financial services in recent years activities in the investments and banking sectors have converged.***

13. Growth and diversification in the banking sector has transcended boundaries globally.

Answer: True

14. IT and e-banking are setting the way for financial institutions to go into virtual financial services.

Answer: True

15. Social media has also become an obstacle in the marketing of financial services.

Answer: False social media has become an excellent resource for the marketing of financial services.