

**CBE Competency 3**  
**FS.CO3.LMO1 Module 3**  
**Formative Assessment**

**Instructions: True or False: Please read the sentences carefully and select the answer that best addresses the topic in question**

1. In most financial institutions the credit analysis report is an extensive written dissertation usually comprising between 25-30 pages of all issues associated to the Borrower

***Answer: False: In most financial institutions the credit analysis report is a summary comprising between 2-3 pages of key conclusions on the Borrower***

2. In writing a credit analysis narrative the analyst must concentrate on providing conclusions, support them with cause and effect relationships and present only the most critical issues about the Borrower.

***Answer: True***

3. The first section also includes information on the financial performance of the Borrower.

***Answer: False: The first section also includes information on the Company's background, loan request term, interest rate and type of credit facility***

4. The credit analysis narrative supports the conclusion in the loan decision with an analysis of Borrower's competitors and the Company's position in the industry.

***Answer: False : The narrative will support the conclusion in the loan decision with an analysis of the industry, the business, the financial statements and the debt repayment strategy.***

5. The Business Analysis summary includes the discussion of critical issues of the company's operations including management, industry, competitors, revenue recognition, financial statements and detailed of risks associated with the company's products.

***Answer: True***