

CBE Competency 2
FS.C02 LM01 Module 1
Progress Monitoring Assessment

Multiple Choice: Circle the letter that best answers the question, responds to the statement, or completes the statement.

1. What loan type usually has an outstanding balance that may fluctuate?

- a. revolving line of credit
- b. seasonal loan
- c. special commitment loan
- d. single purpose loan

Answer: A. Revolving loan

Answer B: Incorrect

Answer C: Incorrect

Answer D. Incorrect

2. Which loan type usually is used to fund permanent expansion of inventory caused by sales growth?

- a. permanent working capital
- b. seasonal loan
- c. special commitment loan
- d. construction loan

Answer: A: Permanent working capital

Answer B: Incorrect

Answer C: Incorrect

Answer D: Incorrect

3. Which loan type usually has a maturity greater than one year?

- a. term loan
- b. special commitment loan
- c. unsecured loan
- d. seasonal loan

Answer A: Term loan

Answer B: Incorrect

Answer C: Incorrect

Answer D: Incorrect

4. Which of the following is an example of an open-end credit?

- a. home equity line of credit

- b. home equity loan
- c. mortgage loan
- d. boat loan

Answer: A: Home equity line

Answer B: Incorrect

Answer C: Incorrect

Answer D: Incorrect

5. What type of commercial loan is appropriate for a business that needs funds soon and plans to repay the loan within three months?

- a. working capital loan
- b. term loan
- c. participation loan
- d. indirect loan

Answer A: Working capital loan

Answer B: Incorrect

Answer C: Incorrect

Answer D: Incorrect