

CBE Competency 2
FS.CO2.LM02 Module 2
Summative Assessment

Instructions: Please read each term carefully and the different definitions included below. Match the letter for the Vocabulary Term with the Definition:

___1. Asset conversion	Answer: G
___2. Asset based lending	Answer: J
___3. Cash flow lending	Answer: E
___4. Seniority, protection and Control	Answer: F
___5. Seniority	Answer: B
___6. Implicit seniority	Answer: A
___7. Explicit seniority	Answer: D
___8. Possessory collateral	Answer: I
___9. Non-Possessory Collateral	Answer: H
___10. Control	

- a. The Bank is senior given an unsecured claim against an assets pool to which no other creditor has a prior secured claim. All other creditors have equally senior claim
- b. Secured claims have first priority in liquidation during a bankruptcy proceeding
- c. This is considered a short-term vehicle that finances short-term needs and payback is derived from the successful completion of asset conversion cycle
- d. Security agreement between the Bank and the Borrower with the filing of a financing statement under Article 9 of the Uniform Commercial Code (UCC)
- e. In this type of lending there is the use of term loans to finance permanent assets such as plant, machinery and equipment.
- f. Refers to the ongoing process by which the Bank's seniority and protection are monitored, maintained and policed.
- g. This lending rationale is defined as seasonal financing provided to a company to finance a temporary build-up of current assets created by deviations in the timing of the product demand or supply during the asset conversion cycle.
- h. The Bank is senior to all other creditors given a legally enforceable secured claim against specific collateral.
- i. Possession of title documents and/or cash collateral in case of marketable securities
- j. This lending rationale is viewed as a hybrid between the asset conversion credit facility and cash flow lending.