**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***

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

***Answer: True***

1. 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***

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

***Answer: True***

1. 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.***

1. 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.***

1. When evaluating the financial institution’s earnings performance there are two (2) different approaches :

Trend Analysis and level Analysis

***Answer: True***

1. 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.***

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

***Answer: True***

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

***Answer: True***

1. 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***

1. 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.***

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

***Answer: True***

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

***Answer: True***

1. 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.***