**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

1. 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
2. Secured claims have first priority in liquidation during a bankruptcy proceeding
3. This is considered a short-term vehicle that finances short-term needs and payback is derived from the successful completion of asset conversion cycle
4. Security agreement between the Bank and the Borrower with the filing of a financing statement under Article 9 of the Uniform Commercial Code (UCC)
5. In this type of lending there is the use of term loans to finance permanent assets such as plant, machinery and equipment.
6. Refers to the ongoing process by which the Bank’s seniority and protection are monitored, maintained and policed.
7. 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.
8. The Bank is senior to all other creditors given a legally enforceable secured claim against specific collateral.
9. Possession of title documents and/or cash collateral in case of marketable securities
10. This lending rationale is viewed as a hybrid between the asset conversion credit facility and cash flow lending.