**CBE Competency 3**

**FS.CO3.LMO2 Module 2 & 3**

**Summative Assessment**

**Instructions: Concept Mapping: Please read the sentence carefully and match it with the term that best describes the statement.**

1. These loans support the everyday operational expenses, are short term in nature and repayment usually occurs within twelve (12) months

***Answer: C***

1. Loans to finance permanent increases in inventory and accounts receivable associated to sales growth, expansion or a more permanent event in the life cycle of the company.

***Answer: E***

1. Purpose of these types of loans are fixed assets, mergers and acquisitions.

***Answer: A***

1. The main purpose is to have a written, legally enforceable understanding of the obligations of both parties: bank and the borrower.

***Answer: B***

1. Declaration of intention to lend without a contractual obligation

**Answer: G**

1. A formal contract between the bank and the Borrower.

***Answer: D***

1. This section provides certain attestations that the Borrower provides to the Bank including : a) the company is entering into the agreement legally, 2) financial statements are accurate 3) that no material adverse change has occurred to the business

***Answer: F***

1. Limits the Borrower’s ability to sell assets, make capital expenditures, change the primary business, engage in mergers, pay dividends or change in management or ownership without notifying the Bank.

***Answer: H***

1. This section of the loan agreement may require maintaining insurance , financial statements, pay taxes, and abide to certain accounting procedures.

***Answer: J***

1. The Borrower fails to perform an action required by the agreement. The agreement also states the timing

of the default.

***Answer: I***

1. Drafted to encourage Borrowers to reach the objectives in terms of liquidity, growth, profitability etc.

***Answer: L***

1. The Lender must encourage the Borrower to maintain an orderly and well –balanced growth.

***Answer: M***

1. The Lender should ensure that the Borrower continues as a going concern, generates profits and assets maintain adequate value in case of liquidation.

***Answer: K***

1. This covenants will be included in order to protect the Borrower against legal claims, lawsuits, guarantees on other third party indebtedness and significant outlays of cash

***Answer: O***

1. The Lender can verify the entity name via a copy of Schedule C of the personal income tax return. In some states proprietorship are required to file a certificate of doing business as (d/b/a/)

***Answer: N***

**Terms:**

A. Term loans

B. Loan documentation

C. Loans to finance trading/current assets

D. Loan Agreement

E. Permanent working capital loans

F. Representations and Warranties

G. Offering Letter

H. Negative Covenants

I. Events of Default

J. Affirmative Covenants

K. Asset Quality Preservation

L. Loan covenants

M. Control Growth

N. Sole Proprietorship

O. Contingent Liability covenant