

Unit 9 - Week 7

Course outline

How does an NPTEL online course work?

Week 0

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Week 7

- Lecture 31 : Management of Lending Activities - I
- Lecture 32 : Management of Lending Activities - II
- Lecture 33 : Management of Lending Activities - III
- Lecture 34 : Management of Lending Activities - IV
- Lecture 35 : Management of Lending Activities - V
- Lecture materials
- Quiz : Assignment 7
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details Solution

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Assignment 7

The due date for submitting this assignment has passed. **Due on 2020-03-18, 23:59 IST.**
 As per our records you have not submitted this assignment.

- With respect to bank lending activities, which of the following statement(s) is/are true? 1 point

Statement I: Adverse selection means that high-risk borrowers try to get loans from banks because they are willing to pay the average rate of interest, which is less than they would have to pay if their true condition were known to the bank

Statement II: Moral hazard is the risk that the borrowers, who have taken the loan, might use the funds to engage in high risk activities in expectation of earning higher returns

Statement III: Both moral hazard and adverse selection is a problem that arises out of information asymmetry

a. Only III
 b. Only II and III
 c. Only I and III
 d. All: I, II and III

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: d
- Banks should maintain a minimum margin of _____ percent of the market value of equity shares / convertible debentures held in physical form 1 point

a. 25
 b. 30
 c. 50
 d. 75

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: c
- Which of the following "C's" are not a part of credit worthiness of the borrower? 1 point

a. Cash
 b. Commitment
 c. Collateral
 d. Conditions

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: b
- Which of the following is method for making loans by a commercial bank? 1 point

a. Banks solicit loans
 b. Buying loans
 c. Commitments
 d. All of the above

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: d
- _____ is an agreement between a bank and a firm to lend funds under terms that are agreed upon in writing 1 point

a. Customer request loans
 b. Commitments
 c. Refinancing
 d. Overdrafts

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: b
- With respect to Principals of Lending, timely recovery of principal and interest and diversification of loans pertain to which of the following principals? 1 point

a. Principles of liquidity
 b. Principles of safety
 c. Principle of security
 d. Principle of value stability

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: b
- The guidelines by RBI regulating lending activities vary across the type of loans. 1 point

a. True
 b. False

a
 b

No, the answer is incorrect.
 Score: 0
 Accepted Answers: a
- "A bank cannot grant any loans and advances on the security of its own shares." 1 point

a. True
 b. False

a
 b

No, the answer is incorrect.
 Score: 0
 Accepted Answers: a
- Which of the following statement(s) is/are true? 1 point

Statement I	The interest rates for loans vary across different categories but are same for all the banks.
Statement II	The interest rate should be above the base rate.
Statement III	The base is determined on the basis of cost of deposits, CRR, SLR, overhead cost, return on equity.

a. Only III
 b. Only I and II
 c. Only II and III
 d. All: I, II and III

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: c
- With respect to Principals of Lending, minimization of gap between inflows and outflows, pertains to which of the following principals? 1 point

a. Principle of profitability
 b. Principle of purpose
 c. Principles of liquidity
 d. Principles of safety

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: c
- Credit risk exposure limit to a single borrower is _____ percent and _____ percent extra for infrastructure projects 1 point

a. 10, 15
 b. 15, 5
 c. 15, 20
 d. 10, 5

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: b
- "Loans frequently convey information to the marketplace about a borrower's credit quality" 1 point

a. True
 b. False

a
 b

No, the answer is incorrect.
 Score: 0
 Accepted Answers: a
- Which of the following is considered as a collateral by commercial banks? 1 point

a. Accounts Receivables
 b. Inventory
 c. Personal Guarantees
 d. All of the above

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: d
- Which of the following is not a step in the lending process? 1 point

a. Method and timing of repayment
 b. Evaluating a customer's character and sincerity of purpose
 c. Assessing Possible Loan Collateral and Signing the Loan Agreement
 d. Monitoring Compliance with the Loan Agreement and Other Customer Service Needs

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: a
- Which of the following does not reduce credit risk in loan policy? 1 point

a. Changes in technology
 b. Diversification of loans
 c. Proper documentation
 d. Credit limits

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: a
- Which of the following is a short term loan to business firms: 1 point

a. Term Business Loans
 b. Revolving Credit Financing
 c. Asset-Based Financing
 d. Leveraged Buyouts

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: c
- _____ is created on movable assets such as vehicles. The ownership as well as possession of the security remains with the borrower. 1 point

a. Pledge
 b. Hypothecation
 c. Assignment
 d. Mortgage

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: b
- _____ is secured by accounts receivable or by pledges of inventory and carries a floating interest rate. 1 point

a. Self-Liquidating Inventory Loans
 b. Working Capital Loans
 c. Retailer and Equipment Financing
 d. Security Dealer Financing

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: b
- _____ allows a customer to borrow up to a prespecified limit, repay all or a portion of the borrowing, and re-borrow as necessary. 1 point

a. Retailer and Equipment Financing
 b. Security Dealer Financing
 c. Revolving Credit Financing
 d. Term Business Loans

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: c
- _____ is a secured short-term loan used to support the construction of homes, apartments, office buildings, shopping centers, and other permanent structures. 1 point

a. Security Dealer Financing
 b. Interim Construction Financing
 c. Asset-Based Financing
 d. Term Business Loans

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: b