Question bank

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Q1- Explain briefly the following statements:

1- Define credit, who uses the credit and what are the two functions of credit review process?
2- What are the reasons of visiting to the customer's business in lending procedures?
3- What are the principal components of a loan agreement?
4- What do we mean by bank credit, and who uses credit? What're the elements of credit?
5- What are the normal based considerations of Loan Request from Customer?
6- The loan interview provides an opportunity for the bank's loan officer?
7- What do we mean by credit management, and what are Sources of credit Risk, explain them in detail?
8- What do we mean by credit analysis and what is credit to focus their analysis on the key dimensions of an applicant's creditworthiness, explain them in detail?
9- What do we mean by bank credit, and who uses credit? What're the elements of credit?
10- What are the advantages of credit to Contribution of economic growth?
11- What do we mean by credit, and what is the cost of credit? How is the cost of credit determined?

Q2-Fill in the following blanks with appropriate words:-

1-The scheduled interview of personal interaction between the loan officer and the applicant for loan facility is considered necessary in lending procedure.

2-Bank lending is the granting of credit facilities to borrowers (individuals, companies and organizations) at an interest rate.

3-There are basic principles which normally come into play when the commercial banks consider the establishment of lending policies for their operations. Such principles are: Safety, Liquidity, Profitability, Diversification, Stability, Purpose

4-The amount of interest you are charged by a lender is determined by several factors, include the Credit Score, Credit History, Employment Type and Income, Loan Size, Length of Term, collateral..etc.

5-elements of credit are: One who lends money/provides credit – creditor

One who borrows money/uses credit - debtor

Creditors charge a fee for using their money – interest

6- Short-term credits are scheduled to be repaid within one year.

7- Bank credit can be classified by nature into: Funded credits or non-documentary credits and Non-funded credits or documentary credits

8- Effective Credit Management serves to prevent late payment or non-payment, the two being the greatest risks commercial banks face when conducting their operations.

9- Getting the credit management right reinforces the bank's financial or liquidity position, making it a critical component banking.

10- There are two main sources of credit risk factors. These are external and internal risk factors.

11- character and Capacity typically gives primary attention in the credit analyst.

12- Capital, Collateral, and Conditions is important in structuring the credit management and making the final credit decision in the credit analyst.

13- The Credit Management function incorporates all of a commercial bank's activities aimed at ensuring that customers pay their loans within the determined payment terms and conditions.

14- Credit management is a process of granting credit, the terms it's granted on and recovering this credit when it's due.

15-The credit management process needs to be understood and followed with adequate checks made on creditworthiness of new and existing customers, and credit limits .

16- For a new project the technical feasibility and economic viability report will be evaluated to determine the nature of cash inflows in terms of stability of earnings.

17- Lending procedures are normally initiated by both the bank and the customers who are seeking for credits with which to run their business operations.

18- “Credit” means; an agreement to get money, goods, services now in exchange for a promise to pay in the future.
19- “Bank Credit” refers to; the amount of credit available to a business or individual from a banking institution in the form of loans.
20- Bank lending is used as a vehicle/tool for driving government monetary policy through expansion and contraction in the amount of credit facilities
21- The external factors are the state of the economy, wide swings in commodity/equity prices, foreign exchange rates and interest rates, trade restrictions, economic sanctions, Government policies, etc.
22- The internal factors are deficiencies in loan policies, ineffective administration, absence of prudential credit concentration limits, inadequately defined lending limits for Loan Officers/Credit Committees, deficiencies in assessment and evaluation of borrowers’ financial position, excessive dependence on collaterals, absence of loan review mechanism…etc.

Q3- Enumerate the following in financial style:-

1-Four common forms of credit
2-The objectives of bank lending
3- Disadvantages of Credit
4- The five C’s of credit analysis
5-Principles of Bank Lending Policies
6- The most important types of credit by purpose

Q4- Compare the following credit terms and concepts, in clear financial form:-

1- Funded credits or non-documentary credits vs. Non-funded credits or documentary credits
2- Mid-term credits and Long-term credits
3-Secured vs. Unsecured Credit
4-Good credit vs. Bad credit
5- Installment Credit vs. Non-Installment or Service Credit
6- Revolving Accounts vs. Charge Cards