

- 1) Which of the following statements are true?
  - A) A bank's liabilities are its sources of funds.
  - B) A bank's balance sheet has the property that total assets equal the sum of total liabilities and equity capital.
  - C) A bank's assets are its uses of funds.
  - D) Each of the above are true.
  - E) Only A and B of the above are true.
  
- 2) Which of the following statements is false?
  - A) A bank issues liabilities to acquire funds.
  - B) Bank capital is an asset in the bank balance sheet.
  - C) A bank's assets are its uses of funds.
  - D) The bank's assets provide the bank with income.
  
- 3) Which of the following are reported as liabilities on a bank's balance sheet?
  - A) Cash items in the process of collection
  - B) Discount loans
  - C) State government securities
  - D) All of the above
  - E) Only A and B of the above
  
- 4) The share of checkable deposits in total bank liabilities has
  - A) remained virtually unchanged since 1960.
  - B) shrunk over time.
  - C) expanded dramatically over time.
  - D) expanded moderately over time.
  
- 5) Checkable deposits and money market deposit accounts are
  - A) payable on demand.
  - B) liabilities of the banks.
  - C) assets of the banks.
  - D) only A and B of the above.
  - E) only A and C of the above.
  
- 6) Which of the following statements are true?
  - A) Checkable deposits are payable on demand.
  - B) Checkable deposits include NOW accounts.
  - C) Checkable deposits are the primary source of bank funds.
  - D) All of the above are true.
  - E) Only A and B of the above are true.

7) Which of the following are nontransaction deposits?

- A) Certificates of deposit
- B) Small-denomination time deposits
- C) Savings accounts
- D) All of the above
- E) Only A and B of the above.

8) Large-denomination CDs are \_\_\_\_\_, so that like a bond they can be resold in a \_\_\_\_\_ market before they mature.

- A) nonnegotiable; primary
- B) negotiable; primary
- C) nonnegotiable; secondary
- D) negotiable; secondary

9) Because checking accounts are \_\_\_\_\_ liquid for the depositor than passbook savings, they earn \_\_\_\_\_ interest rates.

- A) less; higher
- B) more; lower
- C) more; higher
- D) less; lower

10) Because time deposits are \_\_\_\_\_ liquid for the depositor than passbook savings, they earn \_\_\_\_\_ interest rates.

- A) more; higher
- B) more; lower
- C) less; higher
- D) less; lower

11) Bank capital is listed on the \_\_\_\_\_ side of the bank's balance sheet because it represents a \_\_\_\_\_ of funds.

- A) liability; source
- B) liability; use
- C) asset; source
- D) asset; use

12) Bank loans from the Federal Reserve are called \_\_\_\_\_ and represent a \_\_\_\_\_ of funds.

- A) fed funds; use
- B) fed funds; source
- C) discount loans; source
- D) discount loans; use

13) Bank reserves include

- A) deposits at the Fed.
- B) vault cash.
- C) short-term Treasury securities.
- D) all of the above.
- E) both A and B of the above.

14) Which of the following are reported as assets on a bank's balance sheet?

- A) U.S. Treasury securities
- B) Loans
- C) Discount loans from the Fed
- D) Only A and B of the above

- 15) Which of the following are reported as assets on a bank's balance sheet?
- A) Cash items in the process of collection
  - B) Deposits with other banks
  - C) Bank capital
  - D) Checkable deposits
  - E) Only A and B of the above
- 16) Which of the following are not reported as assets on a bank's balance sheet?
- A) Checkable deposits
  - B) U.S. Treasury securities
  - C) Deposits with other banks
  - D) Cash items in the process of collection
- 17) Which of the following are not reported as assets on a bank's balance sheet?
- A) Loans
  - B) Discount loans from the Fed
  - C) Reserves
  - D) Only A and B of the above
- 18) Which of the following bank assets is the most liquid?
- A) Cash items in process of collection
  - B) Consumer loans
  - C) Reserves
  - D) U.S. government securities
- 19) Of the following bank assets, the most liquid is
- A) U.S. government securities.
  - B) physical capital.
  - C) commercial loans.
  - D) state and local government securities.
  - E) consumer loans.
- 20) Which of the following bank assets is the least liquid?
- A) Deposits with other banks
  - B) Cash items in process of collection
  - C) Reserves
  - D) Secondary reserves
- 21) Secondary reserves include
- A) state and local government securities.
  - B) deposits at other large banks.
  - C) deposits at Federal Reserve Banks.
  - D) short-term Treasury securities.
  - E) all of the above.

22) Secondary reserves are so called because

- A) 50% of these assets count toward meeting required reserves.
- B) they are not easily converted into cash, and are, therefore, of secondary importance to banking firms.
- C) they can be converted into cash with low transactions costs.
- D) of none of the above.

23) Banks' asset portfolios include state and local government securities because

- A) their interest payments are tax deductible for federal income taxes.
- B) banks consider them helpful in attracting state and local government accounts.
- C) the Federal Reserve requires member banks to buy securities from state and local governments located within their respective Federal Reserve districts.
- D) of all of the above.
- E) of only A and B of the above.

24) Loans

- A) earn the highest return of all bank assets.
- B) provide most of the bank's revenues.
- C) are the largest category of bank assets.
- D) do each of the above.
- E) do only A and B of the above.

25) The benefits to a bank from making loans include

- A) high returns.
- B) liquidity.
- C) safety.
- D) all of the above.
- E) both A and C of the above.

26) In general, banks make profits by selling \_\_\_\_\_ liabilities and buying \_\_\_\_\_ assets.

- A) short-term; longer-term
- B) illiquid; liquid
- C) risky; risk-free
- D) long-term; shorter-term

27) Asset transformation can be described as

- A) borrowing long and lending short.
- B) borrowing and lending only for the short term.
- C) borrowing short and lending long.
- D) borrowing and lending for the long term.
- E) making only high-interest loans.

- 28) When a new depositor opens a checking account at the First National Bank, the bank's assets \_\_\_\_\_ and its liabilities \_\_\_\_\_.
- A) increase; increase      B) decrease; decrease      C) decrease; increase      D) increase; decrease
- 29) When Jane Brown writes a \$100 check to her nephew (who lives in another state), Ms. Brown's bank \_\_\_\_\_ assets of \$100 and \_\_\_\_\_ liabilities of \$100.
- A) loses; gains      B) gains; loses      C) gains; gains      D) loses; loses
- 30) When you deposit a \$50 bill in the Security Pacific National Bank,
- A) its liabilities increase by \$50.  
B) its assets increase by \$50.  
C) its reserves increase by \$50.  
D) all of the above occur.  
E) only B and C of the above occur.
- 31) When you deposit \$50 in currency at Old National Bank,
- A) its assets increase by less than \$50 because of reserve requirements.  
B) its liabilities increase by \$50.  
C) its reserves increase by less than \$50 because of reserve requirements.  
D) only A and B of the above occur.
- 32) Holding all else constant, when a bank receives the funds for a deposited check,
- A) cash items in the process of collection fall by the amount of the check.  
B) bank assets remain unchanged.  
C) bank liabilities decrease by the amount of the check.  
D) all of the above.  
E) only A and B of the above.
- 33) When a \$10 check written on the First National Bank of Chicago is deposited in an account at Citibank, then
- A) the liabilities of Citibank increase by \$10.  
B) the reserves of the First National Bank increase by \$ 10.  
C) the liabilities of the First National Bank increase by \$10.  
D) the assets of Citibank fall by \$10.

- 34) When a \$10 check written on the First National Bank of Chicago is deposited in an account at Citibank, then
- A) the liabilities of the First National Bank decrease by \$10.
  - B) the liabilities of Citibank increase by \$10.
  - C) the reserves of the First National Bank increase by \$ 10.
  - D) all of the above occur.
  - E) only A and B of the above occur.
- 35) When you deposit \$50 in your account at First National Bank and a \$100 check you have written on this account is cashed at Chemical Bank, then
- A) the liabilities of First National decrease by \$50.
  - B) the reserves at First National fall by \$50.
  - C) the liabilities at Chemical Bank rise by \$50.
  - D) all of the above occur.
  - E) only A and B of the above occur.
- 36) When you deposit \$50 in your account at First National Bank and a \$100 check you have written on this account is cashed at Chemical Bank, then
- A) the reserves at First National decrease by \$50.
  - B) the liabilities of First National decrease by \$50.
  - C) the liabilities at Chemical Bank rise by \$100.
  - D) all of the above occur.
  - E) only A and B of the above occur.
- 37) When \$1 million is deposited at a bank, the required reserve ratio is 20 percent, and the bank chooses not to hold any excess reserves but makes loans instead, then, in the bank's final balance sheet,
- A) the assets at the bank increase by \$1,000,000.
  - B) reserves increase by \$200,000.
  - C) the liabilities of the bank increase by \$1,000,000.
  - D) each of the above occurs.
  - E) both A and B of the above occur.
- 38) When \$1 million is deposited at a bank, the required reserve ratio is 20 percent, and the bank chooses not to hold any excess reserves but makes loans instead, then, in the bank's final balance sheet,
- A) reserves increase by \$160,000.
  - B) the liabilities of the bank increase by \$800,000.
  - C) the assets at the bank increase by \$800,000.
  - D) the liabilities of the bank increase by \$1,000,000.

- 39) Which of the following are primary concerns of the bank manager?
- A) Extending loans to borrowers who will pay high interest rates, but who are also good credit risks
  - B) Acquiring funds at a relatively low cost, so that profitable lending opportunities can be realized
  - C) Maintaining sufficient reserves to minimize the cost to the bank of deposit outflows
  - D) All of the above
- 40) If a bank has \$100,000 of deposits, a required reserve ratio of 20 percent, and it holds \$30,000 in reserves, then it has enough reserves to support a deposit outflow of
- A) \$20,000.
  - B) \$11,000.
  - C) \$5,000.
  - D) either A or B of the above.
  - E) either B or C of the above.
- 41) If a bank has \$1 million of deposits, a required reserve ratio of 20 percent, and it holds \$300,000 in reserves, it need not rearrange its balance sheet if there is a deposit outflow of
- A) \$50,000.
  - B) \$100,000.
  - C) \$150,000.
  - D) any of the above
  - E) either A or B of the above.
- 42) If a bank has \$100,000 of deposits, a required reserve ratio of 20 percent, and it holds \$40,000 in reserves, then the maximum deposit outflow it can sustain without altering its balance sheet is
- A) \$20,000.
  - B) \$30,000.
  - C) \$25,000.
  - D) \$10,000.
- 43) If a bank has \$200,000 of deposits, a required reserve ratio of 20 percent, and it holds \$80,000 in reserves, then the maximum deposit outflow it can sustain without altering its balance sheet is
- A) \$30,000.
  - B) \$25,000.
  - C) \$50,000.
  - D) \$40,000.
- 44) A \$5 million deposit outflow from a bank has the immediate effect of
- A) reducing deposits and capital by \$5 million.
  - B) reducing deposits and reserves by \$5 million.
  - C) reducing deposits and securities by \$5 million.
  - D) reducing reserves and increasing loans by \$5 million.
  - E) reducing deposits and loans by \$5 million.

- 45) If, after a deposit outflow, a bank has a reserve deficiency of \$ 3 million, it can meet its reserve requirements by
- A) increasing loans by \$3 million.
  - B) repay its discount loans from the Fed.
  - C) reducing deposits by \$3 million.
  - D) selling \$3 million of securities.
  - E) reducing its capital by \$3 million
- 46) Banks protect themselves from the disruption of deposit outflows by
- A) holding excess reserves.
  - B) selling securities.
  - C) "calling in" loans.
  - D) doing all of the above.
  - E) doing only A and B of the above.
- 47) A bank facing a reserve deficiency will first
- A) call in loans.
  - B) borrow from the Fed.
  - C) sell securities.
  - D) borrow from other banks.
  - E) all of the above.
- 48) A bank can reduce its total amount of loans outstanding by
- A) "calling in" loans—that is, by not renewing some loans when they come due.
  - B) selling them to other banks.
  - C) selling them to the Federal Reserve.
  - D) doing all of the above.
  - E) doing only A and B of the above.
- 49) Everything else equal, a bank will hold less excess reserves when
- A) it expects to have a deposit inflow in the near future.
  - B) the cost of selling off loans rises.
  - C) brokerage commissions on selling bonds rise.
  - D) all of the above occur.
  - E) none of the above occur.
- 50) Banks hold excess reserves, secondary reserves, and \_\_\_\_\_ because they all provide insurance against the highest cost of a deposit outflow—bank failure.
- A) deposits
  - B) securities
  - C) loans
  - D) bank capital

- 51) A bank holding insufficient reserves can meet its reserve requirements by
- A) selling secondary reserves.
  - B) borrowing federal funds.
  - C) borrowing from other banks.
  - D) all of the above.
  - E) both A and B of the above.
- 52) A bank with insufficient reserves can increase its reserves by
- A) calling in loans.
  - B) buying short-term Treasury securities.
  - C) buying municipal bonds.
  - D) lending federal funds.
  - E) all of the above.
- 53) The First National Bank gains reserves when
- A) a check written on an account at another bank is deposited in First National.
  - B) it receives a discount loan from the Federal Reserve.
  - C) it pays back a discount loan from the Federal Reserve.
  - D) both A and B of the above occur.
  - E) both A and C of the above occur.
- 54) Which of the following statements are accurate descriptions of modern liability management?
- A) Greater flexibility in liability management has allowed banks to increase the proportion of their assets held in loans.
  - B) New financial instruments enable banks to acquire funds quickly.
  - C) The introduction of negotiable CDs has significantly reduced the percentage of funds that banks borrow from one another to finance loans.
  - D) All of the above have occurred since 1960.
  - E) Only A and B of the above have occurred since 1960.
- 55) Banks that actively manage liabilities will most likely meet a reserve shortfall by
- A) calling in loans.
  - B) borrowing federal funds.
  - C) seeking new deposits.
  - D) selling municipal bonds.
  - E) reducing sales of negotiable certificates of deposit.

- 56) Modern liability management has resulted in
- A) increased sales of certificates of deposits to raise funds.
  - B) reduced borrowing by banks in the overnight loan market.
  - C) increase importance of deposits as a source of funds.
  - D) failure by banks to coordinate management of assets and liabilities.
  - E) all of the above.
- 57) A bank is insolvent when
- A) its capital account increases.
  - B) its assets exceed its liabilities.
  - C) its capital exceeds its liabilities.
  - D) its liabilities exceed its assets.
  - E) its assets increase in value.
- 58) Holding large amounts of bank capital helps prevent bank failures because
- A) it can be used to absorb the losses resulting from a deposit outflow.
  - B) it means that the bank has a higher income.
  - C) it makes loans easier to sell.
  - D) it makes it easier to call in loans.
- 59) Bank capital
- A) acts to reassure loan customers that the bank is not likely to fail due to a few bad loans.
  - B) acts as a cushion against a drop in the value of assets.
  - C) acts to reassure uninsured depositors that the bank is sound.
  - D) does each of the above.
  - E) does only A and B of the above.
- 60) Depositors want banks to have \_\_\_\_\_ net worth to help ensure that banks do not \_\_\_\_\_ in the production of information about borrowers.
- A) high; under-invest
  - B) low; under-invest
  - C) high; over-invest
  - D) low; over-invest
- 61) Since depositors, like any lender, only receive fixed payments while the bank keeps any surplus profits, they face the \_\_\_\_\_ problem that banks may take on too \_\_\_\_\_ risk.
- A) adverse selection; little
  - B) adverse selection; much
  - C) moral hazard; little
  - D) moral hazard; much

- 62) One way for a bank to assure depositors that it is not taking on too much risk, and so obtain their deposits, is for it to
- A) shorten the maturity of its liabilities.
  - B) lengthen the maturity of its assets.
  - C) reduce its equity capital.
  - D) diversify its loan portfolio.
- 63) A bank can signal its depositors that its incentives are compatible with theirs by
- A) maintaining a high amount of equity capital.
  - B) diversifying its loan portfolio.
  - C) shortening the maturity of its liabilities.
  - D) doing all of the above.
  - E) doing both A and B of the above.
- 64) Which of the following is an argument in support of a regulated minimum capital requirement?
- A) Banks that hold too little capital are too profitable.
  - B) Banks that hold too little capital have an unfair competitive advantage over savings and loans.
  - C) Banks that hold too little capital impose costs on other banks because they are more likely to fail.
  - D) All of the above.
- 65) Net profit after taxes per dollar of equity capital is a basic measure of bank profitability called
- A) return on investment.
  - B) return on equity.
  - C) return on capital.
  - D) return on assets.
- 66) For a given return on assets,
- A) the lower is bank capital, the lower is the return for the owners of the bank.
  - B) the lower is bank capital, the higher is the return for the owners of the bank.
  - C) the lower is bank capital, the lower is the credit risk for the owners of the bank.
  - D) both A and C of the above.
- 67) Conditions that likely contributed to a credit crunch in 1990–92 include:
- A) a decline in bank capital caused by loan losses due to falling real estate prices.
  - B) regulated hikes in bank capital requirements.
  - C) falling interest rates that raised interest rate risk, causing banks to choose to hold more capital.
  - D) all of the above.
  - E) only A and B of the above.

- 68) Banks' attempts to solve adverse selection and moral hazard problems help explain loan management principles such as:
- A) collateral and compensating balances.
  - B) screening and monitoring of loan applicants.
  - C) credit rationing.
  - D) all of the above.
  - E) only A and B of the above.
- 69) Banks attempt to screen out the good credit risks from the bad credit risks to reduce the incidence of loan defaults. To do this, banks
- A) write restrictive covenants into loan contracts.
  - B) expend resources to acquire accurate credit histories of their potential loan customers.
  - C) specialize in lending to certain industries or regions.
  - D) do all of the above.
- 70) From the standpoint of \_\_\_\_\_, specialization in lending is surprising but makes perfect sense when one considers the \_\_\_\_\_ problem.
- A) moral hazard; diversification
  - B) adverse selection; diversification
  - C) diversification; adverse selection
  - D) diversification; moral hazard
- 71) Provisions in loan contracts that prohibit borrowers from engaging in specified risky activities are called
- A) due-on-sale clauses.
  - B) proscription bonds.
  - C) liens.
  - D) restrictive covenants.
- 72) Long-term relationships between banks and their customers, and loan commitments
- A) enable banks to deal with moral hazard contingencies that are neither anticipated nor specified in restrictive covenants.
  - B) make it easier for banks to screen good from bad risks.
  - C) reduce the costs of information collection.
  - D) do all of the above.
  - E) do only A and B of the above.
- 73) Compensating balances
- A) are a required minimum amount of funds that a borrower (i.e., a firm receiving a loan) must keep in a checking account at the bank.
  - B) allow banks to monitor firms' check payment practices which can yield information about their borrowers' financial conditions.
  - C) are a particular form of collateral commonly required on commercial loans.
  - D) all of the above.

- 74) A bank that wants to monitor the check payment practices of its commercial borrowers, so that moral hazard can be prevented, will require borrowers to
- A) place a bank officer on their board of directors.
  - B) place a corporate officer on the bank's board of directors.
  - C) keep compensating balances in a checking account at the bank.
  - D) do all of the above.
  - E) do only A and B of the above.
- 75) Of the following methods that banks might use to reduce moral hazard problems, the one not legally permitted in the United States is the
- A) requirement that firms place on their board of directors an officer from the bank.
  - B) requirement that firms keep compensating balances at the banks from which they obtain their loans.
  - C) requirement that individuals provide detailed credit histories to bank loan officers.
  - D) inclusion of restrictive covenants in loan contracts.
- 76) When a lender refuses to make a loan, although borrowers are willing to pay the stated interest rate or even a higher rate, the bank is said to engage in
- A) credit rationing.
  - B) collusive behavior.
  - C) strategic holding out.
  - D) coercive bargaining.
- 77) Credit rationing occurs when a bank
- A) refuses to make a loan of any amount to a borrower, even when she is willing to pay a higher interest rate.
  - B) restricts the size of the loan to less than the borrower would like.
  - C) does either A or B of the above.
  - D) does neither A nor B of the above.
- 78) Because larger loans create greater incentives for borrowers to engage in undesirable activities that make it less likely they will repay the loans, banks
- A) ration credit, granting borrowers smaller loans than they have requested.
  - B) ration credit, charging higher interest rates to borrowers who want large loans than to those who want small loans.
  - C) ration credit, charging higher fees as a percentage of the loan to borrowers who want large loans than to those who want small loans.
  - D) do none of the above.

79) Credit risk management tools include:

- A) credit rationing.
- B) collateral.
- C) interest rate swaps.
- D) all of the above.
- E) only A and B of the above.

80) All else the same, if a bank has more rate-sensitive liabilities than assets, then a(n) \_\_\_\_\_ in interest rates will \_\_\_\_\_ bank profits.

- A) increase; reduce
- B) decline; not affect
- C) decline; reduce
- D) increase; increase

81) If a bank has more rate-sensitive assets than liabilities, then a(n) \_\_\_\_\_ in interest rates will \_\_\_\_\_ bank profits.

- A) decline; not affect
- B) decline; increase
- C) increase; increase
- D) increase; reduce

82) If the First State Bank has a gap equal to a positive \$20 million, then a 5 percentage point drop in interest rates will cause profits to

- A) decline by \$10 million.
- B) increase by \$10 million.
- C) increase by \$1.0 million.
- D) decline by \$1.0 million.

83) If the First National Bank has a gap equal to a negative \$30 million, then a 5 percentage point increase in interest rates will cause profits to

- A) increase by \$15 million.
- B) decline by \$1.5 million.
- C) increase by \$1.5 million.
- D) decline by \$15 million.

*First National Bank*

	<b>Assets</b>	<b>Liabilities</b>
<b>Rate-sensitive</b>	\$20 million	\$50 million
<b>Fixed-rate</b>	\$80 million	\$50 million

84) If interest rates rise by 5 percentage points, say, from 10 to 15%, bank profits (measured using gap analysis) will

- A) decline by \$0.5 million.
- B) increase by \$1.5 million.
- C) decline by \$2.5 million.
- D) decline by \$1.5 million.

85) Assuming that the average duration of its assets is five years, while the average duration of its liabilities is three years, then a 5 percentage point increase in interest rates will cause the net worth of First National to \_\_\_\_\_ by \_\_\_\_\_ of the total original asset value.

- A) decline; 5 percent
- B) decline; 15 percent
- C) decline; 10 percent
- D) decline; 25 percent

First National Bank

	Assets	Liabilities
Rate-sensitive	\$40 million	\$50 million
Fixed-rate	\$60 million	\$50 million

- 86) If interest rates rise by 5 percentage points, say from 10 to 15%, bank profits (measured using gap analysis) will
- A) increase by \$2.0 million.
  - B) decline by \$2.5 million.
  - C) decline by \$0.5 million.
  - D) decline by \$1.5 million.
- 87) Assuming that the average duration of its assets is four years, while the average duration of its liabilities is three years, then a 5 percentage point increase in interest rates will cause the net worth of First National to \_\_\_\_\_ by \_\_\_\_\_ of the total original asset value.
- A) decline; 10 percent
  - B) increase; 20 percent
  - C) decline; 5 percent
  - D) decline; 15 percent
- 88) When interest rates are expected to rise in the future, a banker is likely to
- A) make short-term rather than long-term loans.
  - B) buy short-term rather than long-term bonds.
  - C) buy long-term rather than short-term bonds.
  - D) do A and B of the above.
- 89) Because of an expected fall in interest rates in the future, a banker will likely
- A) buy short-term rather than long-term bonds.
  - B) make short-term rather than long-term loans.
  - C) buy long-term rather than short-term bonds.
  - D) none of the above.
  - E) do both A and B of the above.
- 90) Bruce the Bank Manager can reduce interest rate risk by \_\_\_\_\_ the duration of the bank's assets to increase their rate sensitivity or, alternatively, \_\_\_\_\_ the duration of the bank's liabilities.
- A) lengthening; shortening
  - B) shortening; shortening
  - C) lengthening; lengthening
  - D) shortening; lengthening
- 91) Which of the following help financial institutions reduce interest-rate risk?
- A) Options for debt instruments
  - B) Interest-rate swaps
  - C) Financial futures
  - D) All of the above
  - E) Only A and B of the above

- 92) Examples of off-balance sheet activities include
- A) trading in financial futures.
  - B) foreign exchange market transactions.
  - C) loan sales.
  - D) all of the above.
  - E) only A and B of the above.
- 93) A reason why rogue traders have bankrupt their banks is due to
- A) a failure to maintain proper internal controls.
  - B) stringent supervision of trading activities by bank management.
  - C) accounting errors.
  - D) a failure of regulation.
  - E) the separation of trading activities from the bookkeepers.
- 94) The principal-agent problem that exists for bank trading activities can be reduced through
- A) increased freedom for traders from managerial supervision.
  - B) creation of internal controls that separate trading activities from bookkeeping.
  - C) creation of internal controls that combine trading activities with bookkeeping.
  - D) elimination of regulation of banking.
  - E) elimination of internal controls.
- 95) Banks develop statistical models to calculate their maximum loss over a given time period. This approach is known as the
- A) stress-testing approach.
  - B) doomsday approach.
  - C) probabilistic approach.
  - D) value-at-risk approach.
  - E) trading-loss approach.

Answer Key  
Testname: CH9

- 1) D
- 2) B
- 3) B
- 4) B
- 5) D
- 6) E
- 7) D
- 8) D
- 9) B
- 10) C
- 11) A
- 12) C
- 13) E
- 14) D
- 15) E
- 16) A
- 17) B
- 18) C
- 19) A
- 20) D
- 21) D
- 22) C
- 23) E
- 24) D
- 25) A
- 26) A
- 27) C
- 28) A
- 29) D
- 30) D
- 31) B
- 32) E
- 33) A
- 34) E
- 35) E
- 36) E
- 37) D
- 38) D
- 39) D
- 40) E
- 41) E
- 42) C
- 43) C
- 44) B
- 45) D
- 46) D
- 47) D
- 48) E
- 49) A
- 50) D
- 51) D

Answer Key  
Testname: CH9

- 52) A
- 53) D
- 54) E
- 55) B
- 56) A
- 57) D
- 58) A
- 59) D
- 60) A
- 61) D
- 62) D
- 63) E
- 64) C
- 65) B
- 66) B
- 67) E
- 68) D
- 69) D
- 70) C
- 71) D
- 72) D
- 73) D
- 74) C
- 75) A
- 76) A
- 77) C
- 78) A
- 79) E
- 80) A
- 81) C
- 82) D
- 83) B
- 84) D
- 85) C
- 86) C
- 87) C
- 88) D
- 89) C
- 90) D
- 91) D
- 92) D
- 93) A
- 94) B
- 95) D