

LEARNING OBJECTIVES

Problem Questions

1. Describe the basic functions of banks.
2. Why is it easier for banks than for private individuals to take on the risk of default?
3. Explain the terms "right deposits" and "sight deposits".
4. Explain the various forms of assets using the terms:
deposits, loans, mortgages, assets, member's funds, provision's funds.
5. The loan-to-value of a loan varies according to _____.
6. Why are secured facilities (e.g. current accounts) only a marginal way of financing for a business?
7. Explain the economic importance of residential loans.
8. Explain the meaning and the economic importance of mortgage loans.
9. You are given a mortgage loan of £1,000,000 with an interest rate of 5% p.a., the monthly repay is £48,000. Use this example to explain the priority loan.
10. Use the priority lending on current accounts and the mortgage loan to highlight the difference between a revolving and a single credit.