20 COMMERCIAL AND RETAIL BANKING

3.5 COMMERCIAL BANKING

1. The bank generally ________ interest to the depositors.
2. The bank uses the money that has been deposited to ________ loans.
3. Before lending money the bank has to ________ or calculate the risk involved.
4. Banks also create ________, i.e. make money available for someone to borrow.
5. Choose: TRUE or FALSE. Banks make a profit by paying a higher rate of interest to depositors than they charge to borrowers.
6. Commercial banks can also move or ________ money from one customer's bank account to another one.
7. The capital a bank has and the loans it has made are its ________.
8. The customer's deposits are ________ because the money is owed to someone else.
9. Banks generally know from experience how much cash to keep in their reserves for customers who want to ________ it.
10. Banks have to keep a certain percentage of their assets as ________ for borrowers who want to withdraw their money.
11. The amount of funds that a bank holds in reserve to ensure that it is able to meet liabilities in case of sudden withdrawals is a ________.
12. Choose: TRUE or FALSE. The greater the risk for the bank of not being repaid, the higher the interest rate they charge.
13. Choose: TRUE or FALSE. With standardized products, all customers are charged different interest rate.
14. Large companies these days prefer to ________ their own finance rather than borrow from banks.
15. Corporate customers are ________________.
16. ________ refers to the ease with which an asset, or security, can be converted into ready cash without affecting its market price.
17. ________ is the date when a debt comes due and all principal and/or interest must be repaid to creditors.
18. The ________ of a loan is its annual return, i.e., how much money it pays expressed as a percentage.
19. Choose: TRUE or FALSE. Wages are paid every month.
20. A ________ account usually pays little or no interest, but allows the holder to withdraw their cash with no restrictions.
21. A ________ is a warning that something will happen or needs to happen.
22. A ________ is a fixed sum of money, lent for a fixed period, on which interest is paid.
23. ________ is an arrangement by which customers can take more money out of their bank account than the account contains.
24. The ________ is the difference in price between the buy and sell prices quoted for an asset.
25. Choose: TRUE or FALSE. Banks are able to lend more money than they receive in deposits because depositors rarely withdraw all their money at the same time.

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