

CCE Practice Test Questions and Answers

1. What does Altman Z-score predict?

- A) Employee turnover rate
- B) Probability of corporate bankruptcy
- C) Stock price volatility
- D) Customer satisfaction levels

2. Why is a 'credit limit' set for borrowers?

- A) To discourage all borrowing activity.
- B) To cap maximum exposure to a single borrower.
- C) To simplify accounting processes.
- D) To eliminate the need for credit scoring.

3. How does 'seasoning' affect a credit portfolio?

- A) New loans perform better than aged loans.
- B) Aged loans often have more stable performance.
- C) It refers to loans with seasonal payment terms.
- D) It eliminates the need for risk assessment.

4. What is the primary objective of a credit policy?

- A) To maximize sales without considering risk.
- B) To standardize credit decisions while minimizing defaults.
- C) To eliminate all credit risk by refusing loans.
- D) To delegate underwriting entirely to third parties.

Answers: 1-B 2-B 3-B 4-B

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