

# CFI Commercial Banking & Credit Analyst (CBCA) Core Course Assessments Practice Test (Sample)

## Study Guide



**Everything you need from our exam experts!**

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# Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

# How to Use This Guide

**This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:**

## 1. Start with a Diagnostic Review

**Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.**

## 2. Study in Short, Focused Sessions

**Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.**

## 3. Learn from the Explanations

**After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.**

## 4. Track Your Progress

**Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.**

## 5. Simulate the Real Exam

**Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.**

## 6. Repeat and Review

**Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.**

**There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!**

## **Questions**

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- 1. What does a proper loan structure accomplish for both borrower and lender?**
  - A. It ensures the company remains in business**
  - B. It satisfies financial needs and optimizes profitability**
  - C. It guarantees timely loan repayment**
  - D. It limits the lender's risks entirely**
- 2. In what order should documentation be submitted during the loan approval process?**
  - A. Loan application -> Commitment letter -> Term sheet -> Loan agreement**
  - B. Term sheet -> Loan agreement -> Loan application -> Commitment letter**
  - C. Loan application -> Term sheet -> Commitment letter -> Loan agreement**
  - D. Loan agreement -> Commitment letter -> Term sheet -> Loan application**
- 3. What are the responsibilities of legal counsel in relation to security registration?**
  - A. Ensure that the security is properly registered**
  - B. Advise the borrower about the lender's rights on default**
  - C. Both options are correct**
  - D. None of the above**
- 4. When competition within an industry is high, which of the following is most likely to be true?**
  - A. Buyers have low bargaining power**
  - B. Sellers have high control over pricing**
  - C. Buyers have high bargaining power**
  - D. New entrants face low barriers to entry**
- 5. If the company's balance sheet is the same for both scenarios, what could have caused the changes in the ratios for Scenario 2?**
  - A. A lower interest rate on loans.**
  - B. A shorter amortization period in the loans.**
  - C. A longer amortization period in the loans.**
  - D. A higher loan amount issued.**

**6. Where in a business plan would you typically find the name of the company's lawyer?**

- A. Executive Summary**
- B. Company Description**
- C. Management and Operations**
- D. Financial Plan**

**7. Based on the scenarios, which company's loan request would have the least favorable loss given default score?**

- A. Company X requesting funds for expansion**
- B. Company Z looking for equipment financing**
- C. Company Y acquiring a smaller company**
- D. Company A seeking working capital**

**8. Stampede's A/R turnaround days are higher than industry benchmarks. Why is this not a warning signal against lending?**

- A. They have a strong market position**
- B. Stampede purposely extends favorable payment terms to a key customer**
- C. The company has a high profit margin**
- D. Stakeholders have confidence in future earnings**

**9. What does a business review focus on?**

- A. Evaluating employee performance**
- B. Re-assessing company direction and potential opportunities**
- C. Planning for future capital investment**
- D. Developing a marketing strategy**

**10. In which stage of the industry lifecycle are lenders least likely to provide funding to companies?**

- A. Growth**
- B. Maturity**
- C. Decline**
- D. Launch**

## **Answers**

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1. B
2. C
3. C
4. C
5. C
6. B
7. C
8. B
9. B
10. D

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## **Explanations**

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## 1. What does a proper loan structure accomplish for both borrower and lender?

- A. It ensures the company remains in business
- B. It satisfies financial needs and optimizes profitability**
- C. It guarantees timely loan repayment
- D. It limits the lender's risks entirely

A proper loan structure is crucial because it effectively satisfies the financial needs of the borrower while also optimizing profitability for the lender. This means that the loan is designed to meet the specific requirements and cash flow situations of the borrower, ensuring that they have the necessary capital to support their operations or projects. At the same time, the terms and conditions of the loan, such as interest rates and repayment schedules, are set in a way that allows the lender to achieve a favorable return on their investment. When the loan structure aligns with the financial needs of the borrower, it increases the chances of successful loan repayment, as borrowers are less likely to default when they are set up for success. For the lender, a well-structured loan can also minimize potential losses and enhance profitability. This approach benefits both parties, creating a more sustainable lending relationship. The other options do not fully capture the essence of effective loan structuring. While helping a company remain in business or aiming for timely repayments are important aspects, they do not encompass the broader financial objectives of both parties involved, particularly regarding profitability and financial satisfaction. Similarly, claiming to limit a lender's risks entirely overlooks the inherent risks involved in lending, which can never be completely eliminated.

## 2. In what order should documentation be submitted during the loan approval process?

- A. Loan application -> Commitment letter -> Term sheet -> Loan agreement
- B. Term sheet -> Loan agreement -> Loan application -> Commitment letter
- C. Loan application -> Term sheet -> Commitment letter -> Loan agreement**
- D. Loan agreement -> Commitment letter -> Term sheet -> Loan application

The correct order of documentation during the loan approval process begins with the loan application, followed by the term sheet, the commitment letter, and finally the loan agreement. Initiating the process with the loan application is crucial because it provides the lender with the necessary details about the borrower's financial situation, business purpose, and the requested loan amount. Once the lender evaluates the application, a term sheet is drafted, outlining the key terms and conditions of the proposed loan. This document serves as a basis for further negotiation and understanding of the loan's essential elements, such as interest rates, repayment schedules, and other obligations. After both parties agree on the terms outlined in the term sheet, a commitment letter is issued. This letter signifies that the lender is ready to provide the loan under the agreed-upon terms, subject to certain conditions that need to be fulfilled before final approval. Lastly, the loan agreement is executed, which is the binding contract that documents all terms and conditions finalized between the lender and the borrower. Understanding this sequential process is essential for ensuring proper compliance and operational efficiency during the loan approval journey.

### 3. What are the responsibilities of legal counsel in relation to security registration?

- A. Ensure that the security is properly registered**
- B. Advise the borrower about the lender's rights on default**
- C. Both options are correct**
- D. None of the above**

Legal counsel plays a critical role in the security registration process, primarily by ensuring that the security is properly registered. This involves reviewing and preparing the necessary legal documents, providing guidance on compliance with applicable laws and regulations, and confirming that all required filings are completed correctly. By overseeing these details, legal counsel helps protect the interests of the lender by establishing their rights in the event of a default. Additionally, legal counsel is responsible for advising the borrower about the lender's rights in the case of default. This includes clarifying the implications of the secured loan agreements, the obligations of the borrower, and the recourse available to the lender if the borrower fails to meet those obligations. As a result, the responsibilities of legal counsel encompass both ensuring proper registration of the security and providing crucial advice on the lender's rights. Therefore, recognizing both aspects confirms why the answer indicating that both options are correct is accurate.

### 4. When competition within an industry is high, which of the following is most likely to be true?

- A. Buyers have low bargaining power**
- B. Sellers have high control over pricing**
- C. Buyers have high bargaining power**
- D. New entrants face low barriers to entry**

When competition within an industry is high, buyers typically have high bargaining power. This is because, in a highly competitive market, numerous sellers are vying for the attention and loyalty of consumers. As a result, buyers can easily switch between providers or negotiate better pricing and terms, knowing that many substitute options are available. This dynamic empowers buyers, giving them leverage to drive costs lower or demand higher quality products and services. In contrast, if buyers had low bargaining power, they wouldn't be able to influence market prices or the conditions under which they operate as effectively. Sellers would usually have more control over pricing in less competitive environments, where fewer alternatives for consumers exist. New entrants facing low barriers to entry generally indicates a less competitive market rather than a highly competitive one, where established players dominate and make it challenging for newcomers to gain a foothold.

**5. If the company's balance sheet is the same for both scenarios, what could have caused the changes in the ratios for Scenario 2?**

- A. A lower interest rate on loans.**
- B. A shorter amortization period in the loans.**
- C. A longer amortization period in the loans.**
- D. A higher loan amount issued.**

The correct answer highlights that a longer amortization period in the loans could lead to changes in financial ratios even when the company's balance sheet remains unchanged. A longer amortization period typically results in lower monthly payment amounts, which can positively impact cash flow available for operations or other investments. This change in cash flow dynamics can subsequently influence various financial ratios, such as the debt service coverage ratio or current ratio. For instance, with more cash available due to reduced repayment obligations, liquidity ratios may improve, demonstrating a stronger short-term financial position. In addition, a longer amortization period can reduce the impact of interest payments on profitability during the early years of the loan, affecting return on equity and profit margins positively. These changes in cash flow and profitability indicators reflect how management of debt impacts overall financial health without necessitating any immediate alterations to the balance sheet itself. In contrast, the other options, such as a lower interest rate or a shorter amortization period, would generally lead to reduced cash outflow in the short run but may not produce as significant changes in financial ratios when the balance sheet remains unchanged. A higher loan amount issued might also increase financial leverage and obligations, likely affecting ratios negatively if other factors aren't adjusted concurrently.

**6. Where in a business plan would you typically find the name of the company's lawyer?**

- A. Executive Summary**
- B. Company Description**
- C. Management and Operations**
- D. Financial Plan**

The name of the company's lawyer is typically found in the Company Description section of a business plan. This section provides an overview of the business, including its legal structure, ownership, and any notable advisors or professionals involved, such as lawyers or accountants. In the Company Description, the focus is on outlining the business's legal identity, its mission, and the key individuals and organizations that are part of its operational framework. Including the lawyer's name in this section emphasizes the legal support the business receives, which can be a critical component of its foundation and credibility. The Executive Summary may highlight key points but often does not delve into specific details like the lawyer's information. The Management and Operations section generally focuses more on the internal team and how the business operates day-to-day rather than legal affiliations. Meanwhile, the Financial Plan would concentrate on financial projections, funding requirements, and budget plans, rather than administrative or legal contacts.

**7. Based on the scenarios, which company's loan request would have the least favorable loss given default score?**

- A. Company X requesting funds for expansion**
- B. Company Z looking for equipment financing**
- C. Company Y acquiring a smaller company**
- D. Company A seeking working capital**

In assessing which company's loan request would likely have the least favorable loss given default (LGD) score, it is essential to consider the characteristics and inherent risks associated with the types of financing being sought. When a company is acquiring another company, as is the case with the request from Company Y, the transaction involves significant complexities and risks. Acquisition financing often entails higher uncertainty because it relates to the integration of two businesses, each with their own financial histories, cash flows, and operational risks. The potential for operational disruptions, changes in customer relationships, and challenges in achieving projected synergies can increase the risk profile dramatically. As a result, if an acquisition does not go as planned, the likelihood of loss to the lender is heightened, resulting in a higher LGD score. In contrast, the other types of financing requests generally present lower risks. For instance, expansion financing often indicates a company's growth strategy based on existing operations, while equipment financing is usually backed by the value of the equipment itself. Working capital requests tend to deal with day-to-day operations rather than significant long-term risks associated with acquisitions. Therefore, these scenarios tend to have lower LGD scores because they involve established cash flows or tangible collateral that can mitigate potential losses in the event of default. Thus

**8. Stampede's A/R turnaround days are higher than industry benchmarks. Why is this not a warning signal against lending?**

- A. They have a strong market position**
- B. Stampede purposely extends favorable payment terms to a key customer**
- C. The company has a high profit margin**
- D. Stakeholders have confidence in future earnings**

A higher accounts receivable (A/R) turnaround day indicates that it takes longer for a company to collect payments from its customers compared to industry standards. While this could typically raise a red flag for lenders, in the case of Stampede, the reason behind their extended turnaround days is that they have strategically chosen to provide favorable payment terms to a key customer. This approach can be beneficial for several reasons. It may strengthen the relationship with a significant customer, encouraging loyalty and possibly leading to increased sales over time. By offering better payment terms, Stampede is likely prioritizing long-term customer satisfaction and retention over short-term cash flow issues. This strategy can be viewed positively by lenders, as it demonstrates that the company is willing to invest in its relationships for future growth, potentially leading to more stable revenues in the long run. Lenders often assess not only the financial metrics but also the strategic choices a company makes in its operations. In this context, the favorable payment terms are a calculated risk that could yield greater rewards, providing a justifiable reason for lenders to overlook the higher A/R turnaround days.

## 9. What does a business review focus on?

- A. Evaluating employee performance
- B. Re-assessing company direction and potential opportunities**
- C. Planning for future capital investment
- D. Developing a marketing strategy

A business review primarily focuses on re-assessing the company's direction and identifying potential opportunities. This process involves a thorough analysis of the organization's current status, including its performance against strategic goals, market trends, competitive positioning, and internal operations. By reassessing these elements, businesses can recognize areas for growth, improvement, or realignment with market demands. The objective is to ensure that the company's strategies remain relevant, effective, and aligned with long-term goals. Additionally, a business review often aims to identify new opportunities, whether they be new markets, product developments, or operational efficiencies, that can drive future success and profitability. It plays a critical role in helping businesses remain agile and responsive to changing conditions in the marketplace.

## 10. In which stage of the industry lifecycle are lenders least likely to provide funding to companies?

- A. Growth
- B. Maturity
- C. Decline
- D. Launch**

In the launch stage of the industry lifecycle, companies are typically establishing their products and market presence, which comes with high uncertainty and risk. Lenders are generally cautious in this phase due to the lack of proven revenue streams, established customer bases, and operational track records. Because the probability of failure is significant, lenders hesitate to extend funding to these companies, as the risks outweigh the potential rewards. During the growth stage, lenders are more willing to provide funding because the companies have begun to demonstrate their potential through increased revenues and customer acceptance. Similarly, in the maturity stage, established companies often present a lower risk to lenders, displaying stable cash flows and consistent market positions. In the decline stage, while lenders may still be cautious, there may be more opportunities for funding due to restructuring or turnaround strategies, albeit at a higher risk level compared to the maturity phase. Overall, the launch stage is characterized by the greatest uncertainty, making it the least favorable period for lenders to provide funding.

# Next Steps

**Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.**

**As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.**

**If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at [hello@examzify.com](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://cficbcacoreassmt.examzify.com>**

**We wish you the very best on your exam journey. You've got this!**

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