20 One-Liners to Remember

Quick-fire facts for last-minute revision.

1. **IIBF CCP notes on types of borrowers and credit facilities belong to Module A, Chapter 3 of the CCP syllabus.**
   Module A covers the Introduction and Overview of Credit, including borrower classification.

2. **Borrowers are generally classified by legal structure into categories like proprietorship, partnership, LLP, OPC and private limited company.**
   Each legal structure carries different liability, documentation and transferability characteristics.

3. **A proprietorship firm is not a separate legal entity from its owner.**
   Proprietorships have unlimited personal liability and no perpetual existence, unlike registered companies.

4. **A One Person Company (OPC) is a company structure with a single member or director.**
   OPC combines sole ownership with the benefits of separate legal entity status.

5. **Private limited companies are regulated by the Registrar of Companies under the Central Government.**
   Company registration and compliance for private limited firms falls under RoC oversight.

6. **Credit facilities are broadly classified into fund-based lending and non-fund-based lending.**
   Fund-based lending involves immediate cash outflow while non-fund-based lending involves only a contingent commitment.

7. **Cash Credit, Overdraft, Demand Loans and Bills Finance are common fund-based lending products.**
   These four facilities are considered the core fund-based lending pillars tested in CCP.

8. **Letters of Credit and Bank Guarantees are examples of non-fund-based credit facilities.**
   The bank earns fee income on these without an immediate cash outflow unless the commitment is invoked.

9. **A cash credit account functions like a running account where the borrower can maintain a debit balance up to a sanctioned limit or drawing power.**
   Drawing power is typically calculated against the value of stock held by the borrower.

10. **Cash credit limits are generally sanctioned for one year and then reviewed for renewal, enhancement or reduction.**
    Annual review keeps the sanctioned limit aligned with the borrower's actual working capital needs.

11 **An overdraft facility allows a customer to draw cheques above the credit balance in their account.**
Overdrafts are normally granted to current account holders and are repayable on demand.

12 **Overdrafts can be either temporary and clean, or secured against tangible assets like deposits and LIC policies.**
Secured overdrafts are popular with traders due to lower operating cost and simpler documentation.

13 **Demand loans are secured loans that are repayable on demand, typically granted against a lien on fixed deposits or insurance policies.**
They can be liquidated through instalments, a lump sum, or from maturity proceeds of the pledged security.

14 **In bills finance, a demand bill is purchased by the bank while a usance bill is discounted by the bank.**
This purchase-versus-discount distinction is a frequently tested exam point in CCP.

15 **Bills drawn under a Letter of Credit are negotiated by the bank rather than simply purchased or discounted.**
Negotiation under an LC gives the seller immediate payment for goods sold under that credit instrument.

16 **A key advantage of the cash credit system is flexibility, since the borrower withdraws only what is needed.**
There is no compulsion to draw the full sanctioned limit at once under cash credit.

17 **A disadvantage of the cash credit system is that the bank finds it hard to verify the exact end-use of funds.**
The bank can compare sales figures with account credits but cannot fully confirm fund utilisation.

18 **CCP certification is awarded by the Indian Institute of Banking and Finance (IIBF).**
IIBF certifies bankers on practical credit management skills through the CCP exam.

19 **The CCP syllabus is organised into five modules covering the full credit lifecycle from appraisal to impaired asset management.**
Modules A through E span credit overview, financial analysis, working capital, other credits and monitoring.

20 **Ownership in a partnership firm or proprietorship is generally non-transferable, unlike shares in a private limited company.**
Separate legal entities like companies typically allow transferable ownership, unlike unincorporated business forms.