

Place your name on the back of this sheet of paper and nowhere else. Staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

- 1) (15 points) What is meant by the off-balance-sheet item “notional amounts for derivatives on futures.” What could cause that to go onto the balance sheet? Give an example.
- 2) (10 points) On Page 390, the book has an example of the write-off of a loan. Why do you think that the equity changes in Step 2 rather than in Step 3?
- 3) (10 points) The off-balance sheet item “loans sold” is only there for some loans sold. Which loans are there and why are they there but other loans are not?
- 4) (5 points each) Use the balance sheet and income statement to calculate the following items. Show all work. I will provide them on the announcements part of my web page.
 - A) ROE
 - B) ROA
 - C) Profit margin (PM)
 - D) Equity multiplier
 - E) Asset utilization
- 5) (10 points) Is an increase in the *net interest margin* normally good or bad? Why? Why might it mean the opposite?
- 6) (10 points) Is an increase in the *spread* normally good or bad? Why? Why might it mean the opposite?
- 7) (10 points) Is an increase in the *overhead efficiency* normally good or bad? Why? Why might it mean the opposite?
- 8) (10 points) The 2010 *Wall Street Reform and Consumer Protection Act* mentions transparency multiple times. What does that mean and why is it good?