Question #1 of 15

Question ID: 1463581

An example of a primary source of liquidity is:

A) using trade credit from vendors.

B) renegotiating debt agreements.

C) filing for bankruptcy.

Question #2 of 15

Question ID: 1463585

A firm has average days of receivables outstanding of 22 compared to an industry average of 29 days. An analyst would *most likely* conclude that the firm:

A) may have credit policies that are too strict.

B) has a lower cash conversion cycle than its peer companies.

C) has better credit controls than its peer companies.

Question #3 of 15

Question ID: 1463584

A company has better liquidity than its peer group if its:

A) quick ratio is lower.

B) average trade payables are lower.

C) receivables turnover is higher.

Question #4 of 15

Question ID: 1463580

The condition that occurs when a company disburses cash too quickly, stretching the company's cash reserves, is *best* described as a:

A) pull on liquidity.

B) drag on liquidity.

C) liquidity premium.

Question #5 of 15

Question ID: 1463586

The quick ratio is considered a more conservative measure of liquidity than the current ratio because the quick ratio excludes:

A) inventories.

B) marketable securities.

C) accounts receivable.

Question #6 of 15

Question ID: 1463577

Which of the following sources of liquidity is the *most* reliable?

A) Revolving line of credit.

B) Committed line of credit.

C) Uncommitted line of credit.

Question #7 of 15

Question ID: 1463574

A large, creditworthy manufacturing firm would *most likely* get short-term financing by:

A) issuing commercial paper.

B) factoring its receivables.

C) entering into an agreement for a committed line of credit.

Question #8 of 15

Question ID: 1463576

Which of the following sources of short-term liquidity is considered reliable enough that it can be listed in the footnotes to a firm's financial statements as a source of liquidity?

A) Revolving line of credit.

B) Factoring agreement.

C) Uncommitted line of credit.

Question #9 of 15

Question ID: 1463578

A bank offers a corporation a line of credit for a certain amount but reserves the right to refuse to honor any request for the use of the line. This arrangement is *best* described as:

A) a regular line of credit.

B) a revolving line of credit.

C) an uncommitted line of credit.

Question #10 of 15

Question ID: 1463587

Which of the following is *least likely* an indicator of a firm's liquidity?

A) Inventory turnover.

B) Amount of credit sales.

C) Cash as a percentage of sales.

Question #11 of 15

Question ID: 1463582

Liquidating short-term assets and renegotiating debt agreements are *best* described as a firm's:

A) primary sources of liquidity.

B) pulls and drags on liquidity.

C) secondary sources of liquidity.

Question #12 of 15

Question ID: 1463583

An analyst computes the following ratios for Iridescent Carpeting Inc. and compares the results to the industry averages:

Financial Ratio	Iridescent Carpeting	Industry Average
Current Ratio	2.3	1.8
Net Profit Margin	22%	24%
Return on Equity	17%	20%
Total Debt / Total Capital	35%	56%
Interest Coverage Ratio	4.7	4.1

Based on the above data, which of the following can the analyst conclude? Compared to its competitors, Iridescent Carpeting is more:

A) leveraged.

B) liquid.

C) profitable.

Question #13 of 15

Question ID: 1463575

Which of the following sources of credit would an analyst *most likely* associate with a borrower of the lowest credit quality?

A) Revolving line of credit.

B) Uncommitted line of credit.

C) Committed line of credit.

Question #14 of 15

Question ID: 1463579

An example of a secondary source of liquidity is:

A) negotiating debt contracts.

B) cash flow management.

C) trade credit and bank lines of credit.

Question #15 of 15

Question ID: 1463596

Which of the following factors is *most likely* to cause a firm to need short-term financing?

A) Return of principal from maturing investments.

B) Operating cash inflows that fluctuate seasonally.

C) Shorter cash conversion cycle than the industry average.