

CBE Competency 3
FS.CO3.LMO3 Module 3
Formative Assessment

Instructions: Fill in the blanks: Please read the sentences carefully and complete the sentence concept presented

1. Two (2) of the steps that the FDIC Regulators describe the assessment of a financial institution's liquidity adequacy is the evaluation of _____ and _____.

Answer: The current liquidity position or present and anticipated asset quality, or present and future earnings capacity or historical funding requirements, or anticipated future funding needs, or options for reducing funding needs or obtaining additional funds.

2. In order to obtain funding to meet the liquidity needs the financial institution will have to _____ or _____.

Answer: Sell assets or Borrow funds on a short term basis or Increase long term liabilities or Increase its capital via a capital injection or the issuance of additional stock

3. Ability to meet obligations is one of the factors to determine the _____ in a financial institution

Answer: Liquidity

4. Liquidity risk for a financial institution is defined as: *Inability to obtain _____ at a reasonable price within a reasonable time period to _____ as they become due"*

Answer: Funds /meet obligations

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5. _____ is one of the individual components of liquidity for a financial institution

Answer: Cash Accounts