

**CBE Competency 1**  
**Module 3**  
**FS.C01.LM01-3**  
**Formative Assessment**

**Instructions: True or False: Please read the statements carefully and select the one that best describes the issue in question**

1. Balance sheet analysis provides like a snapshot or photo a financial picture of the company on a given month.

**Answer: False: *Balance sheet analysis provides like a snapshot or photo a financial picture of the company on a given day and time.***

2. The basic balance sheet equation is: Assets = Liabilities + Equity

**Answer: True**

3. The balance sheet evaluation is an assessment of the value and liquidity of the company's indebtedness.

- **Answer: False: *The balance sheet evaluation is an assessment of the value and liquidity of the assets.***

4. In the balance sheet assets are listed in descending order of liquidity

**Answer: True**

5. Non-current assets are expected to be converted into cash under the normal course of business within 12 months

**Answer: False: *Current assets are expected to be converted into cash under the normal course of business within 12 months***

6. The value of marketable securities is an important component in the lending decision especially if the investments will be considered as collateral for a loan

**Answer: True**

7. In manufacturers the inventory account is comprised of three (3) types of inventory: raw materials, finished goods and merchandise for sale.

**Answer: False: *In manufacturers the inventory account is comprised of three (3) types of inventory: raw materials, work in progress and finished goods.***

8. There are two (2) major methods to value inventory: Last In First Out (LIFO) and First In Still here (FISH)

**Answer: False: The two (2) major methods to value inventory: Last In First Out (LIFO) and First In, First Out (FIFO)**

9 According to GAAP (General Accepted Accounting Principles) fixed assets will be registered on the balance sheet at ***book value***.

**Answer: True**

10. Accounts Payable: Also called “Trade credit”.

**Answer: True**