

CBE Competency 2
FS.CO2.LM02 Module 2
Formative Assessment

Instructions: Fill in the Blanks: Please read the statements carefully and complete the information missing.

1. _____ is the lending rationale assumes current asset build-up will self-liquidate from the conversion of receivables to cash and the sale of inventory

Answer: Asset Conversion

2. In the _____ lending rationale is based on the assumption that the acquisition or investment in those assets should generate sufficient incremental cash flow to amortize the loan.

Answer: Cash Flow

3. _____ lending is the method of financing that employs short term lending to finance a permanent credit need.

Answer: Asset based

4. In the concept of _____ all other creditors have equally senior claim

Answer: Implicitly seniority

5. In asset based lending the concept of _____ implies the net realizable value of the pledged assets must be sufficient to satisfy the amount of the unsecured claim.

Answer: Protection