

CBE Competency 1
FS.CO1.LM01-4
Module 4 Formative Assessment

Instructions: Please fill in the blanks by selecting the word that best describes the issue presented:

1. When performing financial analysis ratios are divided into _____ main categories.

Answer: Four (4)

2. The four main categories used when assessing a company's financial standing includes: _____,
_____, _____, _____

Answer: Liquidity, profitability. Operating efficiency and leverage

3. _____ measures the firm's ability to meet its short term obligations

Answer: Liquidity

4. _____ measures the Company's ability to generate earnings

Answer: Profitability

5. _____ also called asset turnover or asset activity ratio, measures the efficiency by which the company's assets are utilized.

Answer: Operating Efficiency

6. Financial Statements prepared according to GAAP require data to be reported at _____.

Answer: Historical costs

7. _____ broad measure of the extent to which the Company's quickly converting assets are sufficient to pay-off short term liabilities.

Answer: Current ratio

8. _____: this ratio uses cash marketable securities and accounts receivable when assessing the coverage for current liabilities.

Answer: Quick Ratio

9. _____ days assesses the quality of the accounts receivable and efficiency of the Company's credit policies.

Answer: Accounts Receivable

10. _____ Days this ratio is important in assessing the quality and efficiency of inventory.

Answer: Inventory