

**CBE Competency 1**  
**FS.CO1.LM01-2 Module 2**  
**Formative Assessment**

**A. Please fill in the blanks:**

Please fill in the blanks with the word or words that will best complete the sentence.

1. A company's three (3) main activities are \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_.

**Answer: The three (3) main activities are: 1. Financial activities, 2. Investing activities 3. Planning Activities**

2. \_\_\_\_\_ usually have a high fixed cost structure and usually profits are slim

**Answer: Manufacturers**

3. Changes in the Company's \_\_\_\_\_ may impact financial results in both the income statement and the balance sheet.

**Answer: Business strategy**

4. External Factors including \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ conditions may impact the Company's income statement.

**Answer: Competitive, regulatory and economic**

5. \_\_\_\_\_ in the income statement is expressing every line item on the income statement as a percentage of net sales.

**Answer: Common sizing**

6. A critical factor in the evaluation of the income statement and profitability is the method of \_\_\_\_\_ used by the companies.

**Answer: Revenue recognition**

7. \_\_\_\_\_ method where revenues are recognized when earned regardless of the timing of receipt of the actual cash.

**Answer: Accrual accounting**

8. An income statement that includes 12 month of operations is called a \_\_\_\_\_ statement.

**Answer: Fiscal year statement**

9. Income statements prepared for periods of less than 12 months are called \_\_\_\_\_.

**Answer: Interim statements**

10. There are two (2) methods of examining the Income Statement: \_\_\_\_\_ and \_\_\_\_\_.

**Answer: Vertical and horizontal**