**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.***

1. 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***

1. Ability to meet obligations is one of the factors to determine the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_in a financial institution

***Answer: Liquidity***

1. 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***

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_ is one of the individual components of liquidity for a financial institution ***Answer: Cash Accounts***