**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)***

1. The four main categories used when assessing a company’s financial standing includes:\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

***Answer: Liquidity, profitability. Operating efficiency and leverage***

1. \_\_\_\_\_\_\_\_\_\_\_\_measures the firm’s ability to meet its short term obligations

***Answer: Liquidity***

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_measures the Company’s ability to generate earnings

***Answer: Profitability***

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_also called asset turnover or asset activity ratio, measures the efficiency by which the company’s assets are utilized.

***Answer: Operating Efficiency***

1. Financial Statements prepared according to GAAP require data to be reported at \_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_.

***Answer: Historical costs***

1. \_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_broad measure of the extent to which the Company’s quickly converting assets are sufficient to pay-off short term liabilities.

***Answer: Current ratio***

1. \_\_\_\_\_\_\_ \_\_\_\_\_\_\_: this ratio uses cash marketable securities and accounts receivable when assessing the coverage for current liabilities.

***Answer: Quick Ratio***

1. \_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_ days assesses the quality of the accounts receivable and efficiency of the Company’s credit policies.

***Answer: Accounts Receivable***

1. \_\_\_\_\_\_\_\_\_\_Days this ratio is important in assessing the quality and efficiency of inventory.

***Answer: Inventory***