**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***

1. 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***

1. \_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_ lending is the method of financing that employs short term lending to finance a permanent credit need.

***Answer: Asset based***

1. In the concept of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ all other creditors have equally senior claim

***Answer: Implicitly seniority***

1. 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***