**CBE Competency 1**

**FS.CO1.LM01-2 Module 2**

**Formative Assessment**

1. **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***

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

***Answer: Manufacturers***

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

***Answer: Business strategy***

1. **External Factors including \_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_** conditions may impact the Company’s income statement.

***Answer: Competitive, regulatory and economic***

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

***Answer: Common sizing***

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

***Answer: Revenue recognition***

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

***Answer: Accrual accounting***

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

***Answer: Fiscal year statement***

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

***Answer: Interim statements***

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

***Answer: Vertical and horizontal***