
Fundamental Analysis

Quiz - 2 FPA CPD Points

Introduction to Fundamental Analysis

Q1. Which of these three statements best describes Fundamental Analysis:

- a) Fundamental analysis is concerned with historical performance of the economy, the industry, and companies for the insights they offer into the future performance of companies;
- b) Fundamental analysis is concerned with the historical performance of the industry, and companies for the insights they offer into the future performance of companies;
- c) Fundamental analysis is concerned with the retrospective performance of a company for the insights they offer into the future performance of the company;

Answer - ___

Profit & Loss Statements

Q2. Which of these three statements best describes a Profit and Loss Statement:

- a) A Profit & Loss Statement is a financial summary of the activity of a company over a period of time. Included in the summary are sales, cost of goods sold, general operating expenses and an itemised list of assets and liabilities.
- b) A Profit & Loss Statement is a financial summary of the activity of a company over a period of time, usually reported on an Interim (6 months) and Annual basis. This itemised report highlights the performance of individual product lines and the profit contribution of each asset owned by the company.
- c) A Profit & Loss Statement is a financial summary of the activity of a company over a period of time, usually reported on an Interim (6 months) and Annual basis. Included in the summary are sales, cost of goods sold, general operating expenses and finally the net profit figure.

Answer - ___

Balance Sheets

Q3. Which of these statements best describes a Balance Sheet:

- a) The assets and liabilities of a company are listed on a document called a Balance Sheet. Balance sheet items are usually arranged according to their size or dollar value, from the lowest dollar value item to the largest;
- b) The assets, liabilities and shareholders interests in a company are listed on a document called a Balance Sheet. Balance sheet items are usually arranged according to their liquidity, where we define liquidity as ease of conversion to cash;
- c) The assets, direct and contingent liabilities of a company are listed on a document called a Balance Sheet. Balance sheet items are usually arranged according to their size or dollar value, from the lowest dollar value item to the largest;

Answer - ___

Utilising Financial Ratios

Q4. Which of these three statements best describes the use of Financial Ratios:

- a) The key benefit of ratio analysis is that it allows us to compare the size of one company to another;
- b) The key benefit of ratio analysis is that it obviates the need for us to analyse all other aspects of a company's activities;
- c) The key benefit of ratio analysis is that it promotes the use of a uniform methodology by which we can compare changes in a company's operations over time. Ratio analysis allows us to evaluate;
 - The business performance of a company;
 - Its liquidity (both short and long term); and
 - Its operating efficiency

In addition, ratio analysis allows us to measure changes in one internal performance measure against another, or indeed the performance of one company to another, or compare the performance of a company to an industry benchmark.

Answer - ___

Market Performance Ratios

Q5. The primary use of a Market Performance ratio is:

- a) To help us form a view as to the relative attractiveness of the company from an investment perspective;
- b) To see which company has generated the greatest profits;
- c) To see which company has the lowest price to earnings ratios

Answer - ___

Investment Methods & Resources

Q6. It is generally accepted that our prospects for success in the markets will be improved by:

- a) Developing a structured investment approach and a consistent investment methodology;
- b) Having a defined exit strategy;
- c) Keeping abreast of factors that may affect the performance of our investments
- d) All of the above;

Answer - ___