The above mentioned statement is true.As far as the matter of prepaid expenses is concerned it's ok but what about the stock if we measure the liquidity on the basis of conversion of current assets in cash there are many firms where conversion of stock is not possible into cash frequently say e.g., heavy machinery manufacturing companies, locomotive companies, etc.But on the other hand, in case of those firms where the stock can be easily realised or sold off consideration of stock should be avoided and to measure the liquidity of that firm Quick ratio should be calculated.On the other hand where there is a lot of fluctuation in the price of stock it is always advisable to compute quick ratio and avoid the stock figure because it will reduce the authenticity of liquidity measure.But here generally one question arises there are certain assets which cannot be converted into cash quickly such as stock and prepaid expenses.On the other hand where stock contributes a reasonably less amount it can be avoided and liquidity of that .firm can be measured with the help of quick ratio