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2020 – 2022 CTP[®] EXAM PREP GUIDE

CERTIFIED TREASURY PROFESSIONAL[®]

The Global Standard of Excellence in Treasury



CTP Exam Testing Windows and Deadlines

The CTP Exam is offered in two 60-day testing windows each year, a December/January window and a June/July window. All forms and applicable fees must be submitted in writing and postmarked by the specified deadline. Forms submitted without appropriate fees cannot be processed. Visit www.CTPCert.org for more information.

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CTP Exam

The CTP exam is made up of 170 multiple-choice questions and is based on the concepts and experiences basic to cash/treasury management. The topics are derived from the body of knowledge, *Essentials of Treasury Management*, Sixth Edition (*Essentials*) and are grouped into content areas (see CTP Test Specifications on page 5). The number of questions in each area is included in the listing, and are distributed randomly through the exam.

Your total seat time is four hours. You will have exactly three and a half hours to take the exam. There is a 20-minute tutorial designed to familiarize you with taking the computer-based exam and how to use the navigation features. The tutorial will also familiarize you with the type of exam questions as outlined on page 8.

After the exam, you will be asked to complete a 10-minute post exam survey.

Study Strategies

The following strategies and test taking tips are provided to help you better prepare for the CTP exam. However, we encourage you to seek other independent resources.

Please refer to the CTP Certification Candidate Handbook (CCH) and the Exam Rules and Regulations on the CTP website (www.CTPCert.org/RulesRegs) for important information on scheduling your exam and what to expect once you arrive at the test center. Regardless of how well you study for the exam, your efforts will go unrewarded if you do not fully comply with exam scheduling and test center admission requirements.

The Association for Financial Professionals (AFP) wishes you the best in your efforts to prepare for the exam and looks forward to adding your name to the list of active Certified Treasury Professionals.

Recommended Study Plan Development

- Allow a sufficient period for studying. Complete a cursory review of the body of knowledge (found in *Essentials* or *CTP Exam Prep Platform*) to determine how familiar you are with the content
- The CTP exam is documented to *Essentials of Treasury Management, Sixth Edition*. It is important to know the information in *Essentials* or the *CTP Exam Prep Platform* as the exam is based on global practice and not specific to any organization's practices
- Identify your "knowledge gaps." This means that you need to identify what you do not know. If you are using the *CTP Exam Prep Platform*, take the Pre-test to identify content areas on which you need to focus extra study time. With career, family, and other demands, you may find that your study time is limited. While a thorough review of the exam content is beneficial, you will need to devote attention to areas that are less familiar to you

Recommended Study Strategies

- Determine a study location that will allow you uninterrupted study periods
- Create flash cards or recordings to review exam material. This will reinforce your learning
- Arrange your study time by the number of test questions from each content area (see chart on page 5) and the amount of information you already know
- Develop and share test questions with other candidates to challenge your knowledge. This will help you "drill down" into the material and acquire a greater understanding of some concepts
- Try to closely simulate an exam experience. For example, attempt to complete the sample test questions within a 3.5 hour period, or use the practice questions of the *CTP Exam Prep Platform*, Post-test to gauge proper pace. We strongly encourage candidates to test themselves in half the time. By doing so, you will allow yourself enough time to go back and review questions and answers
- Familiarize yourself with the way the exam questions are structured, e.g., closed question, open question, and item sets

Test Taking Tips

- Upon entering the testing room immediately agree to the onscreen non-disclosure agreement (NDA). Failure to do so within five (5) minutes of entering the testing room will cause your exam to lock and you will forfeit your eligibility for this window. To take the exam during the next window, you will need to submit a re-examination form and pay the re-examination registration fee
- If you are unsure about how to use the computer, or if you have any questions about the procedures for the exam, ask the testing center administrator before the exam begins
- Programmable calculators, phones and smartphones are not allowed. An on-screen calculator similar to those available on all PCs will be provided on the testing computer. You may toggle between a basic four-function calculator and a scientific version
- Each question on the exam contains the correct answer and either two or three incorrect options
- There is no penalty for incorrect answers, so plan to answer every question. You are not penalized for guessing
- After you have agreed to the NDA and the exam has begun, write difficult-to-remember formulas and concepts on your white board for later use. Test administrators will not allow you to do this before starting your exam
- The CTP exam contains 170 questions, which you need to answer within 3.5 hours. That means you have about 74 seconds per question, on average. But, you really should try to make your first pass through all the questions in 90 minutes. That way, you will move quickly through easy-to-answer questions, and save yourself plenty of time to return to the harder questions
- If you wish to leave the room during the test, you must secure the administrator's permission. The testing clock cannot be paused and your testing time will continue to count down while you are away from your work station
- Answer questions that are obvious to you first. Mark difficult questions to come back to later. Every question, whether it is a simple definition or a complicated calculation, is worth the same number of points. Make your best selection and/or mark it for later review and move on to the next question
- Do not go too fast, and never skim questions or answers. You may end-up making careless mistakes
- Let your original answer stand unless you are completely sure about the new answer
- Do not let your work experience dictate how you answer a question. The exam is testing your knowledge of industry standards
- Ignore the other test-takers. Their anxiety can be contagious
- Relax the night before the test and get a good night's sleep. You have studied well in advance, so the night before the test is time to relax
- Make sure you know exactly where the test center is located. If possible, drive to the center the day before the exam. Be sure to leave yourself plenty of time to get there on exam day
- Bring a jacket or sweater for air conditioned rooms

2020-2022 CTP Test Specifications: Knowledge Domains

CONTENT AREAS..... NUMBER OF QUESTIONS

Domain 1

Maintain corporate liquidity required to meet current and future obligations in a timely and cost effective manner.36-40

- A. Manage optimal cash positioning through short-term investing and borrowing activities 4-6
- B. Forecast/manage cash receipts and disbursements [cash flows] 4-6
- C. Leverage cash concentration/pooling structures 3-5
- D. Manage foreign exchange (FX) exposure 3-5
- E. Manage trade financing (including letters of credit) 3-5
- F. Manage intercompany financing (including loans, repatriation, in-house banking)..... 3-5
- G. Review cash balances and reconcile transaction activity to ensure accuracy 3-5
- H. Optimize treasury operations (including considerations for roles/responsibilities and outsourcing options)..... 3-5
- I. Calculate, analyze, and evaluate financial ratios to optimize financial decision making 3-5

Domain 2

Manage capital structure, manage costs of long-term capital, and quantitatively evaluate long-term capital resource investments 26-28

- A. Negotiate and manage syndicated agreements..... 3-5
- B. Manage investment portfolio..... 4-6
- C. Issue debt and equity..... 4-6
- D. Manage revolving debt agreements..... 3-5
- E. Assess impact of mergers, acquisitions, and divestitures..... 3-5
- F. Evaluate current market conditions (including credit availability, spreads, interest rates, terms, risk) as they relate to long-term borrowing strategies..... 4-6

Domain 3

Manage internal and external relationships..... 28-31

- A. Build, maintain, and review relationships with external financial service providers..... 3-5
- B. Evaluate and implement treasury products and services (including banking products, treasury workstations) 4-6
- C. Administer bank accounts (including bank fee analysis) and maintain documentation..... 4-6
- D. Identify, negotiate, and select relationships and operational agreements with external service providers (including financial, technological, and investment/retirement advisors) to ensure best practices and competitive pricing 3-5
- E. Serve as an internal trusted advisor and consultant (including Project Finance)..... 2-4
- F. Manage merchant services programs (including fees, risk, controls, card security compliance, retention requirements) 4-6
- G. Build and maintain relationships with internal stakeholders (including accounting, IT, legal, and tax departments)..... 3-5
- H. Market Effects on Working Capital..... 2-3

CONTENT AREAS..... NUMBER OF QUESTIONS

Domain 4

Monitor and control corporate exposure to financial, regulatory, and operational risk (including emerging and reputational risk)36-40

- A. Comply with treasury policies and procedures (such as investment, FX, risk management, hedging, credit approval) 3-5
- B. Draft treasury policies and procedures for approval (such as investment, FX, risk management, hedging, credit approval) 2-4
- C. Detect and mitigate fraud (such as payments, bank transactions, internal, external) 5-7
- D. Benchmark performance against external sources to ensure best practices (including banking fees comparative analysis)..... 3-5
- E. Evaluate and manage counterparty risk (including risk related to supply chain, banks, brokers, dealers)..... 4-6
- F. Develop, maintain, and test business continuity plans (including bank balance reporting process, funds transfer capabilities) 4-6
- G. Hedge FX, interest rate, and commodities exposure 4-6
- H. Ensure regulatory compliance, and report internally and externally on compliance..... 4-6

Domain 5

Assess impact of technologies on the treasury function..... 17-20

- A. Leverage technology systems (including enterprise resource planning (ERP) systems and treasury management systems)..... 4-6
- B. Identify security issues and concerns associated with new and existing technology 4-6
- C. Identify cyber-related risks 2-4
- D. Monitor information security risk and cyber-related risk (including e-mail scams, phishing scams) 4-6

Unscored Questions.....20*

33–37% of the questions test knowledge of basic facts and terms.
 38–42% of the questions test an understanding of concepts and principles.
 23–27% of the questions test the higher thinking ability to apply concepts and principles to a specific situation.
 10–15% of the questions will require mathematical computations.

** These questions are unscored and do not count towards the final score. The questions may be from any domain. The specific questions on the exam that are unscored are determined before the start of the testing window.*

See the CTP Certification Handbook for detailed test specification at www.CTPCert.org/CCH

BODY OF KNOWLEDGE Essentials of Treasury Management®, Sixth Edition

Developed by a committee of subject matter experts to reflect the knowledge, skills and abilities performed by treasury professionals as identified in the CTP test specifications. This textbook is the complete Body of Knowledge tested on the CTP exam. Learn more at www.CTPCert.org/ETM.

CTP Exam Prep Platform

The CTP Exam Prep Platform is the preferred study resource for the CTP Exam and is based on the test specifications for the 2020 - 2022 windows. This fully digital and interactive platform contains study materials, evaluations, sample questions and customized progress tracking. Features of the Exam Prep Platform include; 20 hours of instructor-led video; 20 chapters of online reading material; case studies; knowledge checks for each chapter; practice questions. Learn more at www.AFPonline.org/EPP.

	CTP Exam Prep Platform	Essentials of Treasury Management
Member	\$860	\$175
Non-member	\$960	\$275

CTP Examination Preparation Guide

This complimentary online guide contains helpful test-taking tips and strategies. It also includes 170 sample test questions. Download the Guide at www.CTPCert.org/PrepGuide.

Additional Exam Study Aids and Services

To further assist candidates in preparing for the CTP exam, the following services are available:

- **CTP Exam Study Network**—AFP offers an online study network so you can identify other CTP exam candidates in your local area. Names and contact information are listed on a designated area of the AFP website so candidates may contact each other. A participation form is provided on our Web site at www.CTPCert.org. Click on *Preparation* then click on *More Resources*
- **AFP/TMA Regional Associations**—Contact your local regional association to locate study groups or CTP exam preparation courses independent of AFP. A listing of regional associations by geographic location can be found on our Web site at www.AFPonline.org. Click on *About*, then click on *Regional Associations*
- **Complimentary Webinars**—AFP offers webinars to help you prepare that include “Everything You Need to Know About the CTP Exam,” and “CTP Exam Strategies and Test Taking Tips.” www.CTPCert.org/Webinars
- **CTP Exam Q&A**—Request any explanation or clarification on content from the *Essentials*. Written inquiries are submitted to subject matter experts and a response is provided to the candidates within three to five business days. Please note, however, that volunteers are not in a position to provide a detailed tutorial in a topic area. Submit your questions to CTPqa@AFPonline.org

CTP Preparation Community on AFP Collaborate

Join the discussion community exclusively for CTP candidates and members who are credential holders. Access the community at Collaborate.AFPonline.org

Common Types of Multiple-Choice Questions

The following are samples of question formats which may be used on the CTP exam.

Closed Question

A complete question followed by three (3) or four (4) optional answers, only ONE of which is correct. Often the word “What” is included in the question.

Example:

1. What is the usual color for stop signs?
 - A. Red
 - B. Yellow
 - C. Green
 - D. Purple

A complete question that includes the phrase “Which of the following” when there is more than one correct answer to a question, but only one of the correct answers is offered in the options.

Example:

2. Which of the following colors is a combination of two primary colors?
 - A. Red
 - B. Purple
 - C. Yellow
 - D. Blue
-

Open Question

An incomplete sentence with three (3) or four (4) optional completions, only ONE of which is correct.

Example:

3. A period of time of 60 minutes is called a(n):
 - A. Hour
 - B. Week
 - C. Month
 - D. Year

Except

A format used when three (3) of the options are correct and only one option is incorrect. The incorrect option is actually the correct answer in this case.

Example:

4. All of the following statements about ice cream are true EXCEPT:
 - A. It should be stored in the freezer
 - B. It has very few calories
 - C. It comes in many flavors
 - D. It is a popular snack food
-

Item Sets

A set of questions based on information contained in the preceding paragraph.

Example:

Questions 1 and 2 are based on the following information:

There are 365 days in a year, 7 days in a week and 12 months in a year.

5. How many weeks are there in a year?
 - A. 50.00
 - B. 52.00
 - C. 54.00
 - D. 55.14
6. What is the average number of days in a month?
 - A. 29.50
 - B. 30.00
 - C. 30.42
 - D. 32.39

Sample Test Questions

Review these questions to familiarize yourself with some of the types of questions on the exam. The answer key is on page 29 of this handbook.

1. Company ABC has a concentrated investor base consisting primarily of large institutional shareholders. It would like to increase its number of smaller shareholders using the most cost effective method of raising capital available. What should Company ABC do to accomplish this goal?
 - A. Issue preferred stock
 - B. Implement a dividend reinvestment plan
 - C. Issue warrants
 - D. Implement a stock repurchase plan
2. A cash manager at a retailer forecasts a positive collected cash position for the end of the current day. The company has an overdraft facility at 10%, a separate investment account earning 8% before taxes, an earnings credit rate of 8% and an outstanding single payment note at 9.5% maturing in 1 week. This month's bank service fees are expected to exceed the earnings credit. Which of the following intra-day options would be the MOST economically positive for the company?
 - A. Leave the funds in the account
 - B. Redeem the single payment note
 - C. Prepay administrative expenses
 - D. Transfer funds to the investment account
3. Which of the following BEST describes an advantage of a company going public?
 - A. Increased management control
 - B. Increased public disclosure
 - C. Increased managerial flexibility
 - D. Increased liquidity
4. When a short-term loan is paid with a lump sum payment and the payment includes both interest and principal, the loan is often referred to as a:
 - A. Single payment note
 - B. Material payment note
 - C. Balloon payment note
 - D. Commercial note
5. The Company J portfolio consists of two stocks, 65% of Stock A with a return of 7.63% and 35% of Stock B with a return of 3.89%. What is the Company J portfolio return?
 - A. 1.86%
 - B. 5.10%
 - C. 6.32%
 - D. 18.57%
6. What does a company with a restrictive current asset investment strategy typically have?
 - A. High financing costs
 - B. Low accounts receivable balances
 - C. High inventory levels
 - D. Low tax liabilities
7. Which of the following is a ratio that is often used by commercial banks to measure a company's leverage and does not include the effect of assets that are difficult to value or are NOT easily converted to cash?
 - A. Long-term debt to capital
 - B. Debt to tangible net worth
 - C. Total liabilities to total assets
 - D. Cash flow to total debt
8. Which of the following can be considered key responsibilities of daily cash management?
 - I. Overseeing compensation for bank services
 - II. Management of short-term borrowing and investing
 - III. Projecting future cash shortages and surpluses
 - A. I only
 - B. I and II only
 - C. II and III only
 - D. I, II, and III
9. Senior management at ABC Company plans to make a large capital expenditure to bolster its infrastructure exactly one year from now. Their primary concern is to preserve the current capital position until the expected cash outlay. The majority of the cash at ABC Company is held in treasury notes, but management would like to also invest some of the money into corporate bonds and money market funds. Which investment objective BEST suits the needs of ABC Company?
 - A. Exposure Horizon
 - B. Diversification
 - C. Liquidity
 - D. Safety

10. Earnings Credit calculation:

Assumptions – Average ledger balance	\$1,500,000
Deposit Float	\$250,000
Reserve Requirement	10%
Earnings Credit Rate	45 bps
Service Charges for the month	\$12,500
Days in the Month	30

What is the earnings credit the company is receiving for this month?

- A. \$416.10
B. \$4,160.96
C. \$449.38
D. \$457.71
11. Using the information provided for question 10, what would the earnings credit change to if the company negotiated a 50% decrease in deposit float ?
- A. \$4,577.05
B. \$457.71
C. \$449.38
D. \$503.48
12. The treasurer of a corporation is negotiating with one of his/her suppliers to allow the corporation to have 30 days to pay the supplier's invoices. The treasurer is arranging:
- A. Short-term financing
B. Revolving credit agreement
C. Factoring of receivables
D. Uncommitted line of credit
13. When using the Internet to access auction markets, companies may use certificate authorities to reduce their exposure to which of the following types of risk?
- A. Credit
B. Valuation
C. Counterparty
D. Foreign exchange
14. A company can pay their supplier by check or by electronic transfer. If the difference between the value date of the payment methods is 4 days from the company's perspective, what discount should the supplier offer them to get the company to pay on the same day as they did when they paid by check (rounded to the nearest 100th percent)? Assume no difference in the cost of the payment method, an opportunity cost of 8%, and float neutrality.
- A. 2.00%
B. 0.09%
C. 0.87%
D. 0.02%
15. Which of the following is a tool that companies use to obtain a quantitative rating of a financial institution's level of service?
- A. Relationship review
B. Score card
C. Service agreement
D. CAMELS rating
16. An airline wants to lock in the price of the jet fuel it needs to purchase to satisfy the peak in-season demand for travel. The airline wants to manage its exposure to fluctuations in fuel prices. What type of exposure is this?
- A. Translation
B. Delivery
C. Commodity
D. Speculative
17. A French exporter sells goods to a foreign buyer in euros and wants to guarantee that payment is made by the buyer. The exporter would MOST LIKELY require a(n):
- A. Bankers' acceptance
B. Documentary collection
C. Letter of credit
D. Open account
18. The right of stockholders to purchase, on a pro-rata basis, any new shares issued by the company is referred to as:
- A. Preemptive right
B. Right of first refusal
C. Existing ownership right
D. Prevention of dilution right

19. After a recent review of its insurance policies, a petroleum products company determines it needs to re-evaluate its risk exposure to potentially reduce its insurance premiums. The company has operated in two locations for 20 years but only produces and stores petroleum at one location. In doing so, the risk manager determines the following exposures:
- The number of employee workers compensation claims due to injuries while loading trucks has increased 25% in the past 12 months
 - The primary tank used for petroleum storage is 13 years old and standard life of tanks of this model is 20 years
 - There is only one road into the current petroleum storage facility
- Given the above information, if the risk manager constructs a second road into the petroleum storage facility, what risk management strategy is being used?
- Risk avoidance
 - Transference of risk
 - Risk mitigation
 - Keep the risk
20. Which of the following contributes MOST to the marketability of a security?
- An investment-grade rating
 - An irrevocable letter of credit guarantee
 - A return at or above the yield curve
 - A large, active secondary market
21. A large, mature, diversified and publicly traded company sells the smallest of its business segments to a strategic buyer for cash. It uses the proceeds to pay off all bank debt and subordinated debenture debt on its books. The company believes the stock is trading at a reasonable price and continues to pay a regular, steady dividend to shareholders. Management's strategy is to embark on an aggressive growth plan including a major acquisition.
- Based on the above information, if the company uses the trade-off theory in considering its WACC, how will it finance its growth?
- By using long-term debt
 - By issuing Class A stock
 - By using retained earnings
 - By issuing Class B stock
22. The treasury manager of a privately held company is looking to finance new equipment that has a useful life of 5 years. What type of financing would the Treasury Manager MOST LIKELY employ to finance the equipment?
- Equity shares
 - Long-term bond
 - High-yield bond
 - Installment term loan
23. A retail brokerage firm is MOST like which one of the following types of financial institutions?
- Captive finance companies
 - Factoring companies
 - Investment banks
 - Insurance companies
24. A U.S. company has a secured committed line of credit of \$5.5 million and has an available balance of \$4 million. The company successfully transmitted a \$5.5 million wire transfer instruction out to the bank via SWIFT. The bank contacted the company and informed it that the wire transfer would not be processed. What is the MOST LIKELY reason the bank gave the company?
- Wires exceeding \$5 million cannot be transmitted using SWIFT
 - The bank imposed a guidance line of credit on the account
 - The company exceeded its balance requirement
 - The bank refused funding on the company's discretionary line of credit
25. A large retailer is preparing to accept credit cards and anticipates monthly credit card sales of \$1,000,000. If the terms with the acquiring bank include bundled allocated fees of 6% and the retailer wishes to delay fee payment as long as possible, what should the retailer do?
- Accept gross settlement
 - Place a hold on consumer credit limits
 - Receive net settlement
 - Delay funds transfer to card-issuing banks

26. Examples of traditional factors used in making a credit decision include which of the following?
- Capacity
 - Capital
 - Compliance
 - Character
- IV only
 - I and III only
 - I, II, and IV only
 - I, II, III, and IV
27. A company has decided to manage its short-term investment portfolio in-house. It is looking for enhanced capital gains as well as the ability to sell the instruments on the secondary market at a premium. The investment manager has forecasted the interest rates shown below:
- | Month | Short-term rates | Long-term rates |
|----------|------------------|-----------------|
| January | 0.25% | 0.27% |
| February | 0.28% | 0.30% |
| March | 0.26% | 0.29% |
| April | 0.24% | 0.27% |
| May | 0.25% | 0.28% |
| June | 0.26% | 0.29% |
- Which investment strategy should be employed by the company?
- Passive strategy
 - Matching strategy
 - Tax-based strategy
 - Total-return strategy
28. French corporation purchases finished products from a U.K. subsidiary and sells raw materials to the subsidiary several times in one month. To minimize foreign exchange transaction costs, the French corporation's cash manager would MOST LIKELY use:
- Bilateral netting
 - Multilateral netting
 - Forward options
 - Pooling
29. Optimal dividend policy is one that does all of the following EXCEPT:
- Maintain adequate retained earnings for future growth
 - Maximize shareholder value
 - Distribute corporate income to investors
 - Balance tax shield benefits against agency costs
30. ABC Company, a leading provider of office supplies, has successfully implemented EDI based on a request from one of its customers. ABC will not only benefit from the strategic alliance that will result, but as more of ABC's customers adopt the program, ABC will also experience a positive impact on its:
- EFT costs
 - C2C levels
 - Value added networks
 - Inventory levels
31. A company has asked its marketing, payroll and sales teams to collaborate in finding a solution that could augment its customer base, reduce payroll cost and increase sales. The solution has to be market ready. Which of the following will serve all 3 purposes?
- Ghost cards
 - Smart cards
 - PIN based cards
 - Stored value card
32. A portfolio manager purchases a floating rate mortgage backed security that would currently provide a 4% yield to the company. Since mortgage rates have been fluctuating significantly over the past month, the manager is thinking about entering into an interest rate swap to hedge against the rate movements. Although the manager would remove most of the price sensitivity of the asset by executing the swap, it would also lower the total yield on the investment due to swap costs. What objective in the company investment policy is guiding the portfolio manager's decision?
- Risk analysis
 - Risk/return trade off
 - Preservation of principal
 - Performance measurement

33. MCA, Inc. upgraded the treasury workstation that had been in place for two years and used data from that 24-month period to develop a new short-term forecast. A trend factor was applied to controlled disbursements of 97% on a month-by-month basis and the variance to actual disbursements is less than 1%. Which of the following model validation techniques was utilized?
- In-sample validation
 - Documentation validation
 - Ongoing validation
 - Comparison validation
34. A manufacturing company is working to improve its cash conversion cycle. Factory production has increased over the last year to increase inventory levels. They have an inventory turnover of 3.1 and asset turnover of 5.0. The company has a days' payable of 30 and a days' receivable of 60. It has started enforcing its net 30 terms and placed customers with balances outstanding more than 45 days on credit hold. As a result, the company collected receivables quicker but it suffered a 10% loss in sales. What can the company do to reduce its cash conversion cycle?
- Pay vendors in advance
 - Decrease the days' payable
 - Extend payables deferral period
 - Revise credit policy to be more lenient
35. A company plans to issue additional equity within the next 12 months but needs to issue debt at a low interest rate now. Which of the following instruments would BEST meet this objective?
- Convertible bonds
 - Private placement issue
 - Preferred stock
 - Subordinated debentures
36. ABC Company offers a discount of 2/10, net 30 to its customers. ABC factored its accounts receivables with an outside vendor, under a "with recourse" arrangement. What impact might this have on the company?
- Increase days sales outstanding
 - Improve cash conversion cycle
 - Reduce bad debt expense
 - More customers may take the discount
37. The treasury manager of a chain of clothing stores wants to develop a medium-term forecast. Management plans to open two new stores, and anticipates same-store sales to increase by 15%. Which of the following items can be predicted with the highest degree of certainty?
- Taxes on stock options
 - New product sales
 - Fixed bond interest payment
 - Refranchising proceeds
38. A large mature company with limited growth opportunities (positive NPV projects) achieved abnormally high profits this year. After paying mandatory principal, interest, and taxes, the company has \$200 million in surplus cash on hand. Assuming its investor base is most concerned with capital appreciation, which of the following is the BEST option for the company?
- Declare a special dividend
 - Reinvest cash into the company
 - Declare a cash dividend
 - Repurchase shares of outstanding stock
39. The yield curve is inverted. A creditworthy firm considering alternative debt maturities would MOST LIKELY:
- Enter into a short-term floating rate agreement
 - Obtain long-term fixed interest rate debt
 - Roll-over short-term debt at each maturity
 - Obtain a long-term floating rate agreement
40. A \$100,000 T-bill currently sells for \$98,600 and matures in 90 days. What is the 365 day basis yield for this investment?
- 5.76%
 - 5.68%
 - 5.48%
 - 5.37%

41. A U.S. firm acquires a large U.K. manufacturer that generates high levels of cash flow in its local currency. The purchase is denominated in British pounds and is financed through the issuance of 10-year, 7.5% U.S. dollar bonds. The U.S. firm will rely entirely on the U.K. manufacturer's cash flows to fund the interest payments on the bonds. What derivative instrument would help the U.S. firm manage its FX exposure?
- Currency forward
 - Currency swap
 - Interest-rate swap
 - Currency future
42. Which of the following is a source of short-term financing?
- Bond issuance
 - Factoring of accounts receivable
 - Issuance of common stock
 - Retaining profits
43. Company XYZ is aggressively expanding globally. It is evaluating four markets: Latin America, Europe, Asia and Middle East.
- Latin America: Risk adjusted discount rate: 15%, Payback period=7 years, IRR=15%
- Europe: Risk adjusted discount rate: 8%, NPV=\$20M
- Middle East: Risk adjusted discount rate: 11%, IRR=12%, NPV=\$5M
- Asia: WACC: 9%, Payback=2 yrs, IRR=8%
- Based on the information, which two markets will company XYZ MOST LIKELY pursue?
- Europe and Asia
 - Asia and Latin America
 - Europe and Middle East
 - Middle East and Latin America
44. Company A regularly modifies its capital structure by repurchasing stock. Which one of the following is a true statement?
- Investors may feel that management is manipulating the stock price
 - Stock repurchases are not an attractive alternative to dividend payments
 - Partial disclosure to the regulators is required for repurchases
 - Stock repurchases do not offer tax deferral advantages over dividends
45. In evaluating alternative capital investments, a company should consider qualitative factors such as:
- Projected cash flows
 - Estimated economic returns
 - Corporate strategy
 - Estimated costs
46. A company is experiencing the following long-term trend on a month-over-month basis:
- Sales are increasing by \$100,000, a 15% increase.
 - Accounts receivable are increasing by \$5,000, a 1% increase.
 - Accounts payable are increasing by \$20,000, a 4% increase.
 - Labor expenses are increasing by \$40,000, a 3% increase.
- With all other income, expenses, long-term assets and liabilities remaining stable, this trend would MOST LIKELY prompt what action by the company?
- Financing working capital requirements
 - Repaying short-term debt
 - Reducing labor costs
 - Factoring accounts receivable
47. Company S wants to issue \$25,000,000 of commercial paper at a discount of 35 bps and a maturity of 27 days. The dealer fee is 10 bps annually and the bank assesses a backup L/C fee of 20 bps. What is the approximate annual interest rate the company pays for this issue of commercial paper?
- 3.85%
 - 2.48%
 - 1.57%
 - 0.66%
48. The stock of a manufacturing company is priced so that its expected rate of return is below its required rate, as calculated by the Capital Asset Pricing Model (CAPM). Which of the following will occur in an efficient capital market?
- Buying pressure for the firm's stock will drive the price up
 - Buying pressure for the firm's stock will drive the price down
 - Selling pressure for the firm's stock will drive the price up
 - Selling pressure for the firm's stock will drive the price down

49. An intern was hired by the VP of Accounts Payables to process the electronic payments that come through the bank. The intern is responsible for manually entering payee information into the system at each step of the process. The VP directed the intern to enter the information as fast as possible without mistakes to optimize the number of transactions that could be processed. Instead of manually entering information the VP should have utilized:
- Large value transfer system
 - Straight-through processing
 - Continuous linked settlement
 - Enterprise resource planning system
50. XYZ Company has a well established commercial paper (CP) program that they use to fund operations. The company is expanding by purchasing a new factory. The CFO is worried about the time and expense needed to issue long-term debt and decides to use the funds they raise in the CP market to pay for the purchase of the factory. This strategy will be successful if:
- An interest rate swap is used
 - A credit default swap is employed
 - A commodities future is purchased
 - The yield curve remains upward sloping
51. A properly designed concentration system will potentially achieve which of the following results?
- Increased authority to field offices
 - Increased investment income
 - Improved ability to take discounts
 - Reduced dependence on third-party concentration vendors
- IV only
 - I and II only
 - II and III only
 - II, III, and IV only
52. In an organization with personnel limitations, which of the following strategies should be considered to mitigate cash management system risk?
- Outsourcing
 - Verification
 - Matching
 - Hedging
53. Company X, a Singapore based multi-national, is exploring the option of locating a subsidiary in another country where there has been some historical risk of expropriation of local assets of foreign corporations. Therefore, as part of the risk assessment process the company must specifically quantify the:
- Political risk
 - Physical security risk
 - Financial institution risk
 - Property risk
54. Company XYZ is now required to make electronic payments by its suppliers. To prevent an increase in costs, the company should:
- Negotiate a change in payment timing with its suppliers
 - Institute a just-in-time inventory system
 - Negotiate a change in cash disbursement with its concentration bank
 - Institute a modified RSA system for its inventory
55. As an internal control tool, what does the matching of an invoice to the original purchase confirm?
- The placement of the order
 - The fulfillment of the order
 - The execution of the order
 - The payment of the order
56. Loss exposures related to treasury management may include which of the following?
- Excessive product recalls
 - PBGC violations
 - Deterioration of investment principal
 - Bank consolidations

57. The key parties involved in a disaster recovery plan are generally classified as internal resources or external counter parties. When evaluating the risks of both parties, which of the following can be assumed?
- The review of internal resources takes greater importance
 - The infrastructure linking the parties' systems must be considered
 - The disaster recovery sites of both parties must be in the same location
 - The systems used by both parties must be compatible
58. A publicly traded company is looking to fund its next project with the issuance of stock. The company's stock is primarily held by a small group of investors. The company is concerned that issuing stock may upset these investors because it would dilute their holdings. Which of the following strategies would help address the investors' concern?
- Grant the investors cumulative voting rights
 - Grant the investors pre-emptive rights to the new issue
 - Allow the investors to cast their votes by proxy at the next shareholders meeting
 - Offer to stagger the election of directors
59. Company Q has average daily credit sales of \$15,875.00. The daily cash sales are \$8,750.00. The AR ending balance for June 30 is \$387,500.00. What is the average days' sales outstanding for Company Q?
- 24.41
 - 0.04
 - 15.74
 - 0.06
60. Which of the following is subject to transaction risk exposure?
- A U.S. company's foreign subsidiary in Japan has a receivable denominated in Yen
 - A Japanese company's foreign subsidiary in the U.S. has a receivable denominated in Yen
 - A U.S. company's foreign subsidiary in Japan has a payable denominated in Yen
 - A Japanese company's foreign subsidiary in the U.S. has a payable denominated in dollars
61. A put option on a company's stock has an exercise price of \$20. On the delivery date, the stock is trading at \$24 per share. What should the investor who has paid \$2 for the option do?
- Not exercise the option and lose \$2
 - Not exercise the option and lose \$6
 - Exercise the option and gain \$2
 - Exercise the option and gain \$4
62. Making payments through electronic payments networks can be a part of a treasury management system's functionality, but it is subject to numerous constraints. Which of the following is a true statement of those constraints?
- The process is easy for the payee but very intensive manually for the payor
 - Negotiation of trade terms is required, but float terms are excluded
 - Remittance detail, whether a lot or a little, can be easily included with all payment forms
 - Collecting payment-routing details, and populating these into the software, is a significant task
63. A main characteristic of a company with regional offices using a centralized treasury function is:
- High level of control
 - Increased borrowing costs
 - Centrally determined depository accounts
 - Increased operating costs
64. Treasury management systems and ERP systems allow companies to do all of the following EXCEPT:
- Reduce cash processing costs
 - Migrate external data into G/L infrastructure
 - Increase productivity through seamless exchange of data
 - Reduce redundant data entry errors

65. One reason for using a sale and lease-back arrangement in lease financing is to:
- A. Create an infusion of cash into the company
 - B. Benefit from tax advantages from depreciation
 - C. For income or costs in one period
 - D. Eliminate off-balance sheet debt
66. An equity management company's Chief Financial Officer and Treasurer are evaluating their corporate investments and decide that they need to diversify their stock holdings to include personal care products companies. Based on their analysis, publicly-traded companies A and B stand out as choices. Company A has a beta value of 0.65 while company B has a beta value of 1.10. They decide to invest in Company A. What objective of their investment policy did they use to make their decision?
- A. Safety
 - B. Liquidity
 - C. Exposure horizon
 - D. Risk/return trade-off
67. A merchant presents 2 different batches of credit card transactions for processing, each batch has the same dollar value and number of transactions, but the fees are different. Which of the following explains why?
- A. Use of a different terminal
 - B. Goods or services sold
 - C. Type of card accepted
 - D. Time of batch closure
68. An international company would establish a re-invoicing center for which of the following reasons?
- A. To reduce its international balance reporting charges
 - B. To manage the foreign exchange exposure of its foreign subsidiaries
 - C. To take advantage of interest-bearing demand deposits
 - D. To bring transaction exposures more closely in line with economic exposures
69. XYZ Company has decided to purchase a close competitor. This acquisition would make XYZ Company the 4th largest in its industry allowing it better purchasing power and greater distribution channels. After completing the M&A analysis, it is determined that the combined companies would produce a 40% increase in revenue, reduce manufacturing costs by 30%, but would increase current liabilities by 27%. Which of the following would keep the acquisition from happening?
- A. Increased weighted average cost of capital
 - B. Low return on investment
 - C. Negative net present value
 - D. Restrictive bond covenants
70. Amalgamated Binding Consolidators takes 20 days to convert its raw materials to finished goods, 5 days to sell it, and 15 days to collect its credit sales. What is the company's days receivable period?
- A. 5 days
 - B. 15 days
 - C. 20 days
 - D. 40 days
71. Netting is used by which of the following as a cross-border payment technique?
- A. European giro providers
 - B. Foreign subsidiaries of a company
 - C. Counterparties in a letter of credit transaction
 - D. TARGET participants
72. In which of the following international cash management methods is title for goods transferred for intercompany sales?
- A. Pooling
 - B. Internal factoring
 - C. Multilateral netting
 - D. Re-invoicing
73. Which of the following is NOT a key area to consider when establishing treasury policies?
- A. Equity method investments accounting
 - B. Medium-term financing
 - C. Management reporting
 - D. Foreign currency management
74. Establishing the authority to open bank accounts is the responsibility of:
- A. The board of directors
 - B. The CFO
 - C. The treasurer
 - D. The board of governors

75. A daily short-term forecast and variance analysis for LMN, Inc. is updated with relevant trends and actual data every Monday. Upon review, the treasurer assessed that sales were higher than forecasted, inventory was up and yields being earned on excess cash were lower. The MOST important reason for this cash forecast process is:
- Financial control
 - Managing costs
 - Capital budgeting
 - Liquidity management
76. A company is interested in lowering its overall banking costs, managing netting, pooling, re-invoicing, and centralizing FX exposure at headquarters. Which of the following options will accomplish this?
- In-house banking
 - Shared service center
 - Company processing center
 - Automated clearing house
77. Money market funds are able to obtain very competitive trading terms because:
- There is no diversification
 - Of the economies of scale
 - Invested funds are locked in for a specific period of time
 - The investment manager only purchases high yielding instruments
78. Convertible securities consist of preferred stock and:
- Treasury stock
 - Common stock
 - Bonds
 - Tracking stock
79. Securities sold by companies in an initial public offering (IPO) are:
- A specific type of security sold by a public company for the first time
 - Debt securities sold on the open market
 - Public securities sold by a private company for the first time
 - Securities sold by a private company to a limited number of investors
80. A company has grown quickly in the euro zone market. It wants to maximize its excess cash. Which would be the BEST method of concentrating funds?
- Bank Overlay
 - Notional Pooling
 - Physical Pooling
 - Scheduled Transfer
81. Which of the following global cash concentration methods would be MOST appropriate for a single company with operations in the United States, Germany, Mexico, and Japan looking to minimize expenses?
- Multilateral netting
 - Bank overlay structure
 - Shared service center
 - Internal book transfer
82. Financing decisions in a budget are used to construct all of the following pro forma financial statement components EXCEPT:
- Debt
 - Interest expense
 - Shareholder's equity
 - Inventory
83. ABC Company is a national retail company and uses XYZ Bank for its collections and payroll services. XYZ has recently experienced financial problems; what is the greatest risk to ABC Company?
- Damage to their working relationship
 - Deterioration of service quality
 - Increase in service fees
 - Loss of assets
84. The rate of interest commercial banks charge their best credit rated customers is called the:
- Rate
 - Call rate
 - Prime rate
 - Real interest rate
85. A wholesale foods supplier receives an order from ABC Foods located in Minnesota. The supplier's policy is to bill upon fulfillment of the order and not at delivery. ABC Foods pays upon receipt of goods. A blizzard has closed the manufacturing facility and roads; delivery will be delayed by two days. Which type of float occurs between the receipt of an invoice by ABC Foods, including the credit period, and the time ABC Burgers' account is debited?
- Payment
 - Invoicing
 - Collection
 - Disbursement

86. Company ABC experienced a loss in the past when an employee in the treasury department was able to transfer \$1.5 million to a personal account offshore. The company is working with a security agent to prevent this from happening in the future. ABC also accepts a large number of checks as payment. The agent has suggested upgrades to ABC's payment process. What step should be taken to help mitigate this type of risk in the future?
- Securely store check stock
 - Set up international bank security
 - Implement dual approval
 - Implement data security standards
87. A company wants to gather daily balance reporting from its international subsidiaries' bank accounts. Which of the following systems would allow the company's bank to gather the balance positions from the local banks?
- SWIFT
 - CHIPS
 - Giros
 - EDI
88. Treasury policies should be approved by the:
- Audit committee
 - Controller
 - Board of directors
 - External auditors
89. The company currently calculates its Days' Receivables at 42 days, its Days' Payables at 31 days, and its Days Inventory at 58 days. What is the cash conversion cycle for the company?
- 131 days
 - 15 days
 - 69 days
 - 47 days
90. Using the above information, what is the cash turnover for the company?
- 5.3 times
 - 7.7 times
 - 24.3 times
 - 2.7 times
91. In order to be defined as independent, a corporate director:
- Cannot have owned preferred stock shares in the company
 - Cannot have a material relationship with the company
 - Cannot meet regularly with executive management outside of board meetings
 - Cannot have been an employee with the company during the past three years
92. After several internal discussions about treasury management systems (TMSes), ABC Company has determined that it has no need for customization but that it does want a backup for high priority capabilities. The company needs access to knowledgeable IT support resources but wants to reduce overall IT costs. These parameters will MOST LIKELY result in what kind of TMS?
- An ERP module TMS
 - An integrated TMS
 - A hosted ASP TMS
 - Development of its own TMS
93. Which of the following trade payment methods virtually eliminates the seller's credit risk?
- Bankers' acceptance
 - Cash before delivery
 - Countertrade
 - Consignment
94. Company A has \$1,375,000 that it plans to invest for three years at an interest rate of 4%, with all interest paid at maturity. How much interest will the company receive at the end of the third year?
- \$16,566.09
 - \$165,000
 - \$55,000
 - \$171,688
95. ABC Company's treasury department outsourced its overnight investment duties to XYZ Money Management. XYZ placed the funds received from ABC into corporate commercial paper, which has recently gone into default after numerous ratings downgrades. The investment policy of ABC Company states that all investments must be in investment grade commercial paper; however, the agreement gives XYZ the ability to make exceptions with the approval of the treasurer of ABC Company. The treasurer was never notified of the ratings downgrades. What role or responsibility, if any, was violated with regards to the investment policy?
- Exposure horizon monitoring
 - Valuation of investment vehicles
 - Policy approvals and exception management
 - No violation occurred

96. Company XYZ is a manufacturer of industrial equipment and has enjoyed a large percentage increase in profits from a small increase in revenues. Sales recently plummeted resulting in steep decline in profitability. Which of the following BEST describes the cost structure of the company?
- Low contribution margin
 - High financial leverage
 - Low variable costs
 - High operating leverage
97. A company hires an investment firm to fully underwrite a new stock issuance. Which of the parties carries the MOST risk?
- The public
 - The company
 - The company's bond holders
 - The investment firm
98. Which of the following is a KEY operational advantage of short-term debt?
- It can be arranged quickly and easily
 - It improves the current ratio for debt covenant and compliance purposes
 - It reduces the risk of interest rate fluctuation and lowers interest expense
 - It improves the overall liquidity position and reduces risk
99. In a typical swap transaction, two parties agree to exchange:
- Notional principal amounts
 - Amortization schedules
 - Maturity dates of obligations
 - Cash flows at future points in time
100. Company R has an AR collection pattern of 8% in the current month, 47% in the first month, 30% in the second month, 10% in the third month, and 5% in the fourth month. If AR for July is \$598,000, what amount of cash do they expect to collect in October?
- \$281,060
 - \$59,800
 - \$179,400
 - \$47,840
101. Which two of the following are optimal uses for short-term excess cash?
- Pay down credit lines
 - Make overnight investments
 - Repurchase stock
 - Make capital expenditures
- I and II
 - I and III
 - II and III
 - II and IV
102. Over the past 3 years XYZ Company has expanded into multiple countries and significantly grown its banking relationships. The company now incurs significant expenses related to payment transaction costs and maintaining multiple bank connections. What should the company use to combat these rising costs?
- SWIFT network
 - ACH network
 - CHIPS network
 - TARGET 2
103. Company ABC needs external capital to finance a new product line. Its operating leverage is high, and its revolving credit agreement contains a ratings trigger. What will Company ABC MOST LIKELY do to finance its new product line?
- Issue convertible debentures
 - Issue long-term notes
 - Issue common stock
 - Use retained earnings
104. The risk-free rate of return is 2.15% and the historical stock market average rate of return is 6%. If Company M has a beta of 1.36, what is their required rate of return for capital asset pricing?
- 8.083%
 - 7.39%
 - 0.42%
 - 0.04%
105. Which of the following is an example of a Eurobond?
- A bond that is denominated in euros, issued in France by a French company
 - A bond that is denominated in pounds, issued in the U.K. by a U.S. company
 - A bond that is denominated in Japanese Yen, issued in the U.K. by a U.S. company
 - A bond that is denominated in euros, issued in a European market by a U.S. company

106. A treasury manager has \$5 million that is not needed for 6 months. The treasury manager has decided to invest the funds in a liquid instrument, using the current portion of a 5-year AA rated corporate bond that is subject to U.S. Securities and Exchange Commission (SEC) regulations. In what market would the treasury manager purchase this investment?
- IPO Market
 - Private Market
 - Primary Market
 - Secondary Market
107. A company with high operating leverage reduces its average cost per unit by 20% as its sales volume increases by 40% annually. This is an example of:
- Low fixed costs
 - Low variable costs
 - Economies of scale
 - Equal distribution of fixed and variable costs per item
108. Banks often control information flow, records and assets, therefore it is critical that banks have:
- Backup systems and disaster recovery procedures
 - Controlled disbursement procedures
 - Standard formats for electronic submission
 - Timetables for service implementation
109. The yield on any short-term investment instrument is a function of the maturity or holding period, the amount paid and:
- The cash flows received
 - The money market yield
 - The after-tax yield
 - The issuing price
110. A treasurer decides to use notional pooling across wholly-owned multiple legal entities instead of wiring money between entity accounts. What specific section in the company's policy allowed the treasurer to make this decision?
- Regulatory and legal considerations
 - Liquidity strategy
 - Collection strategy
 - Concentration practices and strategies
111. Company T pays \$12.00 for a wire and \$2.00 for an ACH transaction. They receive a wire one day sooner than they do an ACH and they earn 1.75% on the funds. What is the break-even amount for a wire instead of an ACH?
- \$246,114.29
 - \$208,571.43
 - \$2,085.71
 - \$20,857.14
112. Company XYZ is a high technology company. It is planning on acquiring another company in the high technology sector. Company XYZ does not have enough cash to acquire the company and is planning on financing the acquisition through a bond offering. Which of the following measures is company XYZ MOST LIKELY to use in its analysis of operating profits considering it is a high debt transaction?
- Long-term debt to capital
 - EBITDA margin
 - Net profit margin
 - Return on equity
113. A company enters into a cash flow hedge to offset fluctuations in the value of foreign currency transactions occurring in two years. How should the company record the gains and/or losses on the cash flow hedge in the current year?
- The hedged gains and losses are reported in comprehensive income
 - The hedged gains and losses are reported in current period income
 - The hedged gains and losses are reported in current period income together with the offsetting gains and losses of the foreign currency
 - The hedged gains and losses are reported in comprehensive income together with the offsetting gains and losses of the foreign currency
114. Which of the following is a characteristic of giro systems used in countries throughout Europe?
- They operate through postal systems
 - They are primarily used for company-to-company payments
 - They do not replace checks for the payment of bills
 - They do not allow the use of direct debits and credits

115. The CFO asks the treasurer to create a new collections and concentration policy for their company. Following implementation of the policy, the company finds that reporting of receivables values is taking 10% longer, with no improvement in the company's cash flow or liquidity. What step in developing the policy could have been executed to reduce this risk?
- A. Delegation of authority
 - B. Clarify roles and responsibilities
 - C. Procedure implementation
 - D. Identify issues and conduct analysis
116. A company is evaluating its employee healthcare expense and payroll applications. If the company wishes to provide maximum convenience to its employees, which payment method is the BEST choice?
- A. Purchasing cards
 - B. Checks
 - C. Travel cards
 - D. Stored value cards
117. XYZ Holdco has multiple credit facilities with a bank under a borrowing agreement that includes certain covenants. A fire has destroyed the manufacturing plant owned by ABC, one of the XYZ subsidiaries that is part of the credit facilities. All loans, including the ABC loan, are up to date and being repaid as required. However, after the fire, the bank notified XYZ that it was in default. Which one of the following covenants is MOST LIKELY a term of the borrowing agreement?
- A. Technical default
 - B. Cross-default provisions
 - C. Material adverse change
 - D. Total liabilities to assets ratio default
118. An internal auditor discovers that employees can enter and approve their own wire transfers. This practice violates what internal control?
- A. Adequate segregation of duties
 - B. Accurate reporting of cash transactions
 - C. Appropriate monitoring of covenant compliance
 - D. Proper authorization of investment transactions
119. EML Inc., which has \$600 million in outstanding debt, is preparing to issue commercial paper in excess of \$100 million within the next six months. The new assistant treasurer has recently spent time getting to know the issuing and paying agent, the rating agency analyst, and the legal counsel, and has been following the financial markets. What is this an example of?
- A. Benchmarking with peers
 - B. External collaboration
 - C. Decentralized control
 - D. Risk transfer
120. Which of the following is NOT true for both bankers' acceptances and trade acceptances?
- A. They are both used to finance the shipment of goods
 - B. They both may be sold to an investor at a discount prior to maturity
 - C. They are both less expensive forms of financing than loans
 - D. They both transfer the buyer's credit risk to a third party

121. Company ABC, with a current debt rating of BBB-from Standard & Poor's, is negotiating a new revolving credit agreement with its lenders. The company anticipates closing on a small acquisition within a year of executing this new agreement and would like maximum flexibility to determine its capital structure. The company is MOST concerned about the lenders' inclusion of a:
- A. Ratings trigger
 - B. Growth rate covenant
 - C. Change in control covenant
 - D. Limit on internal financing
122. An arrangement in which a borrower makes periodic payments to a separate custodial account that is used to repay debt is known as a:
- A. Sinking fund
 - B. Balloon payment
 - C. Mortgage
 - D. Zero-coupon bond
123. The MOST common way that companies structure their treasury operations is as a(n):
- A. Cost center
 - B. Profit center
 - C. Shared service center
 - D. In-house bank
124. Why would a company establish a short-term credit facility?
- A. Short-term interest rates are expected to rise
 - B. The company would like to improve bank relationships
 - C. Cash shortages are being forecasted due to seasonality
 - D. There is an anticipated failure of the company's main depository bank
125. EDI infrastructure includes which of the following four PRIMARY components?
- A. Communication networks and standards, computer hardware, EDI software, and standard formats
 - B. Business-to-business banking services, EDI e-commerce, EDI software, and electronic payments networks
 - C. Authentication devices, evaluated receipts settlement, firewalls, and single sourcing arrangements
 - D. File transfer protocol, hypertext transfer protocol, uniform resource locator, and Extensible Markup Language (XML)
126. Which of the following is true when a company purchases goods using trade credit from suppliers?
- A. The buyer incurs no added cost if it pays on time
 - B. The supplier will charge interest to the buyer
 - C. The buyer should record this as a long-term liability
 - D. The supplier places a lien on the goods sold until payment
127. A furniture company maintains a large inventory during the summer sales season. One of the PRIMARY benefits of this approach is that the company avoids which of the following costs?
- A. Holding
 - B. Opportunity
 - C. Order
 - D. Stock-out
128. In order to increase liquidity, ABC Motor Company bundled its customers' installment payments and resold them to other investors. This is known as:
- A. Factoring
 - B. Securitization
 - C. Reclassification
 - D. Secondary distribution
129. A \$100,000 T-bill currently sells for \$98,600 and matures in 90 days. What is the discount rate for this investment?
- A. 5.51%
 - B. 5.57%
 - C. 5.60%
 - D. 5.68%
130. RAL Industries is a manufacturing company that currently has locations in Canada and Latin America and has just completed an acquisition of a company located in Europe. As a result of the acquisition, they have a large number of financial service providers. In an effort to reduce the number of providers and services used globally, RAL has decided to develop a formal selection process to consolidate its many global banking services. In order to reduce the amount of time the selection process takes, determine which services providers can offer, and the number of providers involved in the process, what should RAL Industries issue?
- A. Request for Quote
 - B. Request for Proposal
 - C. Request for Information
 - D. Request for Participation

131. To arrive at today's projected closing cash position, a cash manager starts with:
- A. The opening bank available balance
 - B. Yesterday's projected closing cash position
 - C. The general ledger cash balance
 - D. Today's expected settlements
132. An analyst for a landscaping company wants to adjust her cash-flow forecast to account for the seasonality of outflows. How can this be accomplished?
- A. Simple moving average
 - B. Regression analysis
 - C. Accounts receivable balance pattern
 - D. Contingency forecasting
133. Two months after a government overthrow, the new Minister of Industry and Culture took over the country's largest steel company and compensated the owners at 50% of book value. What is the government's action called?
- A. Consolidation
 - B. Deregulation
 - C. Expropriation
 - D. Nationalization
134. Today's modern cash management systems would include which of the following?
- A. Full integration to ERP systems
 - B. Performance management systems and support
 - C. Remote check disbursement software
 - D. Full customer relationship management (CRM) capability
135. A treasurer has been advised that his privately held company has just lost its largest customer, which will have a significant impact on earnings. The treasurer applies an aggressive working capital strategy. Presently, the yield curve is upward sloping. Given this information, the treasurer should ensure that the company has:
- A. Short-term non-committed lines
 - B. Short-term committed lines
 - C. Long-term non-committed lines
 - D. Long-term committed lines
136. All of the following are advantages of using traditional financial ratios for analysis EXCEPT:
- A. They can easily be computed from the information found in publicly available financial reports
 - B. They usually reflect accounting rather than economic values
 - C. They can be used to view historical trends and availability over time
 - D. They allow comparisons to be made between like companies
137. Which of the following are important uses of variance analysis in comparing actual cash flows with projected cash flows?
- I. Identifying unanticipated changes in inventory
 - II. Enhancing short-term investment income
 - III. Validating a capital budget
 - IV. Identifying delays in accounts receivable collections
- A. I and II only
 - B. I and IV only
 - C. II and IV only
 - D. I, II, III, and IV
138. A multinational company (MNC) that operates a shared service center charges its foreign subsidiaries a management fee. This management fee may need to be:
- A. Manipulated to locate profits in low-tax countries
 - B. Paid through a third-party intermediary
 - C. Negotiated with the host government
 - D. Significantly taxed by the host government

139. Upon entering into an interest rate swap with a notional principal of \$10,000,000, what is the initial amount of money the counterparties must exchange at the beginning of the swap?
- A. \$0
 - B. \$5,000,000
 - C. The future value of \$10,000,000
 - D. \$10,000,000 discounted

140. Which of the following is NOT a drawback to using ROI as a performance measure?
- A. It may be misleading when cash flows are not evenly distributed over time
 - B. It does not consider the profit generated by a project
 - C. It does not include a charge for cost of capital
 - D. It may lead to rejection of a positive NPV project

141. What is the ROI for the company represented in the Income Statement below if the Long Term Debt & Equity for the period was \$11,875,000?
- A. 7.75%
 - B. 8.03%
 - C. 8.42%
 - D. 8.97%

Sample Income Statement

Revenue	\$18,000,000
Less: COGS	\$9,750,000
Gross Profit	\$8,250,000
Less: Operating Expenses	\$5,900,000
EBITDA	\$2,350,000
Less: Depreciation & Amort	\$200,000
EBIT (Operating Income)	\$2,150,000
Less: Interest Expense	\$300,000
Net Profit before Taxes	\$1,850,000
Less: Provision for Taxes	\$850,000
Net Income	\$1,000,000

Sample Cash Flow Statement

Net Income	\$1,000,000
Adj to reconcile Net Income to Cash:	
Depreciation/Amort	\$200,000
Increase in A/R	(\$650,000)
Increase in Inv	(\$500,000)
Increase in A/P	\$375,000
Net Cash from Operations	\$425,000
Capital Expenditures	(\$900,000)
Decrease in Short Term Inv	\$200,000
Cash used in Investments	(\$700,000)
Short Term Notes Pay	\$500,000
Issuance of Long Term Debt	\$400,000
Dividends Paid	(\$250,000)
Cash from Financing	\$650,000
Net Cash Inc/(Dec)	\$375,000
Cash at Beginning of Year	\$1,000,000
Cash at End of Year	\$1,375,000

142. Based on the information provided in the chart, what is the Free Cash Flow for the period this company?
- A. (\$1,000,000)
 - B. (\$475,000)
 - C. \$475,000
 - D. \$1,000,000

143. Company XYZ is conservative when investing in their short-term portfolio. XYZ is looking to add the following money market instruments in their own country: a reverse re-purchase agreement, a floating-rate note, and a negotiable certificate of deposit. What types of investment risks are associated with these instruments?
- A. Default and reinvestment risk
 - B. Liquidity and price risk
 - C. Credit and liquidity risk
 - D. Default and payment risk

144. A company is based in the United States and has an operating subsidiary in Germany. With a stable U.S. dollar and a depreciating euro, the company's cash manager may elect to:
- A. Pool excess funds in the United States to offset German deficits
 - B. Implement a dollar-based multilateral netting system
 - C. Start leading receivables from the German subsidiary
 - D. Establish a multicurrency account in the United States

145. A company is looking for a way to finance their inventory. What is the BEST funding match?
- A. Long-term private placement
 - B. Short-term debt
 - C. Equity issuance
 - D. Stock split
146. Which one of the following ties a user's private key to a user's public key?
- A. A digital signature
 - B. A digital certificate
 - C. A digitized signature
 - D. A digital token
147. A treasury professional is deciding between two investment opportunities. The first is a taxable security in the amount of \$2,000,000 with a yield of 3.6%. The second is a tax-exempt security for the same amount with a yield of 2.85%. Both securities have the same maturity and a similar risk profile. The marginal income tax rate is 35%. What is the taxable equivalent yield for the tax exempt security?
- A. 5.54%
 - B. 4.38%
 - C. 1.15%
 - D. 4.15%
148. The accounting requirement that a product's selling costs be recorded in the same period as the product's revenue is recorded, regardless of when the cash is paid, is an example of the:
- A. Full disclosure principle
 - B. Historical cost principle
 - C. Matching principle
 - D. Revenue recognition principle
149. A UK based manufacturer has a subsidiary in Belgium and a manufacturing plant in Italy. The subsidiary wants to sell its products in Sweden. How would the UK parent best structure the movement of funds within the organization to optimize management of working capital while ensuring recourse?
- A. Internal factoring
 - B. Re-invoicing
 - C. Export financing
 - D. Multilateral netting
150. XYZ Company is a U.S. based company that has just issued some euro-denominated bonds in London. The bonds have a duration of 10 years at a rate of 3.5% with a par value of EUR 50 million. An FX swap contract was created on the date of the issuance in EUR/USD, with a spot rate of 1.2908 and a forward rate of 1.1102. This bond is subject to what type of risk?
- A. Interest rate
 - B. Currency
 - C. Floating rate
 - D. Duration
151. The goal of a successful investor relations program is to ensure:
- A. Achievement of the company's earnings-per-share objective
 - B. Accurate preparation of financial statements
 - C. On-time filing of reports
 - D. Effective two-way communication between a company, the financial community, and other constituencies
152. Capital budgeting is defined as the:
- A. Determination of the optimal level of debt versus equity
 - B. Process of evaluating alternative investment projects
 - C. Provision of sufficient borrowing facilities to meet transaction requirements
 - D. Addition of capital to the firm which results in a cash inflow
153. The treasurer for XYZ Manufacturing, Inc. recently exchanged a portion of its euro holdings into U.S. dollars to purchase gas futures contracts. This was done in anticipation of an assumed rise in gas prices due to the continued weakening of the U.S. dollar. Which of the following types of risk is being mitigated?
- A. Sovereign
 - B. Operational
 - C. Commodity price
 - D. Foreign exchange
154. A U.S.-based electronics company that buys components from one of its foreign subsidiaries at a price above market is likely to:
- A. Be paid large dividends by the subsidiary
 - B. Be sheltering profits in a low-tax country
 - C. Need tax consultants to act as intermediaries
 - D. Make payment with an intracompany loan

155. An increasing number of multinational companies have adopted formal multilateral netting systems for which of the following reasons?
- A. To facilitate management of foreign exchange exposure
 - B. To improve check clearing times
 - C. To standardize payment routes and banking channels
 - D. To eliminate duplicate payments to vendors
156. XYZ Bank would like to conduct some foreign exchange transactions with JKL Bank. JKL isn't the most liquid and could have some credit risk. XYZ Bank should suggest which of the following in order to eliminate risk?
- A. Pre-authorized draft
 - B. Straight-through processing
 - C. Documentary collection
 - D. Continuous Linked Settlement
157. A company in the market to purchase a treasury management system (TMS) has issued a request for proposal to evaluate various vendors. One of the evaluation factors focuses on the long-term viability of the vendor. The company may have to choose between an untested new vendor with a superior product and an established vendor with an incomplete product suite. This dimension of the RFP is measuring what type of risk?
- A. Reputational risk
 - B. Supplier risk
 - C. Technology risk
 - D. Financial risk
158. Buying a security with the intent of selling it prior to its maturity date to increase the return is an example of:
- A. Active investment strategy
 - B. Matching investment strategy
 - C. An interest rate future
 - D. A diversification program
159. Company ABC is a restaurant chain that has enjoyed a surge in customers' dining with not much of a profitability increase in the last couple of years. Following a bad restaurant review, customer traffic deteriorated with not much change in profitability. Which of the following BEST describes the cost structure of the company?
- A. Low variable costs
 - B. Economies of scale
 - C. Low financial leverage
 - D. Low operating leverage
160. Company R has a \$50 million line of credit with a 5% compensating balance. They have outstanding borrowings of \$37 million. The fee on the unused portion of the line of credit is 25 bps and the interest rate on the borrowings is LIBOR of 28 bps plus 3.25%. What is the annual interest rate for the line of credit?
- A. 0.46%
 - B. 3.64%
 - C. 3.73%
 - D. 3.81%
161. Examples of fixed assets include which of the following?
- I. Inventory
 - II. Treasury bills
 - III. Forklift
 - IV. Goodwill
- A. III only
 - B. I and III only
 - C. I, II, and IV only
 - D. I, III, and IV only
162. XYZ Company has incurred a financially devastating event because of a typhoon at its offshore manufacturing plant where the majority of its products are developed. Due to the impact on liquidity, the company may not be able to survive. What should the Treasurer have done in order to mitigate the risk associated with this type of event?
- A. Evaluated insurance coverage amounts
 - B. Negotiated back-up lines of credit
 - C. Developed a contingency funding plan
 - D. Increased reserves
163. When a subsidiary borrows money, the parent, sister subsidiary, or other entity is often used in order to:
- A. Diversify the risk of the investment
 - B. Guarantee the obligations of the borrower
 - C. Increase the return of a security
 - D. Prevent a covenant violation

164. Some treasury management systems are capable of initiating investment purchases and loan drawdowns automatically. The automating of these transactions is related to which of the following treasury management functions?
- Payment management
 - Liquidity management
 - International trade management
 - Capital budget management
165. When a buyer receives goods, but payment is not due to the supplier until some later date, this is defined as:
- Factoring
 - Bank credit
 - Trade credit
 - Intercompany loan
166. Using the chart above what is the Days' Inventory (DI)?
- \$446.32
 - \$1,429.07
 - \$93.23
 - \$508.20
167. Using the chart above what is the Days' Receivables (DR)?
- \$2,988.08
 - \$298.50
 - \$44.59
 - \$76.24
168. Using the chart above what is the Days' Payables (DP)?
- \$262.15
 - \$93.23
 - \$39.16
 - \$66.96
169. Due to a loss of proprietary information held for clients, ABC Company has been named in a billion dollar lawsuit. It was determined that the loss of information was due to a breach in its computer system firewalls by outside parties. When the lawsuit became public, the company experienced a steep drop in its stock price. This scenario is an example of what kind of risk?
- Internal technology
 - Compliance
 - External theft/fraud
 - Market
170. Kahuna Boards Co. has just experienced a very profitable year and wants to share the success with its shareholders. In order to pay dividends, a sequence of events must occur. Which of the following chronological sequence of events is correct?
- Stock is sold without the upcoming dividend attached
 - Dividend is paid
 - Board of directors announces the dividend
 - Holders of record are specified
- 3, 4, 1, 2
 - 3, 4, 2, 1
 - 4, 3, 2, 1
 - 4, 3, 1, 2

Annual Revenue	\$158,000.00
Annual Cost of Goods Sold	\$92,400.00
Cash Flow from Operations	\$850.00
Ending Inventory	\$23,600.00
Ending Accounts Receivable	\$19,300.00
Ending Accounts Payable	\$16,950.00

Q	A	Q	A	Q	A	Q	A	Q	A
1	B	35	A	69	D	103	C	137	B
2	A	36	B	70	B	104	B	138	C
3	D	37	C	71	B	105	C	139	A
4	A	38	D	72	D	106	D	140	B
5	C	39	B	73	A	107	C	141	C
6	B	40	A	74	A	108	A	142	B
7	B	41	B	75	D	109	A	143	C
8	D	42	B	76	A	110	D	144	C
9	D	43	C	77	B	111	B	145	B
10	A	44	A	78	C	112	B	146	B
11	B	45	C	79	C	113	A	147	B
12	A	46	B	80	C	114	A	148	C
13	C	47	D	81	B	115	D	149	A
14	B	48	D	82	D	116	D	150	A
15	B	49	B	83	D	117	C	151	D
16	C	50	D	84	C	118	A	152	B
17	C	51	C	85	A	119	B	153	C
18	A	52	A	86	C	120	D	154	B
19	C	53	A	87	A	121	A	155	A
20	D	54	A	88	C	122	A	156	D
21	A	55	A	89	C	123	A	157	B
22	D	56	C	90	A	124	C	158	A
23	C	57	B	91	B	125	A	159	D
24	B	58	B	92	C	126	A	160	D
25	A	59	A	93	B	127	D	161	A
26	C	60	B	94	D	128	B	162	C
27	D	61	A	95	C	129	C	163	B
28	A	62	D	96	D	130	C	164	B
29	D	63	A	97	D	131	A	165	C
30	D	64	A	98	A	132	B	166	C
31	D	65	A	99	D	133	C	167	C
32	B	66	A	100	B	134	A	168	D
33	A	67	C	101	A	135	B	169	C
34	C	68	B	102	A	136	B	170	A



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