

Question: 1

A real estate development company has excess cash that it would like to invest in one of its properties:

Property A has shown an ROI of 40%, a residual income of \$25,675, and an EVA of \$32,678.

Property B has shown an ROI of 45%, a residual income of \$27,635, and an EVA of \$29,523.

Property C has shown an ROI of 55%, a residual income of \$22,658, and an EVA of \$30,678.

Property D has shown an ROI of 52%, a residual income of \$19,675, and an EVA of \$31,523.

In which property should the company invest?

- A. Property A
- B. Property B
- C. Property C
- D. Property D

Answer: A

Question: 2

A call option for a company has an exercise price of \$50. The stock is currently trading at \$60. At maturity, what should an investor who paid \$3 for the option do?

- A. Exercise the option and gain \$7.
- B. Exercise the option and gain \$10.
- C. Not exercise the option and lose \$3.
- D. Not exercise the option and lose \$13.

Answer: A

Question: 3

Which of the following instruments simplifies the paperwork connected with loans that have multiple advance features?

- A. Master note
- B. Banker's acceptance
- C. Indenture agreement
- D. Note purchase agreement

Answer: A

Question: 4

A company has a line of credit and a bond trustee agreement with a bank. To prevent a decline in the company's bond rating from having a negative impact on the company's line of credit, the bank should have which of the following in place?

- A. Code of conduct
- B. Confidentiality agreement
- C. Notional barrier
- D. Risk profile

Answer: C

Question: 5

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?

1. Stock is sold without the upcoming dividend attached.
2. Dividend is paid.
3. Board of directors announces the dividend.
4. Holders of record are specified.

- A. 3, 4, 1, 2
- B. 3, 4, 2, 1
- C. 4, 3, 2, 1
- D. 4, 3, 1, 2

Answer: A

Question: 6

The treasury management department of a company hires a consulting firm to provide research on how other companies in the industry have structured their treasury operations. This is an example of which practice?

- A. Outsourcing
- B. Benchmarking
- C. Re-engineering

D. Restructuring

Answer: B

Question: 7

A telecommunications company receives a profit of \$587,542 from its cellular phone production unit in the year after investing \$962,870 in a new product line. What is the first year return on its original investment?

- A. 56%
- B. 58%
- C. 61%
- D. 64%

Answer: C

Question: 8

The fixed costs to manufacture widgets are estimated to be \$54,000. The benefit (sales) of a widget is estimated to be \$6.78 per unit, and the variable costs are estimated at \$4.48 per unit. What is the estimated break-even point in units for the manufacture of widgets (rounded to the nearest unit)?

- A. 4,796
- B. 7,965
- C. 12,054
- D. 23,478

Answer: D

Question: 9

A Chicago meat processor is concerned about the volatility of pork belly prices. Which of the following derivative products would be used to fix these prices within a given range?

- A. Collar
- B. Swap
- C. Cap
- D. Spot purchase

Answer: A

Question: 10

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?

- A. Convertible bonds
- B. Private placement issue
- C. Preferred stock
- D. Subordinated debentures

Answer: A

Question: 11

From a buyer's perspective, which of the following types of float would be eliminated if checks were replaced by electronic payment methods?

- A. Collection
- B. Invoicing
- C. Disbursement
- D. Lockbox

Answer: C

Question: 12

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

Answer: A

Question: 13

Which of the following is a characteristic of giro systems used in countries in Europe?

- A. They operate through their postal systems.
- B. They are primarily used for company-to-company payments.
- C. They do not replace checks for the payment of bills.
- D. They do not allow the use of direct debits and credits.

Answer: A

Question: 14

ASC Topic 815 (FAS 133) is applicable when accounting for which of the following?

- A. Gain on an equity investment
- B. Purchase of a bond investment
- C. Market value of collateral
- D. Purchase of a forward

Answer: D

Question: 15

Which of the following trade payment methods virtually eliminates the seller's credit risk?

- A. Bankers' acceptance
- B. Cash before delivery
- C. Countertrade
- D. Consignment

Answer: B

Question: 16

A French company conducts business strictly within the euro zone (the EMU). Which type of risk is of LEAST concern?

- A. Terrorist
- B. Regulatory
- C. Payment
- D. Currency

Answer: D

Question: 17

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.

Answer: C

Question: 18

The KEY decision in using CCD+ and CTX formats for B2B payments is:

- A. whether to keep the payment and remittance information together or separate.
- B. whether to use the Internet or an EDI spoke to transmit electronic payments.
- C. whether to use an EDI or a UN/EDIFACT protocol to transfer the value electronically.
- D. whether an evaluated receipts or paid-on-production technique is being used for the transfer.

Answer: A

Question: 19

Future treasury operations will be affected MOST significantly by consolidation of which of the following?

- A. Competitors
- B. Subsidiaries
- C. Commercial banking industry
- D. Procurement cards

Answer: C

Question: 20

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

Answer: D