

Certificate in Integrated Treasury Management

(Mock Test-2)

- 1) Treasury assets are:_____
 - (A) Not negotiable or tradable
 - (B) Marketable and tradable
 - (C) Perpetual
 - (D) Marketable but not tradable

- 2) 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

- 3) When a buyer receives goods, but payment is not due to the supplier until some later date, this is defined as:
 - (A) Factoring.
 - (B) Bank credit.
 - (C) Trade credit.
 - (D) Intercompany loan.

4) 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.

5) 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

6) 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

7) 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

8) 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

9) 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?

(A) SWIFT network

(B) ACH network

(C) CHIPS network

(D) Treasury workstation

10) Using the chart above what is the Days' Payables (DP)?

(A) \$262.15

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

(C) \$39.16

(B) \$93.23

(D) \$66.96

11) 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

12) A company hires an investment firm to fully underwrite a new stock issuance.

Which of the parties carries the MOST risk?

(A) The public

(B) The company

(C) The company's bond holders

(D) The investment firm

13) Convertible securities consist of preferred stock and:

- (A) Treasury stock.
- (B) Common stock.
- (C) Bonds.
- (D) Tracking stock.

14) 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

15) 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

16) 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.

17) 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

18) 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) 1.15%

(C) 4.38%

(D) 4.15%

19) 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?

(A) Bank Overlay

(B) Notional Pooling

(C) Physical Pooling

(D) Scheduled Transfer

20) 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.

21) 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

22) 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

23) 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

24) 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

25) 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

Answers-

1. B	2. A	3. C	4. A	5. B
6. C	7. A	8. B	9. A	10.D
11.A	12.D	13.C	14.D	15.D
16.A	17.A	18.B	19.C	20.B
21.D	22.D	23.B	24.D	25.A