

Essential Learning for CTP Candidates
2015 Training: 50-Question On-Site Sample Exam

1. All of the following are performance ratios EXCEPT:
 - A. Gross profit margin
 - B. Return on total assets
 - C. Times interest earned
 - D. EBITDA margin

2. Which of the following statements is NOT true of futures contracts?
 - A. Futures contracts require marked-to-market-margin accounts.
 - B. Futures contracts are standardized with respect to the contract size and the delivery date.
 - C. Futures contracts payoff profiles for both the long and short positions look exactly like a forward contract.
 - D. Futures contracts are always settled with delivery of the underlying asset.

3. Assume stock A makes up 40% of a portfolio, B makes up 35%, and C makes up 25%. If stocks A, B, and C have betas of 1.2, 0.5, and 1.3 respectively, what is the portfolio's beta?
 - A. 0.945
 - B. 0.980
 - C. 0.995
 - D. 1.000

4. Which of the following regulations requires financial institutions and creditors to implement programs designed to prevent identity theft?
 - A. The Red Flags Rule
 - B. Regulation Z
 - C. Bank Secrecy Act
 - D. Gramm-Leach-Bliley Act

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5. A forecast that estimates the daily impact that a single event has on cash flows over a specified period based on historical patterns is referred to as a:
- A. Time series forecast
 - B. Distribution forecast
 - C. A receipts and disbursement forecast
 - D. Degree of certainty forecast
6. The budget that details the forecasted costs of expected investments is referred to as
- A. The capital budget
 - B. The cash budget
 - C. The master budget
 - D. The operating budget
7. Which of the following, according to GAAP, is NOT considered to be an adjustment to comprehensive income?
- A. Unrealized gains and losses from other-than-temporarily impaired investments
 - B. The long-term effect of economic exposure due to fluctuations in FX rates
 - C. Minimum pension liability adjustments
 - D. Changes in the market values of certain futures contracts used as hedges
8. A dealer is quoting a bid discount of 0.75 and an ask discount of 0.73 on a T-Bill with a maturity of 125 days. If you want to sell such a T-Bill to the dealer with a face value of \$1M, how much would you get for it?
- A. \$992,700
 - B. \$997,396
 - C. \$997,465
 - D. \$998,024
9. Which debt contract provision refers to an asset being used as security for the loan?
- A. Collateral
 - B. Indenture
 - C. Covenant
 - D. Defeasance

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10. Which Federal Reserve regulation was significantly changed in 2010 as a result of the Dodd Frank Act, removing the final restrictions on corporate demand deposits?
- A. Reg Q
 - B. Reg J
 - C. Reg Z
 - D. Reg BB
11. A commercial customer is currently paying its key supplier, whose credit terms are net 10, by check. The check takes six days to clear. The supplier proposes to the customer to pay by ACH credit which means the payment would clear in one day. If the company's opportunity cost is 10%, what discount rate does the supplier have to offer the customer for this payment to be float-neutral?
- A. 0.137%
 - B. 0.524%
 - C. 0.842%
 - D. 0.997%
12. All of the following are check-processing factors that influence funds availability EXCEPT:
- A. RDC (remote deposit capture)/Image Capture
 - B. RCC (remotely created check).
 - C. Value Dating.
 - D. As-Of Adjustments.
13. Which of the following are the main elements of information security?
- I. Privacy
 - II. Authentication
 - III. Non-repudiation
 - IV. Digitized signature
- A. I only
 - B. I and II only
 - C. I, II and III only
 - D. II, III and IV only

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14. What is the balance sheet term for assets that lack physical substance and have a high degree of uncertainty concerning their future value?
- A. Marketable securities
 - B. Intangible assets
 - C. Pre-paid expenses
 - D. Depreciable assets
15. Based on the Sarbanes-Oxley Act, which of the following individuals is held personally accountable for the accuracy of financial statements?
- A. Chief Financial Officer
 - B. Treasurer
 - C. Risk Manager
 - D. Internal Auditor
16. A company has annual sales of \$25,000, with cost of goods sold equal to 80% of sales. The year-end balance sheet figures for the working capital accounts are as follows: inventory = \$3,500, A/R = \$3,000, and A/P = \$2,500. What is the CCC for this company?
- A. 45.6 days
 - B. 55.5 days
 - C. 62.1 days
 - D. 63.9 days
17. Which of the following answers represents the traditional order of the operating cycle of a business?
- I. Provide/sell services and products
 - II. Build inventory
 - III. Collect revenue
 - IV. Purchase supplies, facilities, etc.
- A. I, IV, II and III
 - B. II, I, IV and III
 - C. IV, II, I and III
 - D. IV, I, II and III

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18. Which of the following statements is true about both documentary collections and letters of credit?

- A. Both methods use sight and time drafts for payment.
- B. Both involve the use of a remitting bank.
- C. Both involve documents that must be accurate.
- D. Both require a bank to guarantee payment.

19. The combination of mail, processing, and clearing float is generally referred to as

- A. Payment float
- B. Disbursement float
- C. Collection float
- D. Invoicing float

20. Which of the following are the main benefits of E-Commerce?

- I. Improves productivity, enhancing working capital management
 - II. Improves communication capabilities
 - III. Eliminates mail time, enhancing cash flow processes
 - IV. Allows straight-through processing (STP)
- A. I, III and IV only
 - B. II and IV only
 - C. II, III and IV only
 - D. I, II, III and IV

21. Which of the following are best practices to help mitigate risk/fraud?

- I. The use of dual authentication for all EFT transactions, where one person originates a transaction and a second person reviews and releases the transaction
 - II. Increase the number of non-repetitive wires when applicable
 - III. The use of a dedicated computer for the initiation of online EFT transactions
 - IV. The use of separate accounts for deposits and disbursements
- A. I, III and IV only
 - B. I and III only
 - C. I, II, III and IV
 - D. III only

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22. A company has a WACC of 11%, a tax rate of 35%, an ROA of 12% and a net profit margin of 5%, what is this company's total asset turnover?
- A. 1.43 times
 - B. 2.20 times
 - C. 2.40 times
 - D. 3.38 times
23. Which of the following are mechanisms for the settlement of euro payments and transfers?
- I. SWIFT
 - II. TARGET 2
 - III. SEPA
 - IV. CLS
- A. I and II only
 - B. II only
 - C. II and III only
 - D. II, III and IV only
24. When a company maintains low levels of current assets relative to sales, this is known as what type of current asset investment strategy?
- A. Conservative
 - B. Relaxed
 - C. Aggressive
 - D. Restrictive
25. Which of the following is a way in which EVA can be increased?
- A. Increase investments in assets that earn a rate of return that is less than the cost of capital.
 - B. Improve operating efficiency so that more EBIT is generated on the existing asset base.
 - C. Eliminate assets that earn a rate of return that is higher than the cost of capital.
 - D. Shift resources from a division with high operating efficiency to one with lower operating efficiency (assuming both have same EBIT).

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26. Which of the following investment risk analysis methods would a CFO use when attempting to determine best and worst case NPV outcomes?
- A. Scenario analysis
 - B. Sensitivity analysis
 - C. Monte Carlo simulation
 - D. Value at Risk analysis
27. In the last month (31 days), a company had service charges at the bank of \$1,235. Assuming a reserve requirement of 10% and an ECR of 2.0%, what was the minimum level of collected balances needed to fully cover these charges?
- A. \$751,292
 - B. \$807,841
 - C. \$825,290
 - D. \$834,769
28. Which of the following is an advantage of raising capital through public offerings as opposed to raising capital through private placement?
- A. Control over who holds debt.
 - B. Minimal reporting, ratings, or disclosures.
 - C. Ability to raise large amounts of capital at prevailing rates.
 - D. Less-restrictive covenants.
29. An investor is considering investing in a \$250,000 T-bill, selling for \$248,750 and 67 days to maturity. If they are comparing this investment to a bank CD, what is the appropriate yield to use for comparison?
- A. 2.65%
 - B. 2.69%
 - C. 2.70%
 - D. 2.74%

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30. All of the following are benefits that Electronic Bank Account Management (eBAM) provides to treasury operations EXCEPT:
- A. Eliminating the cost of creating, moving, reviewing, and storing paper
 - B. Improving the ability to quickly change bank accounts and their signatories across banks and geographies
 - C. Eliminates the work required to establish an initial relationship between an organization and a specific bank
 - D. Strengthening internal control and improving related auditing and management reporting
31. Under accrual accounting, which of the following would be considered a use of funds?
- A. Decrease in an asset
 - B. Increase in an asset
 - C. Decrease in inventory
 - D. Increase in a liability
32. Ensuring the company's ability to meet current and future financial obligations in a timely and cost-effective manner is related to which of the following treasury management objectives?
- A. Optimize cash resources
 - B. Maintain liquidity
 - C. Maintain investments
 - D. Maintain access to short-term financing
33. All of the following are responsibilities of the Federal Deposit Insurance Corporation (FDIC) EXCEPT:
- A. The FDIC acts as a trustee in the event of bank failures.
 - B. The FDIC plays a central role in investigating FI fraud and theft.
 - C. The FDIC provides deposit insurance for all insured FIs.
 - D. The FDIC supervises select depository institutions.

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34. A company has an A/R collection pattern where 10 % of a given month's sales are collected in the month of sale, 70% is collected one month after sale, and the remaining 20% is collected two months after sale. It is currently the end of June, and the historical monthly sales over the past three months were as follows: April - \$150,000, May - \$300,000 and June - \$400,000. If the projections for July sales are \$500,000, what is the forecast of total collections in July?
- A. \$290,000
 - B. \$340,000
 - C. \$390,000
 - D. \$420,000
35. All of the following agencies and organizations play a role in combating money laundering and terrorist financing at either the national or international level EXCEPT:
- A. Department of Justice (DOJ)
 - B. The Financial Action Task Force (FATF)
 - C. Office of Foreign Assets Control (OFAC)
 - D. Financial Crimes Enforcement Network (FinCen)
36. All of the following are part of the basic concepts of equity portfolio management EXCEPT:
- A. Determining portfolio risk and return
 - B. Managing capital preservation
 - C. Defining and measuring risk
 - D. Diversification
37. Which of the following articles of the Uniform Commercial Code (UCC) governs Letters of Credit?
- A. Article 3
 - B. Article 4
 - C. Article 4A
 - D. Article 5

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38. Which of the following is impacted by spontaneous changes in current assets and current liabilities?
- A. Changes in total assets to total liabilities requirements
 - B. Changes in capital budgeting requirements
 - C. Changes in external financial requirements
 - D. Changes in performance measurement requirements
39. All of the following are basic types of market risk EXCEPT:
- A. Legal and regulatory compliance risk
 - B. Interest rate risk
 - C. Commodity price risk
 - D. Foreign exchange (FX) risk
40. An industrial bank that is a subsidiary of a large industrial corporation and that finances purchases solely of the corporation's products is known as:
- A. Industrial Bank
 - B. Captive Finance company
 - C. Insurance company
 - D. Factoring company
41. The international organization that establishes capital requirements for financial institutions is:
- A. The Financial Stability Board
 - B. The International Association of Deposit Insurers
 - C. The Basel Committee on Banking Supervision
 - D. The Bank for International Settlements
42. The individual responsible for developing a company's investment strategy and approving minor policy exceptions is the:
- A. Chief Financial Officer
 - B. Risk Manager
 - C. Investor Relations Manager
 - D. Treasurer

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43. Which of the following are reasons why a company would prefer to compensate a bank using balances rather than fees
- I. For budgeting purposes, balance compensation is not as visible as fee compensation
 - II. Earnings credits on collected balances are not taxable
 - III. The earnings credit rate is viewed as a low-risk source of earnings
 - IV. The earnings credit rate is usually higher than the interest than can be earned on other short-term investments
- A. I only
B. I and II only
C. II and III only
D. II, III and IV only
44. Which of the following is NOT an example of measuring the ongoing operational performance of a company?
- A. Residual income
B. Free cash flow
C. Return on investment
D. Cash conversion efficiency
45. Studies of failed companies find that the ratio that is the most reliable predictor of financial failure is
- A. Cash flow to total debt
B. Cash conversion efficiency
C. Current ratio
D. Quick ratio
46. Which of the following short-term investments are issued at a discount?
- I. Government paper
 - II. Certificates of deposits
 - III. Floating rate notes
 - IV. Asset-backed commercial paper
- A. I only
B. I and III only
C. II and III only
D. I and IV only

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47. Standard and Poor's highest credit rating for short-term debt issues is
- A. P1
 - B. AAA
 - C. A-1
 - D. AAA+
48. A cross-border trade payment method used by companies that do not have access to sufficient hard currencies to pay for imports from other countries is
- A. Draft/bill of lading
 - B. Consignment
 - C. Countertrade
 - D. Barter
49. For a given corporation, assume 40% of its financing is from debt, 60% is from equity, the cost of debt (before tax) is 6%, the cost of equity is 10%, and the tax rate is 30%. What is the weighted average cost of capital?
- A. 6.52%
 - B. 7.68%
 - C. 7.98%
 - D. 8.40%
50. The risk that occurs when a central bank of a country alters its monetary policy significantly or imposes FX regulations that would reduce or negate the value of currency contracts or trade is referred to as
- A. Political risk
 - B. Counterparty risk
 - C. Sovereign risk
 - D. Settlement risk