



Certified Treasury Professional[®]

Examination Preparation Guide

CTP[®]—The Global Standard of Excellence in Treasury



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Professional®



For additional information please visit www.AFPonline.org/ctp or call 301.907.2862 between 8:30 a.m. and 5:00 p.m. ET, Monday through Friday.

Testing Windows

Offered in 60-day testing windows for greater flexibility and convenience to candidates!

Testing Window	Early Deadline*	Final Deadline**
June/July 2011	March 25, 2011	April 29, 2011
December 2011/January 2012	September 23, 2011	October 28, 2011

* Submit your application by this date and save \$100 on the final deadline fee. Only for new applications.

**Applications received after the final deadline will automatically be deferred to the next available testing window.

For eligibility requirements and an application, please see the 2011 Certification Candidate Guide.

This edition of the CTP Examination Preparation Guide supersedes all previous editions.
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The CTP examination has been developed in collaboration with Pearson VUE of Bloomington, MN.



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Study Strategies and Test Taking Tips

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 2011 CTP® Certification Candidate Guide and the Exam Rules and Regulations on the AFP website (www.AFPonline.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 active list of Certified Treasury Professionals.

CTP Examination

The CTP examination 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®*, *Third Edition (Essentials)* and are grouped into content areas (see CTP Test Specifications on page 3). The number of questions in each area is included in the listing, and are distributed randomly through the examination.

Given that the body of knowledge is designed to reflect industry standards, the CTP examination is also designed to assess your knowledge of industry standards.

Your total seat time is 4 hours. You will have exactly 3.5 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 5. It is to your advantage to complete the tutorial quickly, as no additional time beyond 3.5 hours will be allotted to taking the exam.

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

Recommended Study Plan Development

- **Allow a sufficient period for studying.** Complete a cursory reading of the body of knowledge (found in *Essentials* or AFP Learning System™: Treasury) to determine how familiar you are with the content.
- **The CTP examination is documented to *Essentials of Treasury Management®*, *Third Edition*.** It is important to know the information in *Essentials* or the AFP Learning System, as the examination is based on general 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 AFP Learning System™: Treasury, 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 3) 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 timing feature of the AFP Learning System™: Treasury 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.

2011-2013 CTP Test Specifications

Essentials of Treasury Management® 3rd Edition

Chapter Content Areas	No. of Questions
1. The Role and Organization of Treasury Management	8-10
2. Financial Regulatory Environment	5-7
3. Managing Relationships with Service Providers	11-13
4. Financial Accounting and Reporting	3-5
5. Financial Planning and Analysis	8-10
6. Introduction to Working Capital Management	5-7
7. Working Capital Tools	9-11
8. Cash Management and Forecasting	14-16
9. Financial Risk Management	8-10
10. Payment Systems, Collections and Disbursements	16-18
11. Money Markets, Short-term Investing and Borrowing	12-14
12. Capital Markets	7-9
13. Financial Decisions and Management	6-8
14. Capital Structure and Dividend Policy	5-7
15. Operational and Enterprise Risk Management	7-9
16. Treasury Policies and Procedures	6-8
17. Information Technology in Treasury	3-5
**Unscored Questions	20
TOTAL	170

** These questions are unscored and do not count towards the final score.

- Programmable calculators, phones, and PDAs 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 examination contains the correct answer and three incorrect options.
- There is no penalty for incorrect answers, so plan to answer every question. You are not penalized for guessing. In this multiple-choice exam of four options, you stand a 25% chance of guessing correctly.
- 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.
- Remember the “31-Second Rule.” 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.
- 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.

All exam forms meet the same test specifications:

- 33 – 37% of questions test knowledge of basic facts and terms
- 38 – 42% of questions test an understanding of concepts and principles
- 23 – 27% of questions test the higher thinking ability to apply concepts and principles to specific situations
- 10 – 15% of all of the above mentioned questions will require computation and higher math skills

The CTP exams are valid, psychometrically sound and legally defensible.

The Essentials of Treasury Management®

The *Essentials of Treasury Management®*, Third Edition is the reference text for the 2011 – 2013 CTP examinations. *Essentials* is developed from the test specifications and all questions are documented to it.

The Preferred Resource for Preparing for the CTP Examination

The AFP Learning System™: Treasury course provides a rich, interactive learning experience and the opportunity for you to measure learning outcomes, making it the preferred resource to prepare for the CTP exam.

The AFP Learning System: Treasury course provides users with the CTP body of knowledge, *Essentials of Treasury Management®*, Third Edition, in seven print-based text modules. More than 900 online questions and 50 application exercises replicate the look and feel of the questions on the computer-based CTP exam.

Web-based components include:

- Pre-test covering all areas in the CTP body of knowledge
- Module-specific tests providing immediate feedback and answer rationale
- Calculated exercises with immediate feedback
- Comprehensive post-test, with questions distributed proportionately to those on the CTP exam
- Printable flash cards of key glossary terms and equations

- Detailed reporting to track learner progress and learning gained
- A test timing feature to learn the pace necessary to complete the CTP exam on time

Increase your chances to earn the CTP credential. Order the AFP Learning System: Treasury course as your exam preparation resource. Visit www.AFPLearningSystem.com to learn more or to purchase today.

Additional Examination Study Aids and Services

To further assist candidates in preparing for the CTP examination, 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 Web site so candidates may contact each other. A participation form is provided on our Web site at www.AFPonline.org/ctp. Click on “Prepare for the Exam”, then click on “CTP Exam Study Network” under “More Resources.”
- **AFP/TMA Regional Associations** – Contact your local AFP/TMA regional association to locate study groups or CTP examination 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 “Membership”, then click on “Regional Associations.”
- **CTP Exam Preparation Discussion Board** – Gain and share knowledge with your peers preparing for the CTP exam. Go to www.AFPonline.org/discussion.
- **Study Tips Blog** – Read study tips posted weekly by a CTP instructor. Go to <http://blogs.afponline.org/ctp>.
- **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 3 – 5 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.

Common Types of Multiple-Choice Questions

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

1. Closed Question

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

Example:

What is the usual color for stop signs?

- (A) Red (C) Green
(B) Yellow (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:

Which of the following colors is a combination of two primary colors?

- (A) Red (C) Yellow
(B) Purple (D) Blue

2. Open Question

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

Example:

A period of time of 60 minutes is called a(n):

- (A) Hour (C) Month
(B) Week (D) Year

3. 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:

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.

4. 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.

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



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The CTP Credential

Increase Your Competitive Edge
and Professional Excellence

Sample CTP Examination Questions

The following questions are similar to those on the CTP examination. By reviewing them, you can familiarize yourself with the types of questions on the examination. These sample questions do not necessarily reflect the composition of the actual examination in terms of topic area emphasis, the mixture of calculations, definitions and application type questions or the level of difficulty of actual exam questions. The Answer Key is on page 19. Sample calculation methods are on pages 17 and 18.

- Working capital is defined as:
 - Total assets less total liabilities
 - Total assets less equity
 - Current assets less current liabilities
 - Current assets less long term liabilities
- When an investment policy requires allocation among specific categories and within specified ranges this is known as:
 - Scope
 - Apportionment
 - Internal Control
 - Diversification
- Benchmarking the pricing of bank products and services is a fairly common practice for most organizations. Which answer represents resources for this benchmarking?
 - The Phoenix-Hecht Blue Book of Bank Prices
 - Financial Institutions Reform and Recovery Act
 - CAMEL reports
 - American Institute of Certified Public Accountants
- The Tenth National Bank requires commercial borrowers to maintain 10% of the amount borrowed in a demand deposit account. This is known as a:
 - Commitment fee
 - Right of set off
 - Compensating balance
 - Funds availability hold
- Please calculate the average collected balances required to pay for bank service charges of \$1,000.00. Assume the following and round to the nearest dollar:
Earnings credit rate = 6.0%
Rather than using days in the month divided by 365 use 1/12 for the monthly factor
Reserve requirement = 10.0%
 - \$222,666
 - \$223,222
 - \$222,222
 - \$166,666
- Last year, Star Corp. reported annual revenue of \$14 million, COGS of \$9.8 million, and a weighted average cost of capital of 8%. At year end, it had accounts receivable of \$0.6 million and accounts payable of \$0.7 million. Days' inventory was 43.2 days.
What was its cash conversion cycle?
 - 10.5 days
 - 10.5 days
 - 32.7 days
 - 53.7 days
- The qualitative measures for an identified exposure include examining basic operating procedures to determine where mitigation strategies can be used, determining the contributions of fundamental business processes to the risk, and:
 - Assessing the materiality of the risk
 - Determining the probability of losses due to the exposure
 - Doing a cost/benefit analysis of mitigation strategies
 - Ensuring that derivatives are structured and sized appropriately for the exposure
- A large, publicly-traded corporation would like to raise capital quickly with minimal covenant restrictions and a limited number of investors. Which capital market would the corporation use for this transaction?
 - Secondary market
 - Private market
 - Equity market
 - Primary market
- Which of the following is NOT a requirement for public companies under the Sarbanes-Oxley Act (SOX) (2002)?
 - Disclose the code of ethics applicable to senior financial managers, including changes or waivers.
 - Disclose in the annual report the experience qualifications of each audit committee director.
 - Establish and maintain adequate internal controls for financial reporting.
 - Preapproval by the audit committee of all non-audit services provided by the auditor.
- Disbursing all cash outflows via a single ZBA is an example of which forecasting factor?
 - Historical data
 - Reporting requirements
 - Account structure
 - Information sources
- Organizations whose manufacturing operations utilize commodities may face exposure to the following risk associated with commodities:
 - Fuel exposure
 - Interest rate exposure
 - Price exposure
 - Currency exposure
- A large U.S. conglomerate with eighteen business units has a centralized payroll function but issues payroll checks from accounts at local banks near the business units. The treasury analyst demonstrated how banking fees could be dramatically reduced if the checks were issued from only one bank account, but the thought of reconciling one account made the accountants nervous. To ease their concern and proceed with the implementation, they agreed to utilize:
 - High order prefix sort
 - High dollar group sort
 - Straight-through processing
 - Real time gross settlement

13. On December 31, 2012 which one of the following liabilities should be recorded as a current liability on the balance sheet?
- (A) A ten year bond issued on June 30, 2003.
 - (B) Commercial paper maturing in March 2013, backed by a long-term line of credit.
 - (C) A bond issue maturing in February 2013 that will be refinanced with another debt issue's proceeds.
 - (D) A five year bond issued on May 31, 2010.
14. A tax-paying U.S. corporation may exclude 70 to 80 percent of dividends received from stock owed in another corporation as long as the stock has been held for how long?
- (A) 30 days (C) 45 days
 - (B) 365 days (D) 270 days
15. A consulting company just completed its fiscal year and the following statistics summarize its current financial position:
- | | |
|-------------------------|-----------|
| Revenues: | \$361,146 |
| Net Income: | \$ 16,386 |
| Cash: | \$182,393 |
| Short-Term Investments: | \$ 18,449 |
| Accounts Receivable: | \$ 21,781 |
| Total Current Assets: | \$222,623 |
| Property and Equipment: | \$499,085 |
| Total Assets: | \$721,709 |
| Current Liabilities: | \$175,859 |
| Long Term Obligations: | \$ 46,895 |
- Using the information provided above, calculate the Fixed Asset Turnover:
- (A) 0.50 Times (C) 1.27 Times
 - (B) 0.72 Times (D) 1.62 Times
16. A company's payroll for the next 3 months is an example of:
- (A) Less predictable cash flows
 - (B) Certain flows
 - (C) Long-term forecasting
 - (D) Predictable flows
17. Which of the following derivatives is used for emerging currencies?
- (A) Costless collar
 - (B) Non-deliverable forward
 - (C) Swaption
 - (D) Synthetic hedge
18. An example of a country where a group of large clearing banks operates the payment system, rather than a central bank, is:
- (A) Mexico
 - (B) United Kingdom
 - (C) Hong Kong
 - (D) United States
19. The accounts payable system at EML Corp is over thirty years old and unable to transmit check issuance files to the bank. Which of the following could the treasurer utilize to reduce the occurrence of check disbursement fraud?
- (A) Payee positive pay
 - (B) ACH debit blocking
 - (C) Reverse positive pay
 - (D) Remote capture
20. An Irish firm is negotiating a EUR70M 5-year term, floating rate loan and wants to hedge the risk of interest rates rising in the future. The loan settles at 6% to rate set quarterly against LIBOR plus 250 basis points. The firm purchases a 7% cap at 25 basis points and sells a 5% floor at 25 basis points. What is the cost of the collar?
- (A) EUR350,000
 - (B) ZERO
 - (C) EUR175,000
 - (D) EUR10,500
21. The most important reason for cash forecasting is:
- (A) Managing costs
 - (B) Capital budgeting
 - (C) Liquidity management
 - (D) Managing currency exposure
22. Which of the following is a responsibility of the Securities and Exchange Commission (SEC)?
- (A) Setting operational disclosure standards for companies that sell securities to the public
 - (B) Requiring all companies to file quarterly and annual financial statements
 - (C) Increase the allocation to a specific counterparty
 - (D) Registering public offerings of equity securities
23. Which of the following best determine an organization's operational risk management strategy?
- (A) Written policies, code of ethics, industry practices
 - (B) Culture, technology, board of director guidelines
 - (C) Exposure, expediency, cost of implementation
 - (D) Embezzlement, collusion, money-laundering
24. A key control that should be addressed in a policy/procedure document is the concept of having more than one individual involved in a process to complete a task, which significantly reduces the risks from fraud and human error. This control is known as:
- (A) Roles and responsibilities
 - (B) Segregation of duties
 - (C) Delegation of authority
 - (D) Structure of Control
25. A company is operating in an environment where the market expects a 10.0% rate of return on equity investments that mirror the Standard and Poor's (S&P) Index (also known as the expected rate of return on the market portfolio). In this same environment the expected rate of return on a risk free asset such as the Treasury Bill is 2.0%. If the beta for the company's stock is 1.3 what is its cost of equity?
- (A) 12.0%
 - (B) 10.4%
 - (C) 13.0%
 - (D) 12.4%
26. All elements below describe asset-based borrowing EXCEPT:
- (A) Typically secured by A/R or inventory
 - (B) Supports temporary financing needs
 - (C) Also known as a line of credit
 - (D) Offers tax advantages in the U.S.

Sample CTP Examination Questions (continued)

27. Please calculate the earnings credit toward bank service fees assuming the following, and rounding to the nearest dollar:
 Earnings credit rate = 3.0%
 Deposit float = \$25,000
 Rather than using days in the month divided by 365 use 1/12 for the monthly factor
 Reserve requirement = 10.0%
 Average Ledger Balance = \$400,000
- (A) \$844
 (B) \$894
 (C) \$938
 (D) \$1,125
28. The following table summarizes last year's financial results for WikiLocks Inc.:
- | | |
|----------------------|----------|
| Revenues: | \$16,000 |
| COGS: | \$10,000 |
| Inventory: | \$ 3,000 |
| Accounts Receivable: | \$ 2,000 |
| Accounts Payable: | \$ 1,800 |
- What was the cash conversion cycle?
- (A) 65.7 days
 (B) 89.4 days
 (C) 111.3 days
 (D) 129.6 days
29. What is the primary source of short-term financing used by many businesses?
- (A) Trade credit
 (B) Revolving line
 (C) Factoring
 (D) Repurchase agreement
30. Which one of the following statements is true when comparing International Financial Reporting Standards (IFRS) to Generally Accepted Accounting Principles (GAAP)?
- (A) For inventory management, both IFRS and GAAP permit the use of FIFO, Average and Standard Cost methods.
 (B) For valuation of property, plant and equipment (PP&E), both IFRS and GAAP permit the use of fair value accounting.
 (C) For research and development (R&D), neither IFRS nor GAAP permit capitalization of costs.
 (D) For intangible results, both IFRS and GAAP permit assets to be written up when an active market exists.
31. A consulting company just completed its fiscal year and the following statistics summarize its current financial position:
- | | |
|-------------------------------|-----------|
| Revenues: | \$361,146 |
| Net Income: | \$ 16,386 |
| Cash: | \$182,393 |
| Short-Term Investments: | \$ 18,449 |
| Accounts Receivable: | \$ 21,781 |
| Total Current Assets: | \$222,623 |
| Property and Equipment: | \$499,085 |
| Total Assets: | \$721,709 |
| Current Liabilities: | \$175,859 |
| Long Term Obligations: | \$ 46,895 |
| Stockholders' Equity: | \$498,954 |
| Total Liabilities and Equity: | \$721,709 |
- Using the information provided above, calculate the quick ratio.
- (A) 0.96
 (B) 1.14
 (C) 1.27
 (D) 3.24
32. Which of the following activities is an important element of the cash flow timeline?
- (A) Purchasing raw materials and/or finished goods
 (B) Developing annual sales goals and projections
 (C) Reviewing the positive pay exception report
 (D) Automating the daily cash position worksheet
33. The treasury analyst at EML In(c), a global manufacturer of medical test equipment, believes she can improve her cash flow forecasting accuracy by obtaining real-time visibility of internal production schedules, supplier deliveries, outgoing shipments, and customer billing activity. Which of the following would provide the information she needs?
- (A) EFT
 (B) ERP
 (C) TWS
 (D) RFP
34. Market risk is the chance of change in financial market prices and rates and is basically equity price risk, interest rate risk, commodity price risk and:
- (A) Credit risk
 (B) Liquidity risk
 (C) Foreign exchange risk
 (D) Financial risk
35. A company has issued a debt security with a somewhat low interest rate which pays interest to holders at periodic intervals and allows holders to exchange the security into shares of stock at a fixed number of shares per debt security. What type of debt security has the company issued?
- (A) Zero-coupon bond
 (B) Debenture
 (C) Convertible bond
 (D) Income bond
36. In international trade payments, a primary difference between documentary collection and a letter of credit is that the bank does not guarantee payment to the seller under documentary collection. An important issue with both documentary collection and a letter of credit is discrepant:
- (A) Terms
 (B) Documents
 (C) Costs/fees
 (D) Currencies
37. What component of the option premium reflects the risk of the transaction?
- (A) Intrinsic value
 (B) Spot value
 (C) Time value
 (D) Strike value
38. An on-us check that is processed by the bank of first deposit is:
- (A) Presented to a correspondent bank.
 (B) Received from a clearinghouse.
 (C) Debited from the payor account.
 (D) Credited to the payor account.
39. On Friday, the manager of a sporting goods retail store made a wire transfer to the main operating account based on his weekend sales projections. He is using:
- (A) Deposit anticipation.
 (B) Availability anticipation.
 (C) Threshold concentration.
 (D) ZBA structure.
40. A collection and concentration policy should specify performance guidelines for evaluating effectiveness. One typical approach for evaluation of specific factors or benchmarks is to use:
- (A) Service level agreements (SLAs)
 (B) Cost-benefit analysis
 (C) Selected indices
 (D) Audit reports

Sample CTP Examination Questions (continued)

41. The Uniform Bank Performance Report (UBPR) presents three types of data for use in the financial analysis of a bank. Which of the following is NOT included?
- (A) The bank's data
 - (B) Data for a peer group of banks
 - (C) Credit rating data
 - (D) Percentile rankings
42. A German importer requires Euros to pay an invoice due in six months. The importer purchases a call option in Euros with a strike price of \$2.60 and a premium of \$.08. At a \$3 spot price, what is the maximum cost the importer may incur to obtain the euros?
- (A) The spot price of \$3
 - (B) The ceiling cost of \$2.68
 - (C) The floor cost of \$2.52
 - (D) The spot price plus the option premium of \$3.08
43. A country that uses the currency of its major trading partner rather than its own for their primary currency is:
- (A) Panama
 - (B) Mexico
 - (C) Germany
 - (D) Italy
44. Continuous Linked Settlement is used to settle
- (A) FED wire payments.
 - (B) FX transactions.
 - (C) Only USD transactions.
 - (D) Only euro transactions.
45. The first two digits of the ABA Number identify the:
- (A) Federal Reserve district.
 - (B) Federal Reserve bank.
 - (C) Bank identification number.
 - (D) Branch location.
46. In the EU, there are four Euro Payment Systems: TARGET2, correspondent banking, internal networks and local clearing channels, and the Euro Bankers Association. TARGET2 is most similar to which systems in the U.S.?
- (A) The ACH system
 - (B) The Fed wire system
 - (C) The check clearing system
 - (D) The credit card system
47. Which financial risk measurement technique uses what-if analysis?
- (A) Value at risk
 - (B) Sensitivity analysis
 - (C) Hedge analysis
 - (D) Risk speculation
48. Currency A has a higher interest rate than currency B. Which of the following statements is true of the relationship between the currencies?
- (A) Currency B trades at par in the forward market.
 - (B) Currency A trades at a premium in the forward market.
 - (C) Currency A trades at a discount in the forward market.
 - (D) Currency B trades at a discount in the forward market.
49. A U.S. cable company has to continually borrow short-term because it is not collecting customer payments in a timely manner. If most of these customer payments are made via checks dropped off at the company's branches all over the country, the company could benefit the most from:
- (A) Short-term investments.
 - (B) Bank overlay structure.
 - (C) Remote deposit capture.
 - (D) Notional pooling.
50. Which of the following is a first tier form of bank capital?
- (A) Preferred stock
 - (B) Long-term debt
 - (C) Deposits
 - (D) Common equity
51. The risk of a change in the rate of exchange between the currency in which a security is denominated and the company's local currency is known as:
- (A) Asset risk
 - (B) Foreign exchange risk
 - (C) Interest rate risk
 - (D) Investment risk
52. Which of the following circumstances would require an auditor to issue an adverse opinion?
- (A) The auditor is not independent of the company being audited
 - (B) Exceptions noted in the written opinion are material but do not overshadow the usefulness of the information
 - (C) Exceptions are so material that the auditor determines the financial statements may be misleading
 - (D) Some information requires special emphasis and there is a change in who performs the audit
53. When analyzing the financial statements of a software company, all of the following statements are likely to be true EXCEPT:
- (A) The company has proportionately higher levels of current assets to lower levels of fixed assets.
 - (B) Profit margin is more important and asset turnover is less important compared to a manufacturing firm.
 - (C) Liquidity concerns tend to be less important relative to a manufacturing firm.
 - (D) The company displays little to no investment in operating inventory.
54. A currency that is worth more in the forward market than in the spot market is trading at a:
- (A) Discount
 - (B) Par
 - (C) Premium
 - (D) Strike
55. Which activities best describe the elements of collection float related to paper-based instruments?
- (A) Invoicing, mail, processing
 - (B) Invoicing, mail, availability
 - (C) Mail, processing, clearing
 - (D) Mail, processing, availability

Sample CTP Examination Questions (continued)

56. Operating leases, also known as service leases, are established in such a way that the lessor may maintain the equipment and retain ownership thereof at the end of the lease. These arrangements are often done on an off-balance-sheet basis, meaning:
- This type of lease arrangement aids companies that need a cash infusion or that cannot take full advantage of the tax benefits from depreciation due to excessive operating losses.
 - It is important to eliminate cancellation policies to remain off the balance sheet.
 - Lease payments are reflected only on the income statement as an expense. Neither the assets nor the lease appears on the balance sheet.
 - Significant operating lease arrangements and the financial value of future lease commitments must be reported in a footnote to the cash flow statement.
57. One key objective of PCI DSS is to:
- Ensure standard pricing
 - Protect cardholder data
 - Enable ARC entries
 - Comply with OFAC
58. Which of the following provides significant liquidity to the mortgage market and benefits both borrowers and lenders?
- Securitization
 - Project financing
 - Fixed rate debt
 - Off-balance sheet financing
59. Inventory management is an important part of working capital management. A production/business philosophy that treats inventory as being undesirable is called:
- MPS
 - JIT
 - POS
 - POP
60. A consulting company just completed its fiscal year and the following statistics summarize its current financial position:
- | | |
|-------------------------------|-----------|
| Revenues: | \$361,146 |
| Net Income: | \$ 16,386 |
| Cash: | \$182,393 |
| Short-Term Investments: | \$ 18,449 |
| Accounts Receivable: | \$ 21,781 |
| Total Current Assets: | \$222,623 |
| Property and Equipment: | \$499,085 |
| Total Assets: | \$721,709 |
| Current Liabilities: | \$175,859 |
| Long Term Obligations: | \$ 46,895 |
| Stockholders' Equity: | \$498,954 |
| Total Liabilities and Equity: | \$721,709 |
- Using the information provided above, calculate the Return on Total Assets:
- 2.3%
 - 2.6%
 - 3.0%
 - 7.4%
61. Which of the following events will be recorded on the Statement of Cash Flows as a use of cash from operating activities?
- Decrease in inventory
 - Increase in accounts receivable
 - Depreciation
 - Dividends paid
62. In the United States, MMFs are typically divided into four classes. Those four classes are prime, government, treasury and:
- Taxable
 - Tax-exempt
 - Municipal
 - 2a-7
63. Which of the following should be the first step taken by the treasury manager in the financial service provider selection process:
- Issuing a Request For Information letter to determine a vendor's interest in, and ability to, provide services.
 - Writing of the Request For Proposal and researching existing pricing
 - Identifying the product or service specifications that are critical to achieving both the strategic and operational objectives of treasury
 - Assessing the financial strength and viability of potential service providers
64. When dealing with customers, suppliers, investors, and regulators an especially important form of risk is:
- Liquidity risk
 - Operational risk
 - Strategic risk
 - Reputational risk
65. Which of the following does NOT try to regulate financial institutions on a global basis?
- International Association of Insurance Supervisors (IAIS)
 - Financial Stability Board (FSB)
 - Financial Action Task Force (FATF)
 - Bank for International Settlements (BIS)
66. Positive pay protects against:
- Fraudulent endorsement
 - Holder in due course
 - Altered payee
 - Altered check amount
67. Using a quote of EUR/USD 1.6567, convert 268,000 Euros to USD:
- 268,000.00
 - 443,995.60
 - 161,767.37
 - 175,995.60
68. What is the most effective way to combat ACH Kiting?
- Dual verification of disbursements
 - Proper firewalls
 - Positive pay
 - ACH debit block
69. Which of the following instruments are NOT considered marketable securities?
- Medium term notes
 - Term loans
 - Convertible bonds
 - Municipal bonds
70. Which of the following is often the most cost-effective approach when choosing a treasury management system for global treasury departments with special needs, such as those in multicurrency environments?
- Customized systems
 - ERP systems
 - Hosted systems
 - Integrated systems

Sample CTP Examination Questions (continued)

71. Capital budgeting decisions are commonly evaluated using which of the following?
- (A) Operating profit margin
 - (B) Internal rate of return
 - (C) Asset management ratio
 - (D) Cash conversion cycle
72. Northern Latitudes Mercantile Inc. is headquartered in Canada and has two foreign subsidiaries, one based in the US and the other in Japan. Each subsidiary will have intracompany balances payable to Canada next month. The treasurer expects the Canadian dollar to appreciate against the US dollar and depreciate against the Japanese yen before the balances can be paid. Which strategy should the treasurer employ?
- (A) Lead the US payment and lead the Japan payment
 - (B) Lag the US payment and lag the Japan payment
 - (C) Lead the US payment and lag the Japan payment
 - (D) Lag the US payment and lead the Japan payment
73. General control and fraud prevention measures should include which of the following:
- (A) Combining authority for collection and disbursement
 - (B) Reviewing and reconciling bank statements annually for the auditors
 - (C) Allowing all employees access to company master files
 - (D) Using payment authorization services similar to positive pay
74. The EPC created what entity for the purposes of providing straight through electronic payments processing, harmonizing fees, and eliminating cross-border charges?
- (A) The EMU
 - (B) The ECB
 - (C) The EBA
 - (D) The SEPA
75. A global company's main cash management bank has branches that are unable to provide all of the banking services needed by the company in foreign countries. The company's best option is to utilize:
- (A) Notional pooling
 - (B) Bank overlay structure
 - (C) Virtual vault services
 - (D) Physical pooling
76. Futures and exchange-traded options offered through exchanges have less counterparty risk due to the fact that:
- (A) There is risk that one party to the transaction may not live up to the contractual obligations.
 - (B) The counterparty is the exchange itself, rather than a single party.
 - (C) The exchange is ultimately guaranteed by the Federal Reserve.
 - (D) One large financial institution could hold an abnormally high percentage of one side of the contract.
77. Which of the following is NOT a benefit of private equity ownership of a company, compared to publicly traded equity ownership?
- (A) Greater control by the private investors over management actions
 - (B) Private investors are usually "in for the long haul" and require long-term financial plans
 - (C) Tax advantages via the ability to defer or reduce dividends
 - (D) Regulatory reporting requirements are reduced
78. Forward currency contracts are utilized when a company needs to:
- (A) Lower the exchange rate.
 - (B) Exchange cash flows.
 - (C) Lock in the exchange rate
 - (D) Hold the spot rate constant
79. There are many financial objectives, regardless of whether the company is public or private, for profit, not for profit, or governmental. In the simplest form, the principal objective is to:
- (A) Maximize value for ownership
 - (B) Minimize errors in reporting
 - (C) Maximize weighted average cost of capital
 - (D) Minimize available liquidity
80. Keegan's is contemplating expanding their use of a newly implemented ACH payment platform. They are currently paying \$8 for each wire transfer. The cost of an ACH transfer is \$.50 and the funds settle on the next day. Keegan currently earns 2% (opportunity cost) on their overnight funds. What is the break-even to justify using a wire over an ACH transaction transfer amount?
- (A) \$127,750
 - (B) \$136,875
 - (C) \$180,000
 - (D) \$182,500
81. Due to several well-publicized and documented scandals, there have been many dramatic changes in the area of ethics and accountability in corporate governance. Basic elements of a code of conduct include:
- I. Confidential information; conflicts of interest; external activities
 - II. Protection for whistle-blowers; employee conduct ; conformance to code
 - III. Conflicts of interest; criminal activities; employee conduct
 - IV. Stockholder contact; confidential information; protection for whistle-blowers
- (A) I & II only
 - (B) II & III only
 - (C) III & IV only
 - (D) I & IV only
82. The PRIMARY goal of Treasury is to:
- (A) Manage receivables
 - (B) Maintain investments
 - (C) Utilize cash efficiently
 - (D) Maintain credit ratings
83. Treasury Policies & Procedures (P&P's) provide a framework for the design of systems and controls. One purpose for writing and publishing the P&P's is to:
- (A) Regulate managerial behavior.
 - (B) Minimize situations where unauthorized parties can act.
 - (C) Designate potentially detrimental situations.
 - (D) Provide baseline data on designated managers.
84. The derivative instrument with the greatest counterparty risk is:
- (A) Premium
 - (B) Swap Margin
 - (C) Future
85. What best reduces the risk of internal fraud:
- (A) Implementing positive pay
 - (B) Separating disbursements and account reconciliation duties
 - (C) Payee verification
 - (D) Blocking unauthorized ACH debits

Sample CTP Examination Questions (continued)

86. If a firm has paid all required interest on a debt facility but its fixed charge coverage ratio violates a loan covenant, then the company has experienced:
- Payment default
 - Technical default
 - Material adverse changes
 - External fraud
87. Which one of the following is NOT an area of concern for bank regulators?
- Monitor and manage the overall safety of the banking system
 - Determining guidelines for the chartering of banks
 - Protecting investors from loss of securities value
 - Allocating credit toward certain sectors of the economy
88. Disaster recovery is the term used to refer to:
- Restoration of treasury systems and communications
 - Crisis management actions
 - Alternative operating procedures
 - Communication to staff and customers
89. The Great Recession and the accompanying credit crisis had this general impact to the corporate treasury area:
- A tightening of the credit markets.
 - Financial institutions were forced to mark-to-market their portfolios of investments.
 - Many hedge funds were dissolved and treasurers had to search for other viable risk management options.
 - Falling interest rates and an inverted yield curve.
90. The treasurer of NEW Corp., LLC, approached his banker for a line a credit. He anticipates needing no more than \$3 million. The lender offers NEW Corp a line of credit of \$5 million at LIBOR plus 4.0%, or 4.78% at the time of the loan, plus a commitment fee on the unused portion of the line of 50 basis points. What NEW Corp's annual cost for this line of credit?
- 3.07%
 - 4.78%
 - 7.17%
 - 7.67%
91. Last year, Star Corp. reported annual revenue of \$14 million, COGS of \$9.8 million, and a weighted average cost of capital of 8%. At year end, it had accounts receivable of \$0.6 million and accounts payable of \$0.7 million. Days' inventory was 43.2 days. What was its days' payables?
- 15.6 days
 - 18.3 days
 - 22.3 days
 - 26.1 days
92. Trade or commercial letters of credit (L/Cs) are documents issued by a bank guaranteeing the payment of a customer's draft up to a stated amount for a specified period, provided that certain conditions are met. Which of the following is true about L/C's?
- The issuing bank is providing government bonds as collateral.
 - The bank's customer will not be charged a fee if certain conditions are met.
 - The bank certifies that the customer's product or services create enough value to act as collateral.
 - The issuing bank is substituting its good name and credit on behalf of its customer.
93. Organizations typically benefit by which of the following actions?
- Hedging collection float and neutralizing disbursement float.
 - Neutralizing collection float and hedging disbursement float.
 - Maximizing collection float and minimizing disbursement float.
 - Minimizing collection float and maximizing disbursement float .
94. RBM Global recently relocated its New York-based accounting and call center operations to its office in Monterrey, Mexico. This is an example of:
- Outsourcing
 - Offshoring
 - Onshoring
 - Nearshoring
95. Company XYZ's beta is 0.60. The risk-free rate of return (T-bill rate) is 2.0%, the inflation rate is 1.2%, the 10 year Treasury bond rate is 4.0%, and the expected rate of return on the stock market is 8.0%. What is XYZ's required rate of return?
- 8.2%
 - 6.5%
 - 5.6%
 - 5.8%
96. The CCC is the average number of days between:
- When materials flow into inventory and when they flow out of inventory
 - The cash outflow for materials and the cash inflow from sales
 - Sale of materials and the inflow of cash
 - Cash deposit to a checking account and outflow of that cash to pay bills
97. Opening account bank balance plus expected settlements minus projected disbursements equals:
- Check float
 - Account analysis charges
 - Moving average account balance
 - Projected closing cash position
98. Arranging external financing, making investment decisions, , negotiating bank contracts, and developing payment policies and procedures are usually all responsibilities of the:
- Controller
 - Board Director
 - Treasurer
 - Internal auditor
99. Assume that Abacas In(c) has an opening available balance of \$3000 on Monday. Their bank has a 4:00 PM ledger cutoff and provides one-day availability for checks deposited by 2:00 PM. Based on the following activity, what is their closing collected balance on Wednesday?
- | | | |
|------------|--------------------|----------|
| Monday: | Check deposits: | \$10,000 |
| | (made at 1:00 PM) | |
| | Outgoing wires: | \$ 3,000 |
| Tuesday: | Check deposits: | \$12,000 |
| | (made at 3:00 PM) | |
| | Outgoing wires: | \$ 4,000 |
| Wednesday: | Check deposits: | \$ 8,000 |
| | (made at 1:00 PM) | |
| | Outgoing wires: | \$ 6,000 |
| Thursday: | Check deposits: | \$ 3,000 |
| | (made at 11:00 AM) | |
| | Outgoing wires: | \$ 0 |
- \$0
 - \$6,000
 - \$12,000
 - \$20,000

Sample CTP Examination Questions *(continued)*

100. The authorization of a credit card transaction includes:
- (A) Funds remitted to merchant
 - (B) Transaction amount cleared by merchant
 - (C) Hold placed on credit limit
 - (D) Transaction data routed to issuing bank
101. Collection float is the time interval or delay between:
- (A) Payment initiation and when a company receives good funds.
 - (B) Receipt of payment and when a company receives good funds.
 - (C) Payment being mailed and when a company processed the payment.
 - (D) Payment being processed and when a company receives good funds.
102. Which of the following marketable investment types is marked-to-market with gains or losses reported in other comprehensive income on the balance sheet?
- (A) Trading securities
 - (B) Held-to-maturity (HTM) securities
 - (C) Available for sale (AFS) securities
 - (D) Overnight investments
103. Potential actions to mitigate counterparty risk include:
- (A) Reducing diversification.
 - (B) Removing limits.
 - (C) Adding multiple counterparties.
 - (D) Adopting third-party investment custodians.
104. Finality of a debit-type payment occurs when:
- (A) A payment is unconditional and irrevocable
 - (B) The funds are debited from the payor's account
 - (C) The funds are made available to the beneficiary
 - (D) The permitted return period has elapsed
105. Assume the following receipts and disbursement forecast:
- | | Week 1 | Week 2 |
|------------------------|----------|-----------|
| Cash Receipts | \$2,000 | \$ 3,000 |
| Cash Disbursements | \$ (700) | \$(1,600) |
| Beginning Cash Balance | \$1,000 | |
| Minimum Cash Required | \$1,200 | \$ 1,200 |
- Assuming that the company didn't make any investments or borrowings after week 1, what will be their cash position at the end of week 2?
- (A) Investable Funds (Surplus) of \$2,300
 - (B) Investable Funds (Surplus) of \$2,500
 - (C) Financing Needed (Deficit) of (\$2,300)
 - (D) Financing Needed (Deficit) of (\$2,500)
106. The International Bank Account Number (IBAN) is used by banks in
- (A) Canada
 - (B) China
 - (C) United States
 - (D) Turkey
107. Mergers, acquisitions, and reorganization are all examples of:
- (A) Business events.
 - (B) Business transitions.
 - (C) Business continuity.
 - (D) Business recovery.
108. Cooperation with purchasing, accounts receivable, accounts payable, risk management, pension management, auditing, tax and general ledger are all required for effective:
- (A) Collaboration.
 - (B) Information sharing.
 - (C) Cash management.
 - (D) Resource planning.
109. A treasury analyst uses a computer program to find the alpha value weight. Which cash forecasting methodology is she using?
- (A) Exponential smoothing
 - (B) Receipts and disbursements
 - (C) Simple moving average
 - (D) Distribution
110. The need to pay vendors is an example of which reason that an organization maintains liquidity:
- (A) Opportunistic requirements
 - (B) Regulatory requirements
 - (C) Precautionary requirements
 - (D) Transaction requirements
111. A comprehensive, organization-wide approach to identifying, measuring and managing risks that threaten the organization's strategic objectives and overall operations is usually referred to as:
- (A) Business Risk Management
 - (B) Organizational Risk Management
 - (C) Enterprise Risk Management
 - (D) Operational Risk Management
112. Financial institutions use which of the following for the external transmission of international transactions?
- (A) ASC X12 821
 - (B) BAI2 20022
 - (C) SWIFT MT940
 - (D) TWIST X12F
113. Which of the following statements is true about credit rating agencies?
- (A) A rating agency will generally have access to a corporation's internal information, and the agency's analyses and subsequent ratings are widely accepted by market participants and regulators.
 - (B) In most cases, the rating agencies have access to confidential, non-public information that the securities issuers provide to the agencies only for the determination of ratings and this information then becomes a matter of public record.
 - (C) Part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which became law in 2010, requires the rating companies to provide greater disclosure of their rating models and methodologies, and to apply for ratings more frequently.
 - (D) Ratings of specific long- and short-term securities consider the attributes of the issuer, as well as the specific terms of the issue, the quality of the collateral and the creditworthiness of the institutional investors.

Sample CTP Examination Questions (continued)

114. Commercial paper consists of:
- (A) Collateralized, discounted, short-term promissory notes issued by companies or commercial bank holding companies.
 - (B) Unsecured, discounted, long-term promissory notes issued by companies or commercial bank holding companies.
 - (C) Discounted, short-term promissory notes issued by companies or commercial bank holding companies that are covered by FDIC insurance.
 - (D) Unsecured, discounted, short-term promissory notes issued by companies or commercial bank holding companies.
115. Which of the following statements is correct with respect to a firm's relative indebtedness?
- (A) Issuing debt increases it; issuing equity reduces it
 - (B) Issuing debt reduces it; issuing equity increases it
 - (C) Issuing debt increases it; issuing equity increases it
 - (D) Issuing debt reduces it; issuing equity reduces it
116. An investor purchases a corporate bond which matures in four years. The bond pays interest of \$500 in each of years one and two and then \$550 in years three and four. Calculate the present value of this payment stream assuming a discount rate of 8%.
- (A) \$1,732.51
 - (B) \$1,871.11
 - (C) \$1,902.14
 - (D) \$2,100.00
117. The weighted average maturity of cash flows for a bond expressed in years is:
- (A) Interest rate risk
 - (B) Absolute return
 - (C) CAPM
 - (D) Duration
118. Which of the following statements is FALSE with respect to a corporation's weighted average cost of capital?
- (A) It is referred to as the opportunity cost faced by the corporation's investors.
 - (B) The perceived risk of the corporation influences its cost of capital.
 - (C) It may be calculated as the overall cost of long-term debt and equity.
 - (D) An investment earning less than the cost of capital will increase the corporation's value.
119. Which of the following statements about the USA Patriot Act (2001) is TRUE?
- (A) Imposes significant obligations on non-bank financial institutions
 - (B) Foreign banks with accounts in the USA are exempt from most of the Act
 - (C) Allows U.S. banks to maintain correspondent accounts for all foreign banks
 - (D) Gives banks the option of performing due diligence for new customers
120. For low volume large dollar B2B paper-based payments a company is most likely to use which method for collections?
- (A) Retail lockbox
 - (B) Wholesale lockbox
 - (C) In-house processing center
 - (D) Hybrid lockbox
121. A cash manager compiling a cash forecast starts by projecting the income statement and balance sheet. He is most likely using which method of forecasting?
- (A) Receipts and Disbursement
 - (B) Distributive sales
 - (C) Short-term borrowing and investing
 - (D) Percentage-of-sales
122. Which of the following is an advantage of investing in unsecured commercial paper:
- (A) Broad range of maturities available up to one year
 - (B) Backed by bank promissory note
 - (C) Tends to be highly liquid
 - (D) Highly rated by rating agencies
123. Having multiple banking relationships is a benefit because such an arrangement:
- (A) Eliminates internal and external reconciliation costs.
 - (B) Reduces concentration risk.
 - (C) Provides access to multi-state banking statutory relief.
 - (D) Lowers the percentage of short term borrowing.
124. Which of the following statements best describes the Cash Flow Timeline?
- (A) The timing of cash inflows and outflows is usually synchronized and predictable
 - (B) The amount of cash inflows typically do not match the amount of cash outflows
 - (C) Working capital decisions should be based on the weighted average cost of capital
 - (D) The Cash Flow Timeline ends with the declaration of dividends to shareholders
125. Money market instruments are issued by:
- (A) Government entities, securities dealers, commercial banks, broker-dealers
 - (B) Government entities, securities dealers, commercial banks, corporations
 - (C) Securities dealers, commercial banks, broker-dealers
 - (D) Securities dealers, commercial banks, corporations
126. Repos are classified as:
- (A) Overnight, term or tri-party.
 - (B) Open, closed, or sweep.
 - (C) Overnight, sweep or tri-party.
 - (D) Term, overnight and open.
127. A company is wishing to expand operations and is analyzing their cost of capital. 30.0% of total long term financing is provided by debt and 70.0% is provided by equity. The cost of equity is 10.0% and the cost of debt is 5.0%. If the marginal tax rate is 30.0% what is the company's weighted average cost of capital?
- (A) 8.5%
 - (B) 5.6%
 - (C) 8.0%
 - (D) 10.5%

Sample CTP Examination Questions (continued)

128. The basic elements of a policy include:
- (A) Objectives, mission statement and goals
 - (B) Scope, delegation of authority and procedures
 - (C) Basic guidelines, performance measurement and reporting
 - (D) Roles, responsibilities and retention guidelines
129. A small, rapidly growing high tech company plans to issue bonds. Management wants to bring in additional funds while keeping the low coupon bond issue outstanding. The company will issue:
- (A) Warrants.
 - (B) Depository receipts.
 - (C) Preferred stock.
 - (D) Class B stock.
130. CFOs and Treasurers must factor in which of the following when identifying the optimal capital structure for the company, commonly referred to as the "target capital structure"?
- I. The competitive atmosphere in the company's predominant industry
 - II. Senior management's risk appetite
 - III. The relative costs of debt and equity at the time the funds must be raised
 - IV. Capabilities of the company's investment bankers
- (A) I & II
 - (B) II & III
 - (C) III & IV
 - (D) I & III
131. A treasury professional can improve the cash turnover ratio by which of the following?
- (A) Converting paper-based supplier payments to ACH
 - (B) Deferring customer billings to the first of the following month
 - (C) Utilizing controlled disbursement services
 - (D) Replacing paper-based customer invoices with EDI
132. Which of the following type of account with a U.S. commercial bank is NOT insured by the FDIC?
- (A) Checking
 - (B) Negotiable Order of Withdrawal
 - (C) Government money market mutual fund account
 - (D) Money market account
133. What three factors need to be considered when choosing a current asset investment strategy?
- (A) Business needs, risk tolerance, management style
 - (B) Business stability, risk tolerance, management style
 - (C) Business credit, risk tolerance, management needs
 - (D) Business needs, risk avoidance, management needs
134. Backyard Barbeque employs 5 professional staff to oversee its investment portfolio which exceeds \$2 billion. These staff members carefully monitor cash forecast models and capital requirements to ensure excess cash is invested and that known future expenditures match investment maturities. What investment strategy best fits the practices at Backyard Barbeque?
- (A) Actively managed portfolio
 - (B) Tax-based strategy
 - (C) Buy-and-hold to maturity
 - (D) Matching strategy
135. Which of the following statements best describes the benefit of an ERP system?
- (A) Eliminates the need for Treasury to merge data obtained from external sources.
 - (B) Improves controls by using duplicate copies of information on separate databases.
 - (C) Lowers banking fees by reducing costs associated with straight-through processing.
 - (D) Allows companies to eliminate the manual processing and rekeying of information.
136. Equity shareholders would like issuance of long term debt as a method of raising funds because:
- (A) The value of existing shares will not be diluted.
 - (B) Debt holders' votes in elections of the Board of Directors are weighted at 50% of equity holders' votes, so equity holders have greater influence in the company's decisions.
 - (C) Bonds trade in the market at the issued price so equity has a greater upside price potential.
 - (D) In a bankruptcy situation, equity holders have first preference as debtors.
137. The dollar-days of float are calculated by:
- (A) Multiplying the dollar amount of the check by the number of days from the time payor mails the check to time when payee is granted credit.
 - (B) Dividing the dollar amount of the check by the number of days from the time payor mails the check to time when payor is debited.
 - (C) Multiplying the opportunity cost of funds by the average daily float.
 - (D) Dividing the dollar amount of the check by the number of days from the time payor mails the check to time when payee is granted credit.
138. In the United States, the responsibility for acting in the best interests of the shareholders, generally interpreted as maximizing shareholder wealth, falls on:
- (A) Investor relations.
 - (B) Corporate finance.
 - (C) Board of directors.
 - (D) Corporate officers.
139. High quality government securities used to collateralize public funds typically includes all of the following except:
- (A) U.S. Treasuries.
 - (B) CDARS.
 - (C) Federal agency securities.
 - (D) Municipal bonds.

Sample CTP Examination Questions (continued)

140. A startup company is developing their new cash forecasting model. Which method would be most useful for them to test their model?
- (A) Ongoing validation
 - (B) In-sample validation
 - (C) Out-of-sample validation
 - (D) Documentary validation
141. Which of the following items are INELIGIBLE to become substitute checks under the Check 21 Act?
- (A) U.S. Treasury checks
 - (B) Government warrants
 - (C) Money Orders
 - (D) Foreign checks
142. Shares to be retired, held for later resale, used for a compensation program, or used to fund future acquisitions all come from what kind of stock?
- (A) Preferred stock
 - (B) Common stock
 - (C) Treasury stock
 - (D) Hybrid stock
143. Fog City Chocolates is a global corporation headquartered San Francisco. Their marginal income tax rate is 35% and annual sales exceed \$10 billion. When selecting a new investment they are looking for yield. Based on the following investment offerings, what yield should Fog City Chocolates anticipate?
- Investment #1: U.S. T-Bill 3.0%
- Investment #2: Arizona Municipalities 3.0%
- (A) 2.9%
 - (B) 3.0%
 - (C) 3.09%
 - (D) 3.11%
144. SAS70 is an internationally recognized auditing standard developed by the American Institute of Certified Public Accountants (AICPA) in 1992. It is used to report on financial service providers':
- (A) Use of derivatives to hedge risk
 - (B) Volume of transactions processed
 - (C) Level of adequate insurance required to replace assets
 - (D) Asset quality of capital reserves
145. Within the finance function of a corporation which department is responsible for making decisions concerning the need for present and future funding to support operations, and forecasting of revenues to support the company's planned growth?
- (A) Funding
 - (B) Capital Budgeting
 - (C) Financial Planning
 - (D) Risk Management
146. Capital budgeting decisions are commonly evaluated using which of the following ?
- (A) Operating profit margin
 - (B) Internal rate of return
 - (C) Asset management ratio
 - (D) Cash conversion cycle
147. A supplier of medical test equipment has requested that all customers begin paying by electronic funds transfer instead of check. One customer, a local county hospital with a cost of funds of 12%, expects this will reduce their disbursement float by 3 days. Assuming no difference in cost to remit by EFT, what pricing discount should they negotiate with the supplier in response to this requirement?
- (A) 0.0%
 - (B) 0.10%
 - (C) 0.12%
 - (D) 0.36%
148. When a bank issues an unconditional promise to pay a time draft issued by a purchaser of goods to pay a supplier, that promise is referred to as:
- (A) FDIC insurance
 - (B) Bankers acceptance
 - (C) Secured commercial paper
 - (D) Letter of credit
149. The three primary reasons why treasury policies and procedures are required include compliance, organizational needs and:
- (A) Risk management
 - (B) Document guidelines
 - (C) Audit requirement
 - (D) Exception management
150. Total stockholders' equity is the sum of:
- (A) Accruals, APIC, long-term debt
 - (B) Accruals, par value, retained earnings
 - (C) APIC, par value, retained earnings
 - (D) Long-term debt, par value, treasury stock

5. $\$1,000 \text{ divided by } ((0.06 \times 1/12) \times (1-0.10))$
 $\$1,000 \text{ divided by } ((0.005) \times (0.90))$
 $\$1,000 \text{ divided by } 0.0045 = \$222,222 \text{ (C)}$

6. Cash Conversion Cycle = Days' Inventory + Day's Receivables – Days' Payables:
 $43.2 + 15.6 - 26.1 = 32.7 \text{ days (C)}$

15. Fixed Asset Turnover = Revenues /Property, Plant and Equipment
 $= 361,146/499,085$
 $= 0.72 \text{ Times (B)}$

27. Earnings credit = collected balance x (1-reserve requirement) x (earnings credit rate x 1/12)
 $EC = (400,000 - 25,000) \times (1.0 - 0.10) \times (0.03 \times 1/12)$
 $EC = 375,000 \times 0.9 \times 0.0025$
 $EC = 337,500 \times 0.0025$
 $EC = \$844 \text{ (A)}$

28. Cash Conversion Cycle = Days' Inventory + Day's Receivables – Days' Payables:

Days' Inventory = (Inventory/ Cost of Goods Sold) x365	Days Inventory = \$3,000/\$10,000 x 365 = 109.5
Days' Receivables = (Accounts Receivable/ Revenues) x365	Days' Receivables = \$2,000/\$16,000 x 365 = 45.6
Days' Payables = (Accounts Payable/Cost of Goods Sold) x365	Day's Payables = \$1,800/\$10,000 x 365 = 65.7

Cash Conversion Cycle = 109.5 + 45.6 – 65.7 = 89.4 (B)

31. Quick Ratio = (Cash + Short-Term Investments + Accounts Receivable)/Total Current Liabilities
 $= (182,393 + 18,449 + 21,781)/175,859$
 $= 1.27 \text{ (C)}$

42. CEILING price = strike price + the premium paid for the call.
 $\$2.68 = \$2.60 + \$0.08 \text{ (B)}$

60. Return on Total Assets = Net Income/Total Assets
 $= 16,386/721,709$
 $= 2.3\% \text{ (A)}$

67. Euro 268,000 x 1.6567= 443,995.60 (B)

80. Minimum Transfer = (Wire Cost – ACH Cost)/((Days Accelerated x (Opportunity Cost/365))
 $= (8 - 0.5)/((1 \times (.02/365))$
 $= \$136,875 \text{ (B)}$

90. First, calculate all interest rate and fees paid:
Interest Paid = Average Borrowing x All-in Rate
 $= 3,000,000 \times 0.0478$
 $= 143,400 \text{ Interest Paid}$
Fee on Unused Portion = Unused Portion x Commitment Fee
 $= 3,000,000 \times 0.0050$
 $= 15,000 \text{ Fee on Unused Portion}$

Next, calculate the annual interest rate as total costs relative to the amount used on the line:

Annual Interest Rate = (Interest Paid + Fee on Unused Portion)/Used Portion of the Line
 $= (143,400.00 + 15,000.00)/3,000,000.00$
 $= 5.11\% \text{ Annual Interest Rate (D)}$

91. Days' Payables is calculated by dividing A/P by the COGS per day. The COGS denominator is used because A/P reflects the cost paid for various forms of inventory.

Days' Payables = (Accounts Payable/Cost of Goods Sold)x 365

Days' Payables = (\$0.7mm / \$9.8mm) x 365 = 26.07 = 26.1 days (D)

99.

	Check Deposited by 2:00 PM	Check Deposited after 2:00 PM	Deposit Availability
Monday	10000		Tue
Tuesday	0	12000	Thu
Wednesday	8000	0	Thu
Thursday	3000		Fri
Friday	0		

	A	B	A + B	C	A + B + C
Prior Closing Day Collected Balance					
Plus Deposit Availability					
Opening Available Balance					
Less Outgoing Wires					
Closing Collected Balance					
M	0	10000	3000	-3000	0
T	6000	0	10000	-4000	6000
W	0	20000	6000	-6000	0 (A)
T	20000	3000	20000	0	20000
F	0	0	23000	0	23000

Sample Calculations Answer Key

105. Week 1 Beginning Week 1 + Receipts – Disbursements =
Beginning Balance Week 2

$$1,000 + 2,000 - 700 = 2,300$$

Beginning Balance Week 2 + Receipts – Disbursements =
Cash Position

$$2,300 + 3,000 - 1,600 = \$3,700$$

Cash Position – Minimum Cash Required = Cash Position

$$3,700 - 1,200 = \$2,500 \text{ (B)}$$

133. Present Value = $(C1/(1+i)^1) + (C2/(1+i)^2) + \dots$
Where Cn = Cash flow "C" in time period "n"

Interest rate = 8.00%

Year	Amount	Factor	Present Value
0	\$ —	1.0000	\$ —
1	\$500.00	0.9259	\$462.96
2	\$500.00	0.8573	\$428.67
3	\$550.00	0.7938	\$436.61
4	\$550.00	0.7350	\$404.27
			PV = \$1,732.51 (A)

147. Discount = $1 - (1/(1 + TD(r/365)))$

Where:

TD= Total days difference in timing between check and electronic payments

r = Opportunity cost as an annual rate

For this calculation, assume r = 12% and TD= 3 days, as suggested in this text. This results in the following discount for float neutral terms:

$$\text{Discount} = 1 - (1/(1 + 3(.12/365)))$$

$$= 1 - (1/1.0009863) = 1 - 0.99901467$$

$$= 0.00098533$$

Sample Test Answer Key

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



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