



Certified Treasury Professional[®]

Examination Preparation Guide

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



Certified
Treasury
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	Standard Deadline*	Final Deadline**
June/July 2010	March 26, 2010	April 16, 2010
December 2010/January 2011	September 24, 2010	October 29, 2010

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

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

For eligibility requirements and an application, please see the 2010 Candidate Information Bulletin.

This edition of the CTP Examination Preparation Guide supersedes all previous editions.
Revised © 2010

Copyright © 2010, Association for Financial Professionals, Inc., Bethesda, Maryland, USA.
All rights reserved.

These materials are protected by United States Copyright Law, International Copyright Laws and International Treaty Provisions.

The CTP examination has been developed in collaboration with Pearson VUE of Bloomington, MN.



Study Strategies and Test Taking Tips

CTP® Examination	2
Study Plan Development.....	2
Study Strategies	2
Test Taking Tips	3
Test Specifications.....	3

Preparing for the Examination

<i>Essentials of Treasury Management®</i> , Second Edition.....	4
The Preferred Resource for Preparing for the CTP Examination.....	4
AFP Learning System™: Treasury.....	4
Additional Examination Study Aids and Services	4
CTP Exam Study Network	4
AFP/TMA Regional Associations	4

Exam Question Format

Common Types of Multiple-Choice Questions	5
---	---

Sample CTP Examination Questions

Sample CTP Examination Questions.....	6-16
Sample Calculations Answer Key	17-18
Sample Test Answer Key	19

Contact Information:

Association for Financial Professionals® (AFP)

Certification Department
 4520 East-West Highway
 Suite 750
 Bethesda, Maryland 20814
 Phone: 301.907.2862
 Fax: 301.907.2864
 Email: AFP@AFPonline.org
 Online: www.AFPonline.org

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 2010 CTP® Candidate Information Bulletin 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®, Second 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 its 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, 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®, Second Edition.** It is important

to study 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 record cassette tapes 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 below) 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.
- 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.

2008-2010 CTP Test Specifications

Essentials of Treasury Management® 2nd Edition

Chapter Content Areas	No. of Questions
1. The Role of Treasury Management.....	3
2. Treasury Organizational Structure.....	2
3. Financial Environment	6
4. Financial Accounting	7
5. Financial Planning and Analysis	8
6. Working Capital Management	7
7. Working Capital Tools	9
8. Payment Systems	10
9. Cash Management	13
10. Short-term Investing and Financing Decisions	10
11. Treasury Management Systems	5
12. Electronic Commerce	7
13. Sources of Capital	9
14. Capital Structure and Dividend Policy	7
15. Global Treasury Environment	5
16. Global Treasury Organization and Liquidity Management	8
17. Financial Risk Management.....	8
18. Operational and Insurance Risk Management	9
19. Corporate Governance and Ethics	7
20. Retirement Fund Management.....	5
21. Relationship Management.....	5
Unscored Questions	20
TOTAL	170

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

- 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, sound and legally defensible.

The Essentials of Treasury Management®

The *Essentials of Treasury Management®*, Second Edition is the reference text for the 2010 CTP examinations. The test specifications are developed from *Essentials* and all questions are documented to the text.

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®*, Second Edition, in seven print-based text modules. More than 800 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 in all exam study packets and on our Web site at www.AFPonline.org/ctp. Click on “Prepare for the Exam”, then click on “CTP Exam Preparation Discussion List” 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.”

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.

5. How many weeks are there in a year?

- (A) 50.00 (C) 54.00
(B) 52.00 (D) 55.14

6. What is the average number of days in a month?

- (A) 29.50 (C) 30.42
(B) 30.00 (D) 32.39



**Certified
Treasury
Professional®**

The CTP Credential

Increase Your Competitive Edge
and Professional Excellence

Sample CTP Examination Questions

The following questions have appeared on previous editions of the CTP examinations. By reviewing them, you can familiarize yourself with the types of questions on the examination. These sample questions may 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.

- Which of the following objectives is most crucial to a company's treasury?
 - Optimally structuring the balance sheet
 - Providing optimal money market investments
 - Providing enough liquidity to pay obligations when they are due
 - Monitoring bank balances
- An instrument that gives the right to buy a stated number of shares of common stock at a specified price is known as:
 - A warrant
 - A put option
 - A zero coupon bond
 - A subordinated debenture
- A customer writes "paid in full" on a check for a disputed claim that is deposited to the vendor's lockbox. Under revisions to the Uniform Commercial Code, which of the following statements is true about this situation?
 - Accord and satisfaction have been immediately achieved for the disputed amount
 - The lockbox bank is liable for the difference between the deposited amount and the disputed amount
 - The vendor has 90 days to return the check to the customer to retain its claim to the disputed amount
 - The paid in full legend has no merit if it is handwritten on the check
- An effective way to ascertain a bank's actual availability is through:
 - An endpoint analysis
 - A lockbox cost/benefit analysis
 - Deposit reconciliation
 - Mail time studies

- If an EDT initiated on Tuesday for the full amount of Monday's deposit does not settle until Wednesday, what is the collected balance in the lockbox account at the close of business on Wednesday?
 - \$100,000
 - \$105,000
 - \$115,000
 - \$170,000
- If EDTs are initiated each day for the total of that day's deposits and settle to the lockbox account the following day, what is the closing collected balance in the lockbox account on Wednesday?
 - \$25,000
 - \$5,000
 - \$15,000
 - \$50,000
- Which of the following is characteristic of most field banking systems?
 - A small number of large-dollar items are deposited
 - Multiple services are used
 - Field banks initiate cash concentration via ACH
 - A large number of banks are used
- The approximate value of 180-day 8.5% commercial paper selling for \$1,282,417 is:
 - \$1,227,000
 - \$1,284,000
 - \$1,307,000
 - \$1,339,000

Questions 9-10 refer to the following information.

A company has \$100,000 per year in purchases from a vendor offering terms of 2/10, net 30. Currently, the company pays all invoices on day 30 without the discount and considers its cost of funds to be 12% per year.

- How much would a company save per year if it paid the vendor on day 10 with a discount?
 - \$1,014
 - \$1,347
 - \$1,945
 - \$2,000
- If the vendor assessed a 1.0% per month penalty for payments made after day 30, the company should pay on which of the following days?
 - Day 10
 - Day 30
 - Day 60
 - No difference between days 10 and 60
- The cash manager gathers information from internal sources regarding all of the following EXCEPT:
 - Accounts payable
 - Dividend payments
 - Credit sales
 - Money market rates

Questions 5 and 6 are based on the following information.

LOCKBOX DEPOSITS AND AVAILABILITY

Day	Total	Immediate	1-Day	2-Day
Monday	\$100,000	\$10,000	\$80,000	\$10,000
Tuesday	\$120,000	\$25,000	\$75,000	\$20,000
Wednesday	\$50,000	\$15,000	\$30,000	\$5,000
Thursday	\$90,000	\$10,000	\$70,000	\$10,000
Friday	\$90,000	\$15,000	\$65,000	\$10,000

Monday's opening collected and ledger balances are both zero.

12. Which two of the following objectives of a disbursement system are most likely to be in conflict with each other?
- Obtaining timely information about the status of disbursement accounts
 - Maintaining satisfactory vendor relations
 - Reducing the cost of administering the disbursement system
 - Increasing disbursement float
- (A) I and II (C) II and III
(B) I and IV (D) II and IV
13. A company can avoid reporting a negative cash balance on its balance sheet by:
- Using overnight sweeps
 - Using bank ledger balances
 - Implementing controlled disbursement
 - Combining cash and marketable securities
14. The risk resulting from an exporter selling on terms of net 60 days to an importer with the invoice price in the importer's currency is an example of:
- Economic exposure
 - Translation exposure
 - Spot exposure
 - Transaction exposure
15. A cash manager should use which of the following techniques to measure the differences among cash flows with different timings and amounts?
- Present value calculations
 - Yield curve analysis
 - Internal rate of return
 - Exponential smoothing
16. Which of the following funds on deposit may be used to pay for bank services?
- Float balance
 - Ledger balance
 - Reserve balance
 - Collected balance
17. A key issue for companies in complying with the Sarbanes-Oxley Act is:
- The cost of insuring the privacy of customer information
 - The cost of Section 404 compliance
 - The cost of additional deposit insurance
 - The cost of additional key man insurance
18. A company's use of deposit anticipation to initiate an EDT transfer is based on the company's:
- Expected deposit availability at the bank
 - General ledger cash balance
 - Deposit information from the deposit bank
 - Ledger balance in the concentration bank
19. Which of the following is true about the credit enhancement of commercial paper?
- It permits weaker firms to issue dealer paper
 - It relies on uncommitted credit facilities
 - It expedites the registration of the issue with the SEC
 - It allows firms to replace direct paper with dealer paper
20. Geographical proximity should be taken into consideration when setting up all of the following collection systems EXCEPT:
- Over-the-counter
 - Wire transfer
 - Mailed payment
 - Coin and currency
21. All of the following are expected advantages of company operated remittance processing centers EXCEPT:
- The company will make availability cutoffs probably missed by other collection alternatives
 - The company maintains total control over the collection process
 - Such facilities may be less costly to operate than bank lockboxes
 - Customer information may be updated in a timely fashion
22. A firm's controlled disbursement account is funded with an ACH transfer. On Tuesday the account's opening ledger balance is \$2,000 and the Federal Reserve cash letter presentment is \$1,600. If the firm wishes to restore a \$2,000 opening ledger balance for Wednesday, it must make an ACH transfer in which of the following amounts?
- \$400 (C) \$2,000
 - \$1,600 (D) \$3,600
23. ABC Company is selecting an insurance provider and has assessed the provider's long-term solvency, credit ratings, and cost. What additional item should ABC evaluate prior to choosing this provider?
- The provider's insurance brokers
 - The provider's use of captive insurance companies
 - The provider's loss control and claims service
 - The provider's non-insurance policies

Sample CTP Examination Questions (continued)

Questions 24 and 25 are based on the following information:

A company's receivable balance pattern is as follows:

- 95% sales from current month
- 70% sales from 1 month prior
- 10% sales from 2 months prior
- 0% sales from 3 months prior

Sales are as follows: Feb. \$430, Mar. \$500, Apr. \$750, May \$600, June \$400

24. The accounts receivable balance at the end of May is:
- (A) \$1,850 (C) \$1,060
(B) \$1,145 (D) \$600
25. June's estimated cash inflow is:
- (A) \$400 (C) \$670
(B) \$561 (D) \$875
26. Which of the following government agencies has (have) authority to conduct formal bank examinations?
- I. Comptroller of the Currency
 - II. Securities and Exchange Commission
 - III. State banking commissions
- (A) I only (C) I and III only
(B) III only (D) II and III only
27. Which of the following best describes the cash flow time line?
- (A) A diagram that shows the sequence of cash management and other production and accounting events
- (B) A diagram that shows the flow of cash through a company's banking systems
- (C) A procedure for making timely cash disbursements
- (D) A procedure that transfers a firm's excess bank balances into money market funds

28. A pension plan fiduciary administers a plan which allows highly compensated employees the ability to contribute a larger percentage of their salary to the plan than the percentage allowed for all other employees. Under ERISA rules, this plan would be considered:
- (A) Disqualified
(B) Qualified
(C) Progressive
(D) Regressive
29. How many Federal Reserve districts are there?
- (A) 10 (C) 14
(B) 12 (D) 16
30. Elimination of Regulation Q's interest rate ceilings on depository accounts was required by the:
- (A) McFadden Act
(B) Garn-St. Germain Act
(C) Monetary Control Act
(D) Glass-Steagall Act
31. Regulation CC affects all of the following EXCEPT:
- (A) Funds availability on deposits
(B) Endorsement positioning
(C) Return item processing
(D) MICR line format
32. Benefits of using ACH rather than a paper-based transaction include which of the following?
- I. Reduced account reconciliation cost
 - II. Better control of payment timing and funding
 - III. Increased dual balances
 - IV. Improved cash forecasting
- (A) I and III only
(B) I, II and IV
(C) II, III and IV only
(D) I, II, III and IV only

Questions 33 and 34 are based on the following information:

The following financial statements represent a firm's actual position as of December 31, 2006.

Balance Sheet	
Cash	\$20
Receivables	\$80
Net Fixed Assets	\$150
	\$250

Current Liabilities	\$70
Common Equity	\$180
	\$250

Income Statement	
Sales	\$1,000
Gross Profit	\$600
Operating Profit	\$200
Net Income	\$120

Assumptions:

- A. Sales are expected to increase by 20% in 2007.
 - B. Gross profit, operating profit, net income, current assets, and current liabilities will be the same percent of sales in 2007 as in 2006.
 - C. Depreciation in 2007 will be \$25.
 - D. Dividends will be \$50.
 - E. Gross fixed assets will remain constant.
33. In this situation, the ending current liabilities account for 2007 will be:
- (A) \$190 (C) \$96
(B) \$120 (D) \$84
34. Assuming no new common stock is issued, the change in the common equity account will be:
- (A) \$94 (C) \$144
(B) \$119 (D) \$194

Sample CTP Examination Questions *(continued)*

35. A transaction processed via the FedWire is deemed final when the:
- (A) Transaction is sent by the originating bank to the Fed
 - (B) Fed confirms receipt of the transaction from the originating bank
 - (C) Originator's wired transfer instructions are accepted by its bank
 - (D) Originator's account is debited by its bank
36. A charge card issuer might use credit scoring to evaluate applicants for all of the following reasons EXCEPT:
- (A) It aids in complying with consumer credit legislation
 - (B) The model can be adapted for different billing regions
 - (C) One cutoff score is typically set to grant or deny credit
 - (D) Characteristics of high-risk accounts are weighted using historical data
37. Mail float is eliminated in which of the following collection systems?
- (A) Pre-authorized payments
 - (B) Non-bank networks
 - (C) Mail intercept
 - (D) In-house processing center
38. If a company initiates ACH debits daily to concentrate total deposits from a field bank, a check returned to the field bank will result in:
- (A) An increase in float
 - (B) The creation of excess balances
 - (C) An overdraft at the field bank
 - (D) Negative collected balances at the concentration bank
39. An outgoing wire transfer costs \$8.00. An incoming wire transfer costs \$5.00. An ACH transfer costs \$0.15. The cost of funds is 7%. What is the minimum transfer amount that would justify the cost difference between an ACH and a wire transfer to concentrate funds if either were done on Friday?
- (A) \$13,644 (C) \$40,932
 - (B) \$22,335 (D) \$67,004
40. Which of the following are potential problems created by a retailer's use of deposit anticipation to concentrate funds from store accounts to national headquarters?
- I. Increased cost of transfers
 - II. Accidental overdrafts
 - III. Increased time spent on reconciliation
 - IV. Reduced deposit availability
- (A) I and II only
 - (B) II and III only
 - (C) III and IV only
 - (D) I, II and III only
41. All of the following are techniques for reducing concentration system costs EXCEPT:
- (A) Using concentration bank's branches for field deposits
 - (B) Using non-repetitive wires
 - (C) Anticipating deposits from weekend sales
 - (D) Using balance averaging
42. All of the following are advantages of a centralized disbursement system EXCEPT:
- (A) It requires little administrative effort
 - (B) It allows excess cash to be centrally pooled and made available for investment
 - (C) It integrates disbursements with a company's overall cash flows
 - (D) It increases balances at field banks
43. All of the following can be benefits of a treasury management information system EXCEPT:
- (A) Reduced manual data input
 - (B) Reduced data collection time
 - (C) Improved accuracy of bank-supplied information
 - (D) Integrated information within a company
44. Business-to-business e-commerce would be least beneficial for which of the following activities?
- (A) Paying major suppliers
 - (B) Billing major customers
 - (C) Ordering materials
 - (D) Evaluating trade terms
45. Major objectives of cash forecasting include all of the following EXCEPT:
- (A) Liquidity management
 - (B) Strategic policy setting
 - (C) Capital budgeting
 - (D) Overnight investing

Questions 46 and 47 are based on the following information:

A company has just completed a 30-day lockbox study. The following is a summary of receipts from the company's four largest customers.

Customer	Dollar Amount	Days Float
1	\$10,000,000	3
2	\$ 6,600,000	4
3	\$ 4,200,000	6
4	\$ 3,000,000	4

46. The average delay in days is:
- (A) 3.43 (C) 4.06
 - (B) 3.93 (D) 4.25
47. The company's opportunity cost is 9%. The value of the annual float is:
- (A) \$126,000 (C) \$353,952
 - (B) \$280,000 (D) \$495,529
48. All of the following tools are used daily in cash management EXCEPT:
- (A) Forecasting
 - (B) Borrowing
 - (C) Investing
 - (D) Capital budgeting
49. The cash manager is able to influence which of the following?
- (A) Invoicing float
 - (B) Credit terms
 - (C) Dividend payments
 - (D) Payment float

Sample CTP Examination Questions (continued)

50. In determining whether to sell a subsidiary, a company is making which of the following types of decisions?
(A) Financing (C) Dividend
(B) Investment (D) Accounting
51. In an organization's financial management team, who is normally responsible for monitoring accounts receivable?
(A) Cash manager
(B) Internal auditor
(C) Controller
(D) Credit manager
52. Generally, a cash manager is responsible for which of the following?
I. Managing bank relationships
II. Forecasting cash flows
III. Preparing financial statements
IV. Preparing corporate tax returns
(A) I and II only
(B) II and III only
(C) I, II, and IV only
(D) I, III, and IV only
53. A key factor in judging a bank's creditworthiness is its:
(A) Capital (C) Branch network
(B) Asset size (D) Stock price
54. If legislation were adopted allowing the payment of interest on corporate demand deposits, which of the following corporate cash management practices would most likely be affected?
(A) Hedging
(B) Controlled disbursement
(C) Cash concentration
(D) Positive pay
55. Additional capital raised through the sale of stock can be considered which of the following?
I. Income
II. A capitalized asset
III. Cash inflow
IV. Equity
(A) III only
(B) III and IV only
(C) I, II, and IV only
(D) I, III, and IV only
56. Which of the following are sources of funds in a statement of cash flows?
I. Proceeds from long-term debt issuance
II. Increases in liabilities
III. Decreases in assets
IV. Increases in assets
(A) I and IV only
(B) II and IV only
(C) I, II, and III only
(D) I, III, and IV only
57. To avoid reporting negative cash balances on financial statements, companies can do which of the following?
I. Record assets at original cost less depreciation
II. Report cash and marketable securities as a single item
III. Record deferred taxes as a current asset
IV. Utilize a drafts payable liability account
(A) III only
(B) I and IV only
(C) II and III only
(D) II and IV only
58. All of the following statements are typically true of accrual accounting EXCEPT:
(A) Revenue is recognized when the sale is made
(B) Assets with a life greater than one accounting cycle are capitalized
(C) Expenses are recognized when payment is made
(D) Deferred taxes are listed as a liability on the balance sheet
59. Which of the following calculations is used to compute shareholders' equity?
(A) Current assets plus fixed assets less long-term debt
(B) Current assets plus current liabilities less fixed assets less long-term liabilities
(C) Total assets less current liabilities less long-term liabilities
(D) Total assets less accounts payable less long-term debt
60. Debt management and coverage ratios include all of the following EXCEPT:
(A) Times-interest-earned ratio
(B) Total liabilities to total assets ratio
(C) Long-term debt to capital ratio
(D) Cash turnover ratio
61. Commercial banks acting as fiduciaries can do all of the following EXCEPT:
(A) Keep records of the sale and purchase of stocks and bonds
(B) Maintain lists of stockholders and bondholders for corporations
(C) Underwrite corporate employee pension funds
(D) Set up and manage corporate employee pension programs
62. Commercial banks are permitted to offer all of the following services to for-profit corporations EXCEPT:
(A) Credit support for commercial paper
(B) Interest-bearing demand deposit accounts
(C) Corporate trustee
(D) Investment management
63. Other types of financial institutions compete with commercial banks and thrifts in all of the following areas EXCEPT:
(A) Interest-bearing checking accounts
(B) Credit card issuance
(C) Credit line offerings
(D) Federally insured accounts

Sample CTP Examination Questions *(continued)*

64. Which of the following investment banking services are provided by commercial banks?
- I. Placing commercial paper with investors
 - II. Placing long-term loans with investors
 - III. Underwriting common stock
 - IV. Underwriting corporate bonds through brokerage subsidiaries
- (A) I and III only
(B) II and IV only
(C) I, II, and IV only
(D) II, III, and IV only
65. All of the following are eligible to maintain NOW accounts EXCEPT:
- (A) State government agencies
(B) Sole proprietorships
(C) Corporations
(D) Not-for-profit organizations
66. All of the following are attributes of credit unions EXCEPT:
- (A) They are not-for-profit financial corporations
(B) They can provide retail financial services
(C) Membership is restricted to people sharing a common bond
(D) Deposits are insured by the Savings Association Insurance Fund
67. Regulation CC establishes policies concerning:
- (A) The rights and responsibilities of users and providers of ACH services
(B) Check availability time periods and check return procedures
(C) The pricing of Fed float and Fed services
(D) Establishment of 2:00 p.m. presentment deadlines
68. Which of the following is most often used by major cash management banks to compute deposit float?
- (A) Bank average
(B) Item-by-item
(C) Sample
(D) Negotiated availability
69. On Thursday at 11:00 a.m., a company deposits a check. The transit routing number is assigned a 10:00 a.m. deadline for receiving one-day availability. Ledger cutoff is at 2:00 p.m. The company will receive ledger credit and collected credit on which of the following days?
- | Ledger Credit | Collected Credit |
|---------------|------------------|
| (A) Thursday | Thursday |
| (B) Thursday | Friday |
| (C) Thursday | Monday |
| (D) Friday | Monday |
70. Which of the following are responsibilities of the drawee bank in the check clearing process?
- I. Inspecting the check for proper signature
 - II. Crediting the check to the appropriate account
 - III. Reviewing the account for stop payment orders
 - IV. Examining the check for alterations and appropriate dating
- (A) I and IV only
(B) II and III only
(C) I, II, and III only
(D) I, III, and IV only
71. In an automated process, a bank of first deposit must use which of the following information contained in the MICR line to direct a check to the drawee bank?
- (A) Payor's account number
(B) Sequence number
(C) Transit routing number
(D) Encoded check amount
72. An ACH debit transaction will cause which of the following to occur?
- (A) A credit to the account at the originating financial institution
(B) A credit to the account at the receiving financial institution
(C) A debit to the account at the originating financial institution
(D) One-day Fed float to the account at the receiving financial institution
73. Daylight overdrafts occur when a company's collected balance is insufficient to cover the initiation of which of the following types of disbursements?
- (A) S.W.I.F.T. (C) Fedwire
(B) ACH (D) Checks
74. Which of the following are disadvantages of using an ACH rather than a paper-based transaction?
- I. Startup costs may be high
 - II. Disbursement float may be reduced
 - III. Application costs are usually increased
- (A) I and II only
(B) I and III only
(C) II and III only
(D) I, II, and III
75. Which of the following are objectives of credit management?
- I. Collecting accounts receivable
 - II. Establishing credit terms
 - III. Setting customer credit lines
 - IV. Forecasting customer payments
- (A) I and II only
(B) III and IV only
(C) I, II, and III only
(D) I, II, III, and IV
76. A company's credit policies should address all of the following EXCEPT:
- (A) Credit standards
(B) Credit terms
(C) Industry practice
(D) Collection policy
77. The major objective of a company's collection policy is to:
- (A) Increase cash-on-delivery sales
(B) Convert accounts receivable to cash
(C) Select lockbox processors
(D) Forecast cash inflows accurately

Sample CTP Examination Questions (continued)

78. The effective interest rate of paying on the due date and not taking a 3/15 net 45 vendor discount is:
- (A) 24.8% (C) 36.5%
(B) 25.1% (D) 37.6%
79. Which of the following is (are) commonly used to monitor accounts receivable?
- I. A credit scoring system
II. An aging schedule
III. Amount of mail float
- (A) II only (C) II and III only
(B) III only (D) I, II, and III
80. Which of the following legislative acts requires disclosure of the total dollar cost on most types of loans?
- (A) Fair Debt Collection Practices Act
(B) Equal Credit Opportunity Act
(C) Fair Credit Reporting Act
(D) Truth-in-Lending Act
81. Availability float is defined as the difference between the time a:
- (A) Check is deposited and presented to the payor's bank for payment
(B) Check is deposited and the payee's account is credited with collected funds
(C) Payee receives collected funds and the payor's account is debited
(D) Payor mails a check and the payee receives it
82. Which of the following are associated with a wholesale lockbox?
- I. It receives a moderate number of large-dollar remittances
II. Daily detailed deposit information is available
III. A primary objective is to reduce processing costs
IV. A primary objective is to reduce collection float
- (A) I and III only
(B) I and IV only
(C) II and III only
(D) I, II, and IV only
83. Which of the following terms refers to a payment method in which the payor agrees to let the payee initiate a transfer of funds from the payor's bank account to the payee's bank account?
- (A) Banker's acceptance
(B) Pre-authorized debit
(C) ACH credit
(D) Forward contract
84. Which of the following is NOT typically used for consumer payments?
- (A) Debit card (C) ACH system
(B) Direct send (D) ATM network
85. Which of the following collection systems post purchase transactions directly to the consumer's deposit account?
- (A) Purchasing card
(B) Credit card
(C) Debit card
(D) Smart card
86. An optimal concentration system minimizes which of the following?
- I. Administrative costs
II. Disbursement float
III. Excess balances
IV. Transfer costs
- (A) II and IV only
(B) III and IV only
(C) I, II, and III only
(D) I, III, and IV only
87. Which of the following are characteristics of a lockbox system?
- I. Few collection points
II. Boxes established near retail outlets
III. Daily reporting capabilities
IV. Immediate availability of most deposits
- (A) I and II only
(B) I and III only
(C) III and IV only
(D) I, III, and IV only
88. Electronic depository transfers can be originated by which of the following?
- I. Field offices
II. Field banks
III. Headquarters office
IV. Concentration bank
- (A) I and II only
(B) III and IV only
(C) I, II, and III only
(D) I, II, III, and IV
89. Information on deposits can be conveyed to headquarters by all of the following methods EXCEPT:
- (A) Balance reports
(B) POS terminals
(C) Third-party vendors
(D) Positive pay transmissions
90. Lockbox banks provide which of the following services to a company?
- (A) Coin and currency processing
(B) Check cashing facility
(C) Debit card processing
(D) Transaction detail reports
91. An electric utility uses local banks as agents to collect consumer payments. Which of the following mechanisms would be used to consolidate agency collections at the utility's cash management bank?
- (A) ACH concentration
(B) Pre-authorized debits
(C) Network wholesale lockboxes
(D) Over-the-counter deposits
92. All of the following are causes of concentration system overdrafts EXCEPT:
- (A) Misdirected transfers
(B) Missed deposit deadlines
(C) Returned deposited items
(D) Decentralized disbursement practices

Sample CTP Examination Questions (continued)

93. When a company mails a check, the difference between its bank balance and the balance shown on its accounting records is caused by:
- (A) Mail float
 - (B) Clearing float
 - (C) Disbursement float
 - (D) Fed float
94. Compared to a centralized check issuance system, a decentralized system with multiple banks has which of the following characteristics?
- I. Improved vendor relationships
 - II. Funds transfer costs are lower
 - III. Balance information is easier to obtain
- (A) I only
 - (B) I and III only
 - (C) II and III only
 - (D) I, II, and III
95. All of the following documents are used to establish a bank relationship EXCEPT:
- (A) Signature cards
 - (B) Account resolution
 - (C) Service agreement
 - (D) Report card
96. Which of the following are characteristics of ZBA's?
- I. They can be funded automatically by a centrally initiated DTC
 - II. Separate accounts can be established for different categories of disbursements
 - III. Separate accounts can be established for different divisions of a company
 - IV. Idle balances are usually reduced
- (A) I and IV only
 - (B) II and III only
 - (C) I, II, and III only
 - (D) II, III, and IV only
97. Under HDGS, second presentment has which of the following effects on disbursement clients?
- (A) It reduces mail float
 - (B) It reduces the ability of banks to offer early notification
 - (C) It increases disbursement float
 - (D) It increases benefits of funding by wire transfer
98. Which of the following statements is true about payable through drafts?
- (A) The UCC is the primary regulation concerning their processing
 - (B) Regulation CC treats them like checks
 - (C) They are immediately available to the payee
 - (D) They are drawn on commercial banks
99. An evaluation for the selection of a controlled disbursement bank may include all of the following EXCEPT:
- (A) Volume capacity
 - (B) Customer service support
 - (C) Mail times
 - (D) Processing accuracy
100. Which of the following EDI standards is most appropriate for international EDI?
- (A) NACHA standards
 - (B) ASC X12 standards
 - (C) UN/EDIFACT standards
 - (D) Proprietary standards
101. An ASC X12 transaction set is the electronic equivalent of a:
- (A) MICR line
 - (B) Paper document or form
 - (C) Debit card
 - (D) Corporate trade exchange (CTX) format
102. Dividend reinvestment plans help which of the following?
- (A) Small shareholders
 - (B) Institutional investors
 - (C) Creditors
 - (D) Employees
103. Which of the following is the standard payment format for state tax payment via ACH?
- (A) BAI
 - (B) CTX
 - (C) PPD
 - (D) TXP
104. Which of the following formats is most commonly used to exchange balance reporting information through a data exchange?
- (A) BAI-2
 - (B) CTX
 - (C) ACH
 - (D) ECP
105. Which of the following is not a capability of a treasury workstation?
- (A) General ledger interface
 - (B) Transaction initiation
 - (C) Capital budget monitoring
 - (D) Information integration
106. Cash managers may use computer-based systems to initiate all of the following transactions EXCEPT:
- (A) Tax payments
 - (B) Letter of credit applications
 - (C) Banker's acceptances
 - (D) Stop payments
107. To minimize the risk of unauthorized access to treasury management information systems, a company would use which of the following methods?
- (A) Monitoring event log-on activity
 - (B) Using virus protection programs
 - (C) Restricting downloads from outside sources
 - (D) Transmitting its daily file to a mainframe
108. All of the following factors should be considered in the design of physical security for a treasury management information system EXCEPT:
- (A) Personnel constraints
 - (B) Costs
 - (C) Risks
 - (D) External data sources

Sample CTP Examination Questions *(continued)*

109. All of the following are examples of treasury management information system security risks EXCEPT:

- (A) Loss of data
- (B) Data encryption
- (C) Unauthorized user access
- (D) Computer viruses

110. Which of the following is a key step in selecting the method of cash forecasting?

- (A) Gathering data from both internal and external sources
- (B) Calculating the rolling or moving average of past values
- (C) Determining the need for short-term credit facilities
- (D) Establishing the statistical relationship between available data and cash flow components to be forecast

111. Long-term forecasts can be used for all of the following EXCEPT:

- (A) Capital budgets
- (B) Market expansion
- (C) Target balance management
- (D) Credit analysis

112. A company would establish a liquidity position based on a short-term cash forecast for which of the following reasons?

- (A) The company cannot operate with a negative cash position on its cash ledger
- (B) The company wants to minimize its borrowings
- (C) A forecast of cash balances is needed to plan for capital expenditures
- (D) Decisions about the sale of new equity are driven by the monthly cash position

113. Medium-term forecasting is used to do which of the following?

- (A) Project cash flow on a weekly basis
- (B) Schedule cash concentration transfers
- (C) Determine the amount to advance on a credit line to avoid an overdraft
- (D) Make liquidity management decisions involving credit lines

114. On the basis of the following balance sheet data for two consecutive years, which of the following statements is true?

	Year 1	Year 2
Receivables	\$30	\$50
Inventory	\$40	\$35
Accounts payable	\$70	\$100
Long-term debt	\$150	\$130

- (A) The change in inventory represents a \$5 use of cash
- (B) The change in the long-term debt represents a \$20 source of cash
- (C) The change in receivables represents a \$20 source of cash
- (D) The change in accounts payable represents a \$30 source of cash

Questions 115-116 refer to the following information.

A company collects \$1 million per month in October, November, and December.

The company's cash payments represented 85% of October's receipts, 120% of November's receipts, and 95% of December's receipts. On October 1, the company had a cash balance of \$100,000, which also represented their minimum operating needs.

115. Which of the following methods would be used to forecast this company's cash position?

- (A) Distribution
- (B) Percentage of sales
- (C) Time series
- (D) Receipts and disbursements

116. Which of the following represents the company's ending cash position for November?

- (A) (\$200,000) (C) \$50,000
- (B) (\$50,000) (D) \$100,000

117. In addition to short-term investments, which of the following provides liquidity reserve?

- I. Long-term investments
 - II. Unused short-term borrowing
 - III. Unused long-term borrowing
- (A) I only (C) II and III only
 - (B) II only (D) I, II, and III

118. A security that can be bought or sold in large volume quickly and without making a significant price concession is said to be which of the following?

- (A) Convertible (C) Marketable
- (B) Negotiable (D) Price stable

119. In most companies, investment policy is determined by the:

- (A) Treasurer
- (B) Board of directors
- (C) Cash manager
- (D) Investment manager

120. For fixed income securities, which of the following is generally considered the most important investment guideline?

- (A) Rate (C) Diversification
- (B) Maturity (D) Tax status

121. Which of the following factors can influence a company's investment policies?

- I. Tax rate
 - II. Industry guidelines
 - III. Liquidity needs
 - IV. Staffing levels
- (A) I and IV only
 - (B) II and III only
 - (C) I, II, and III only
 - (D) I, II, III, and IV

Sample CTP Examination Questions (continued)

122. Which of the following is issued at a discount?
- (A) Fixed-rate CD
 - (B) Treasury bill
 - (C) Treasury note
 - (D) Revenue bond
123. Formulating a financing strategy does NOT involve decisions about the mix between:
- (A) Indenture repurchase agreements
 - (B) Debt and equity
 - (C) Long-term and short-term debt
 - (D) Fixed-rate and floating-rate debt
124. Which of the following base rates are commonly used to determine a company's short-term borrowing rates?
- I. LIBOR
 - II. Prime
 - III. Treasury bill
 - IV. Treasury bond
- (A) I and II only
 - (B) I, II, and III only
 - (C) I, III, and IV only
 - (D) II, III, and IV only
125. Credit rating agencies rate corporate bonds and commercial paper on which of the following factors?
- I. Current earnings
 - II. Leverage
 - III. Internal rate of return
 - IV. Future prospects of the company
- (A) I and IV only
 - (B) I, II, and III only
 - (C) I, II, and IV only
 - (D) II, III, and IV only
126. All of the following are forms of short-term borrowing EXCEPT:
- (A) Reverse repurchase agreement
 - (B) Banker's acceptance
 - (C) Letter of credit
 - (D) Commercial paper
127. The dealer gives a fee discount of one basis point on a corporation's \$10 million commercial paper program. What is the dollar value of the fee discount?
- (A) \$100
 - (B) \$1,000
 - (C) \$10,000
 - (D) \$100,000
128. A cleanup period is generally associated with which of the following?
- (A) Lines of credit
 - (B) Banker's acceptances
 - (C) Commercial paper
 - (D) Trade credit
129. When compared with subordinated debt, senior debt has all of the following features EXCEPT:
- (A) Higher borrowing cost to the issuer
 - (B) Higher bond rating
 - (C) Lower risk to bondholders
 - (D) First claim on a company's assets in the event of liquidation
130. In financial risk management, hedging is defined as which of the following?
- (A) Assuming risk in order to profit from a change in a future rate or price
 - (B) Using financial instruments to reduce future uncertainty of an asset price
 - (C) Calculating collected balances to a date different from the date the transaction occurred
 - (D) Lending based on the pledging of accounts receivable and inventory as collateral
131. Unexpected changes in financial price variables, such as interest rates or commodity prices, may affect the value of a company and can be demonstrated by its:
- (A) Risk-return tradeoff
 - (B) Risk profile
 - (C) Level of exposure
 - (D) Impact of exposure
132. Which of the following is a problem associated with the use of derivatives?
- (A) Futures contracts may not allow a perfect hedge of exposure
 - (B) The inability to combine hedging alternatives
 - (C) The requirement that all losses be treated as capital losses
 - (D) The requirement that all gains be treated as ordinary income
133. Which of the following are examples of swaps?
- I. Interest rate
 - II. Commodity
 - III. Currency
 - IV. Calls
- (A) I and II only
 - (B) III and IV only
 - (C) I, II, and III only
 - (D) I, II, III, and IV
134. Which of the following financial risk management instruments requires both margin accounts and constant adjustment of the value to the market?
- (A) Forwards
 - (B) Futures
 - (C) Swaps
 - (D) Options
135. The process of posting gains or losses to a futures contract on a continual basis is called:
- (A) Foreign currency exchange
 - (B) Marking-to-market
 - (C) Recording the margins
 - (D) Recording futures exposure
136. To convert a floating price for a commodity to a fixed price, a company would enter into which of the following types of contracts?
- (A) Forward
 - (B) Future
 - (C) Swap
 - (D) Option
137. In foreign exchange, the two basic markets are:
- (A) Spot and contract markets
 - (B) Forward and option markets
 - (C) Spot and forward markets
 - (D) Forward and futures markets

Sample CTP Examination Questions (continued)

138. Which of the following activities is a function performed by the Federal Reserve but NOT the Bank of England?
- (A) Establishment of interest rates
 - (B) Operation of a clearing system
 - (C) Regulation and supervision of banks
 - (D) Implementation of monetary policies
139. Which of the following systems does NOT allow for the clearing and settlement of funds?
- (A) ACH
 - (B) Fedwire
 - (C) CHAPS
 - (D) S.W.I.F.T.
140. A giro system is often used in Europe for:
- (A) Cross-border funds transfers
 - (B) Large value payments
 - (C) Consumer payments
 - (D) U.S. dollar payments
141. In a confirmed letter of credit transaction, whose credit would the seller examine to determine credit exposure?
- (A) Issuing bank
 - (B) Buyer
 - (C) Remitting bank
 - (D) Confirming bank
142. A company-owned subsidiary that buys A/R from exporting units and collects from importing units without taking title to the goods is using which of the following methods?
- (A) Multilateral netting
 - (B) Internal factoring
 - (C) Re invoicing
 - (D) Pooling
143. Which of the following statements are true about re-invoicing centers?
- I. They allow a company better control of its cash flow
 - II. They are usually located in countries with poorly developed banking systems
 - III. They centralize international accounts receivable
 - IV. They centralize foreign exchange exposure
- (A) I and III only
 - (B) II and IV only
 - (C) I, III, and IV only
 - (D) I, II, III, and IV
144. A company may use a Request for Information for all of the following EXCEPT:
- (A) To justify the use of a current service provider
 - (B) To solicit new ideas to solve a current operational problem
 - (C) To negotiate better pricing from current service providers
 - (D) To narrow the field of potential service providers
145. An audit of the treasury function typically includes a review of which of the following?
- I. Corporate resolutions
 - II. Specimen signatures
 - III. Bank performance measurements
 - IV. Account reconciliation procedures
- (A) I and III only
 - (B) II and IV only
 - (C) I, II, and IV only
 - (D) II, III, and IV only
146. A bank's reserve requirement on demand deposits is 12%, and its earnings credit rate is 8%. A company using that bank had an average ledger balance of \$250,000, an average bank float of \$175,000, and a monthly service charge of \$750. On the basis of a 30-day month/360-day year, the company's net earnings credit for the month would be:
- (A) An excess of \$717
 - (B) An excess of \$440
 - (C) A deficit of \$250
 - (D) A deficit of \$310
147. True statements about the earnings credit rate include which of the following?
- I. It is determined by different methods at different banks
 - II. It is a rate at which banks value reserve-adjusted collected balances
 - III. It is often based on the 90-day Treasury Bill rate
 - IV. It is interest paid by banks to corporations
- (A) II only
 - (B) III only
 - (C) I, II, and III only
 - (D) I, II, and IV only
148. A company can compare its account analysis statements in order to:
- (A) Identify the bank offering the best service
 - (B) Identify which bank's lockbox service offers the best availability
 - (C) Evaluate the relative cost of a service at different banks
 - (D) Track target balances on a daily basis
149. Which of the following statements is prepared monthly and summarizes a company's transaction activity, average balance, and service charges?
- (A) Bank call report
 - (B) Account reconciliation
 - (C) Account analysis
 - (D) Bond indenture

5. At the close of business on Wednesday, the collected balance in the lockbox account will consist of the immediate and 1-day items from the Tuesday deposit (\$25,000+ \$75,000) plus the immediate items from the Wednesday deposit (\$15,000).

Therefore, the collected balance at the close of business on Wednesday is \$100,000 + \$15,000 = **\$115,000 (C)**

6. The collected balance at the close of business on Monday will be \$10,000. On Tuesday, another \$80,000 of the Monday deposit will be available, plus the \$25,000 of immediate items in the Tuesday deposit (Total = 10,000 + 80,000 + 25,000 = \$115,000).

If an EDT for \$100,000 settles on Tuesday, the ending collected balance on Tuesday is \$115,000 - \$100,000 = \$15,000.

On Wednesday, \$10,000 of the Monday deposit will be available, along with the \$75,000 of 1-day items from Tuesday, and \$15,000 of immediate items from the Wednesday deposit. Beginning with Tuesday's closing balance of \$15,000, Total = 15,000 + 10,000 + 75,000 + 15,000 = \$115,000.

If an EDT for \$120,000 settles on Wednesday then the ending collected balance will be \$115,000 - \$120,000 = -\$5,000. **(B)**

Day	Collected Balance
Monday	\$10,000
Tuesday	\$10,000 + \$80,000 + \$25,000 - 100,000 = \$15,000
Wednesday	\$15,000 + \$10,000 + \$75,000 + \$15,000 - \$120,000 = -\$5,000 (B)

8. Price = Face x (1 - (DR x (DM/360)))

$$\underline{\$1,282,417 = \text{Face} \times (1 - (0.085 \times (180/360)))}$$

$$\underline{\$1,282,417 = \text{Face} \times 0.9575}$$

$$\underline{\$1,282,417/0.9575 = \text{Face}}$$

$$\underline{\$1,339,339 = \text{Face} \text{ (D)}}$$

9. Savings from taking the discount = \$2,000

In order to take the discount, the firm must finance \$98,000/12 = \$8,167 per month for 20 days at a monthly interest rate of 12%/12 = 1%.

$$\underline{\text{Monthly financing cost} = 8,167 \times 0.01 \times (20/30) = \$54.45}$$

$$\underline{\text{Annual financing cost} = \$54.45 \times 12 = \$653}$$

$$\underline{\text{Net annual savings associated with the discount} = \$2,000 - \$653 = \$1,347 \text{ (B)}}$$

22. Opening ledger balance (Tuesday)	=	\$2,000
- Presentment	=	\$1,600
Ending		\$400

The firm must deposit \$2,000 - \$400 = \$1,600 to restore a \$2,000 opening ledger balance for Wednesday. **(B)**

24. May Receivables

$$95\% \text{ sales from current month} = 0.95 \times 600 = \$570$$

$$70\% \text{ sales from 1 month prior} = 0.70 \times 750 = \$525$$

$$10\% \text{ sales from 2 months prior} = 0.10 \times 500 = \$50$$

$$\underline{\text{Total (B)} \quad \$1,145}$$

25. The company's collection pattern is:

$$100\% - 95\% = 5\% \text{ month of sale}$$

$$95\% - 70\% = 25\% \text{ month following sales}$$

$$70\% - 10\% = 60\% \text{ 2nd month after sale}$$

$$10\% - 0\% = 10\% \text{ 3rd month after sale}$$

June Cash Inflow

$$5\% \text{ of June sales} = 0.05 \times 400 = \$20$$

$$25\% \text{ of May sales} = 0.25 \times 600 = 150$$

$$60\% \text{ of April sales} = 0.60 \times 750 = 450$$

$$10\% \text{ of March sales} = 0.10 \times 500 = 50$$

$$\underline{\text{June Cash Inflow} = \$670 \text{ (C)}}$$

33. (Current Liabilities)/Sales = 70/1000 = 0.07 = 7%

$$\underline{\text{Expected Sales} = \$1,000 \times 1.2 = \$1,200}$$

$$\underline{\text{Ending Current Liabilities} = 0.07 \times \$1,200 = \$84 \text{ (D)}}$$

34. (Net Income)/Sales = 120/1000 = 0.12 = 12%

$$\underline{\text{Expected net income} = 0.12 \times \$1,200 = \$144}$$

$$\underline{\text{Change in Equity} = \text{Expected Net Income} - \text{Dividends}}$$

$$\underline{\text{Change in Equity} = \$144 - \$50}$$

$$\underline{\text{Change in Equity} = \$94 \text{ (A)}}$$

Sample Calculations Answer Key

40. Minimum Transfer =

$$\frac{\text{Wire Cost} - \text{ACH Cost}}{\text{Time Difference} \times (\text{Opportunity Cost}/365)}$$

$$\text{Minimum Transfer} = \frac{(13 - 0.15)}{(3 \times (0.07/365))}$$

$$\text{Minimum Transfer} = \$22,335 \text{ (B)}$$

Information for Problems 46 and 47

Customer	Dollar Amount	Days Float	Dollar Days
1	\$10,000,000	3	\$30,000,000
2	6,600,000	4	26,400,000
3	4,200,000	6	25,200,000
4	3,000,000	4	12,000,000
	\$23,800,000		\$93,600,000

46. Average Delay = $\frac{\text{Total Dollar Days of Float}}{\text{Total Dollar Amount}}$

$$\text{Average Delay} = \frac{93,600,000}{23,800,000}$$

$$\text{Average Delay} = 3.93 \text{ days (B)}$$

47. Average Daily Float =

$$\frac{\text{Total Dollar Days of Float}}{\text{Number of Days in Period}}$$

$$\text{Average Daily Float} = \frac{93,600,000}{30} = \$3,120,000$$

$$\text{Value of Float} = \text{Opportunity Cost} \times \text{Average Daily Float}$$

$$\text{Value of Float} = 0.09 \times 3,120,000$$

$$\text{Value of Float} = \$280,000 \text{ (B)}$$

Sample Test Answer Key

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



*Association for
Financial Professionals®*

4520 East-West Highway Suite 750
Bethesda, MD 20814
www.AFPonline.org

About AFP®

The Association for Financial Professionals® (AFP) serves a network of more than 16,000 treasury and finance professionals. Headquartered in Bethesda, MD, AFP provides members with breaking news, economic research and data on the evolving world of treasury and finance, as well as world-class treasury certification programs, networking events, financial analytical tools, training, and public policy representation to legislators and regulators. AFP is the daily resource for treasury and finance professionals.

AFP's global reach extends to over 150,000 treasury and financial professionals worldwide, including AFP of Canada; [gtnews](#), an on-line resource for the treasury and finance community; and the London-based [bobsguide](#), a financial IT solutions network.