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## Question: 1

A public company's risk profile is currently in balance. The management's mission statement is to minimize stock devaluation. However, it is forecasting a need for working capital in the short term. Which of the following solutions would BEST assist management in accomplishing its mission?

- A. Redeem outstanding shares
- B. Issue additional shares
- C. Use debt financing
- D. Pay out dividends

**Answer: C**

## Question: 2

Company XYZ has determined that its weighted average cost of capital is 12.5%. The capital structure of the company is made up of 75% equity and 25% debt. The before-tax cost of debt is 10%. Given a tax rate of 34%, what is XYZ's cost of common stock?

- A. 13.25%
- B. 14.47%
- C. 15.25%
- D. 16.53%

**Answer: B**

## Question: 3

In evaluating alternative capital investments, a company should consider qualitative factors such as:

- A. projected cash flows.
- B. estimated economic returns.
- C. corporate strategy.
- D. estimated costs.

Question: 4

Convertible securities consist of preferred stock and

- A. treasury stock.
- B. common stock.
- C. bonds.
- D. tracking stock.

**Answer: C**

### Question: 5

Assume the cost of an ACH transaction is \$0.80, the charges for a wire transfer are \$30.00, the monthly account maintenance fee is \$10.00, and the company earns interest at an annual rate of 1.825% on overnight investments. What is the break-even point where the interest earned on overnight investments offsets the incremental wire costs?

- A. \$3,840
- B. \$5,840
- C. \$284,000
- D. \$584,000

**Answer: D**

### Question: 6

On which exchange is a company's stock traded on the over-the-counter market?

- A. AMEX
- B. FINRA
- C. NASDAQ
- D. NYSE

**Answer: C**

### Question: 7

The Governmental Accounting Standards Board (GASB) is the authoritative standardsetting body for which of the following?

- A. Private universities
- B. Healthcare organizations
- C. Public works agencies
- D. Publicly traded companies

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**Answer: C**

**Question: 8**

In which of the following instances does the clientele effect come into play?

- A. When a company announces its earnings forecast
- B. When a company submits its 10-Q to the SEC
- C. When a company declares a dividend
- D. When a company increases its sales

**Answer: C**

**Question: 9**

When a short-term loan is paid with a lump sum payment and the payment includes both interest and principal, the loan is often referred to as a:

- A. single payment note.
- B. material payment note.
- C. balloon payment note.
- D. commercial note.

**Answer: A**

**Question: 10**

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

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

**Answer: A**

**Question: 11**

A lender is evaluating the creditworthiness of a company that has high levels of operating leverage. In determining the debt capacity of the company, the bank would MOST LIKELY prefer a:

- A. high total liabilities to total assets ratio.
- B. high debt to tangible net worth ratio.
- C. low long-term debt to capital ratio.
- D. low times interest earned ratio.

**Answer: C**

### Question: 12

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

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

**Answer: B**

### Question: 13

One of the advantages of raising capital through public offerings is that:

- A. it reduces fluctuations in the price of capital.
- B. it reduces the costs of managing reporting and disclosure.
- C. large amounts of debt and equity can be raised at the risk-free rate.
- D. large amounts of debt and equity can be raised at prevailing rates.

**Answer: D**

### Question: 14

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

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

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**Answer: C**

**Question: 15**

Optimal dividend policy is one that does all of the following EXCEPT:

- A. maintain adequate retained earnings for future growth.
- B. maximize shareholder value.
- C. distribute corporate income to investors.
- D. balance tax shield benefits against agency costs.

**Answer: D**

**Question: 16**

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

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

**Answer: A**

**Question: 17**

Company A regularly modifies its capital structure by repurchasing stock. Which one of the following is a true statement?

- A. Investors may feel that management is manipulating the stock price.
- B. Stock repurchases are not an attractive alternative to dividend payments.
- C. Partial disclosure to the SEC is required for repurchases.
- D. Stock repurchases do not offer tax deferral advantages over dividends.

**Answer: A**

**Question: 18**

The accounting requirement that a product's selling costs be recorded in the same period as the product's revenue is recorded, regardless of when the cash is paid, is an example of the:

- 
- A. full disclosure principle.
  - B. historical cost principle.
  - C. matching principle.
  - D. revenue recognition principle.

**Answer: C**

### Question: 19

XYZ Company has one inventory supplier, and title to inventory is transferred to the company during the manufacturing process. Which of the following BEST describes XYZ's relationship with its supplier?

- B. Outsourced
- C. Supplier-managed
- D. Paid-on-production

**Answer: D**

### Question: 20

Which of the following is NOT a key area to consider when establishing treasury policies?

- A. Equity method investments accounting
- B. Medium-term financing
- C. Management reporting
- D. Foreign currency management

**Answer: A**

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