# CTP$^{Q\&As}$

Certified Treasury Professional

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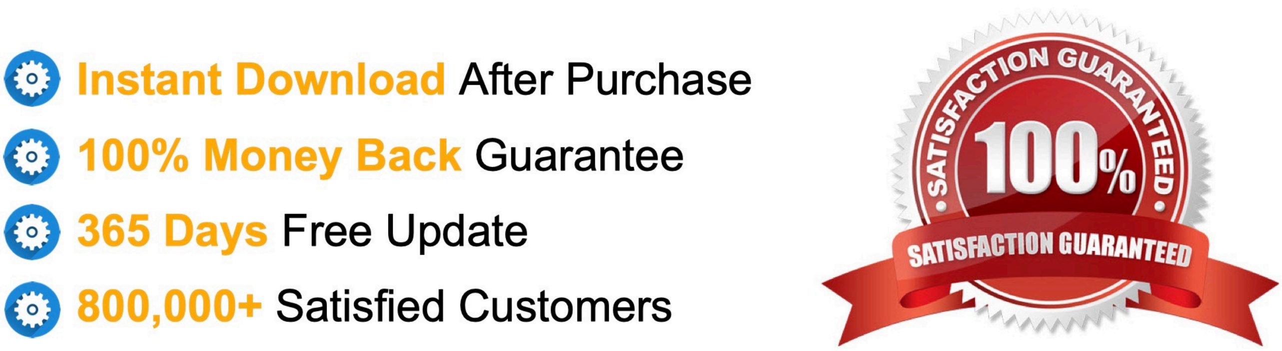

**QUESTION 1**

XYZ Company has decided to purchase a close competitor. This acquisition would make XYZ Company the 4th largest in its industry allowing it better purchasing power and greater distribution channels. After completing the MandA analysis, it is determined that the combined companies would produce a 40% increase in revenue, reduce manufacturing costs by 30%, but would increase current liabilities by 27%. Which of the following would keep the acquisition from happening?

A. Increased weighted average cost of capital

B. Low return on investment

C. Negative net present value

D. Restrictive bond covenants

Correct Answer: D

**QUESTION 2**

The controller is developing a financial plan that includes an operating budget and a financial budget. Which of the following statements is true?

A. The financial budget is used to determine the operating activity level the company can support.

B. The two budgets do not have any impact on each other.

C. The operating budget is developed to determine the staffing level needed for operations.

D. The financial budget is impacted by the company\\'s sources and uses of cash.

Correct Answer: D

**QUESTION 3**

A nationwide discount retailer is re-evaluating financing methods since the most-popular and most-expensive electronics "must-have" item for this year is set to ship from factories in China. Which of the following credit facilities would be MOST effective for the retailer to use?

A. Factoring

B. Asset-based credit line

C. Securitization

D. Commercial paper issuance

Correct Answer: B

**QUESTION 4**

If ?20.14 = U.S.$1.00 and .7564 = U.S.$1.00, how many ?= 1.00?

A. ?00629

B. ?0.874

C. ?20.8964

D. ?58.831

Correct Answer: D

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**QUESTION 5**

The following information about a company is at the end of its fiscal year.

| Assets | |
|---|---|
| Cash | $1,000 |
| Marketable Securities | $3,000 |
| Accounts Receivable | $10,000 |
| Inventory | $6,500 |
| Current Assets | $20,500 |
| Fixed Assets, Net | $24,500 |
| Total Assets | $45,000 |

| Liabilities and Owner s Equity | |
|---|---|
| Accounts Payable | $15,000 |
| Current Liabilities | $15,000 |
| Long-term Debt | $20,000 |
| Total _iabilities | $35,000 |
| Shareholders' Equity | $10,000 |
| Total _iabilities and Equity | $45,000 |

The before-tax cost of long-term debt is 10% and the cost of equity is 12%. The marginal tax rate is 35%. The company\\'s current ratio is:

A. 0.46.

B. 0.59.

C. 0.93.

D. 1.37.

Correct Answer: D