

Certified Treasury Professional

1. Which of the following are important uses of variance analysis in comparing actual cash flows with projected cash flows?

- I). Identifying unanticipated changes in inventory
- II). Enhancing short-term investment income
- III). Validating a capital budget
- IV). Identifying delays in accounts receivable collections

A. I and II only

B. I and IV only

C. II and IV only

D. I, II, III, and IV

Answer(s): B

2. An instrument that gives the right to buy a stated number of shares of common stock at a specified price is known as:

A. an equity warrant

B. a put option

C. a zero coupon bond

D. a subordinated debenture

Answer(s): A

3. A company plans to issue additional equity within the next 12 months but needs to issue debt at a low interest rate now. Which of the following instruments would BEST meet this objective?

A. Convertible bonds

B. Private placement issue

C. Preferred stock

D. Subordinated debentures

Answer(s): A

4. An arrangement in which a borrower makes periodic payments to a separate custodial account that is used to repay debt is known as a:

A. sinking fund

B. balloon payment

C. mortgage

D. zero-coupon bond

Answer(s): A

5. Which of the following instruments simplifies the paperwork connected with loans that have multiple advance features?

A. Master note

B. Banker's acceptance

C. Indenture agreement

D. Note purchase agreement

Answer(s): A

6. A put option on a company's stock has an exercise price of \$20. On the delivery date, the stock is trading at \$24 per share. What should the investor who has paid \$2 for the option do?

A. Not exercise the option and lose \$2.

B. Not exercise the option and lose \$6.

C. Exercise the option and gain \$2.

D. Exercise the option and gain \$4.

Answer(s): A

7. A call option for a company has an exercise price of \$50. The stock is currently trading at \$60. At maturity, what should an investor who paid \$3 for the option do?

A. Exercise the option and gain \$7.

B. Exercise the option and gain \$10.

C. Not exercise the option and lose \$3.

D. Not exercise the option and lose \$13.

Answer(s): A

8. In a typical swap transaction, two parties agree to exchange:

A. notional principal amounts.

B. amortization schedules.

C. maturity dates of obligations.

D. cash flows at future points in time

Answer(s): D

9. A Chicago meat processor is concerned about the volatility of pork belly prices. Which of the following derivative products would be used to fix these prices within a given range?

A. Collar

B. Swap

C. Cap

D. Spot purchase

Answer(s): A

10. On the basis of the following exchange rates, which of the following currency amounts has the greatest value in U.S. dollars?

Currency	U.S. \$
Canadian dollar	1.781/C\$
British pound	0.62/£
Euro	0.847/€
Japanese yen	139.00/¥

A. C\$750,000

B. £850,000

C. €900,000

D. ¥5,000,000

Answer(s): B

11. 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(s): A

12. Netting is used by which of the following as a cross-border payment technique?

A. European giro providers

B. Foreign subsidiaries of a company

C. Counterparties in a letter of credit transaction

D. TARGET participants

Answer(s): B

13. In which of the following international cash management methods is title for goods transferred for intercompany sales?

A. Pooling

B. Internal factoring

C. Multilateral netting

D. Re-invoicing

Answer(s): D

14. A company is based in the United States and has an operating subsidiary in Germany. With a stable U.S. dollar and a depreciating euro, the company's cash manager may elect to:

A. pool excess funds in the United States to offset German deficits

B. implement a dollar-based multilateral netting system.

C. start leading receivables from the German subsidiary.

D. establish a multicurrency account in the United States.

Answer(s): C

15. Account analysis statements should be examined for which of the following reasons?

I). To verify volumes processed

II). To determine daily cash shortages

III). To verify the accuracy of bank service charges

IV). To ensure that company-initiated transactions have occurred

A. I and IV only

B. I and III only

C. II and III only

D. II and IV only

Answer(s): B

16. An optimal concentration system minimizes all of the following EXCEPT:

A. administrative costs.

B. disbursement float.

C. excess balances.

D. transfer costs.

Answer(s): B

17. A bank issues a letter of credit (L/C) and receives a request for payment under the L/C. The buyer notifies the issuing bank not to make payment because there is a dispute over the quality of the merchandise. However, the documents received fully comply with the terms of the L/C. Which of the following statements is true?

A. The buyer may immediately return the merchandise and cancel the L/C.

B. The bank may delay payment until reimbursed by the buyer.

C. The bank may delay payment, provided the seller is notified of the dispute within three business days.

D. The bank must make payment and is entitled to immediate reimbursement from the buyer.

Answer(s): D

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

A. whether to keep the payment and remittance information together or separate.

B. whether to use the Internet or an EDI spoke to transmit electronic payments.

C. whether to use an EDI or a UN/EDIFACT protocol to transfer the value electronically.

D. whether an evaluated receipts or paid-on-production technique is being used for the transfer.

Answer(s): A

19. Which one of the following ties a user's private key to a user's public key?

A. A digital signature

B. A digital certificate

C. A digitized signature

D. A digital token

Answer(s): B

20. A French company conducts business strictly within the euro zone (the EMU). Which type of risk is of LEAST concern?

A. Terrorist

B. Regulatory

C. Payment

D. Currency

Answer(s): D
