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QUESTION 1

In order to reduce the premiums paid to insurance companies, a company should consider retaining or self insuring for:

- A. small or low severity losses.
- B. high severity losses.
- C. only property losses but no liability losses.
- D. directors and officers liability losses.

Correct Answer: A

QUESTION 2

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

Correct Answer: A

QUESTION 3

The exchange of a fixed interest rate cash flow for a floating interest rate cash flow with both interest rates in the same currency is an example of:

- A. a vanilla swap.
- B. an interest rate option.
- C. a basis-rate swap.
- D. an interest rate cap.

Correct Answer: A

QUESTION 4

Which of the following items would be classified as a source of cash on a company's statement of cash flow?

- I. Selling, general, and administrative expense



II. Increase in accounts payable

III. Increase in inventory

IV.

Depreciation expense

A.

III only

B.

I and III only

C.

II and IV only

D.

I, II, and IV only

Correct Answer: C

QUESTION 5

ABC Company, a U.S. company, has an overseas customer, XYZ Inc., who wants to purchase \$3.1 million of equipment from ABC Co. XYZ Inc. wants to structure payment by paying 10% at time of order, 40% at time of shipment and the remaining 50% at time of receipt of the equipment. The last time XYZ Inc. purchased equipment from ABC Co. they never paid the final 50%, claiming the equipment did not work properly. Which of the following can ABC Co. use for this transaction to guarantee payment?

A. Installment credit

B. Documentary collection

C. Performance guarantee

D. Commercial letter of credit

Correct Answer: D

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