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QUESTION 1

The MOST common way that companies structure their treasury operations is as a:

- A. cost center.
- B. profit center.
- C. shared service center.
- D. in-house bank.

Correct Answer: A

QUESTION 2

An analysis of variances from expected cash flows is used to:

- A. select investments.
- B. set hedging position.
- C. update forecasts.
- D. determine available balances.

Correct Answer: C

QUESTION 3

In order to increase liquidity, ABC Motor Company bundled its customers' installment payments and resold them to other investors. This is known as:

- A. factoring.
- B. securitization.
- C. reclassification.
- D. secondary distribution.

Correct Answer: B

QUESTION 4

A company has negotiated a credit facility with the following terms:

\$5,000,000 line of credit \$3,000,000 average borrowing 30 basis point commitment fee on unused portion of line
Interest rate on advances is 1-month LIBOR plus 4% 1-month LIBOR is currently 2% Compensating balance

requirement of 20% on the outstanding borrowings

What is the effective annual borrowing rate for the line of credit?

- A. 6.0%
- B. 6.2%
- C. 7.8%
- D. 9.3%

Correct Answer: C

QUESTION 5

The goal of a successful investor relations program is to ensure:

- A. achievement of the company's earnings-per-share goal.
- B. accurate preparation of financial statements.
- C. on-time filing of reports.
- D. effective two-way communication between a company, the financial community, and other constituencies.

Correct Answer: D

QUESTION 6

A company in the market to purchase a treasury management system (TMS) has issued a request for proposal to evaluate various vendors. One of the evaluation factors focuses on the long-term viability of the vendor. The company may have to choose between an untested new vendor with a superior product and an established vendor with an incomplete product suite. This dimension of the RFP is measuring what type of risk?

- A. Reputational risk
- B. Supplier risk
- C. Technology risk
- D. Financial risk

Correct Answer: B

QUESTION 7

A company's capital structure includes \$800,000,000 in total capital, of which \$200,000,000 comes from debt. The firm's after-tax cost of debt is 6%, and its cost of equity is 12%. The marginal tax rate is currently 40%. What is the company's weighted average cost of capital?

- A. 9.9%
- B. 10.3%
- C. 10.5%
- D. 10.8%

Correct Answer: C

QUESTION 8

XYZ Company is a publicly held manufacturing company that has decided to branch out into the international market. Five million dollars is needed to set up management and hire the factory workers, \$2 million for various government certifications in order to begin business in Poland, and \$1 million for miscellaneous expenses. While looking for funding, XYZ found that local banks in Poland were not willing to provide financing without which of the following?

- A. A Full Guarantee
- B. A Comfort Letter
- C. A Personal Guarantee from the CEO
- D. A Certified Workers Compensation Policy

Correct Answer: A

QUESTION 9

Which of the following is a source of short-term financing?

- A. Bond issuance
- B. Factoring of accounts receivable
- C. Issuance of common stock
- D. Retaining profits

Correct Answer: B

QUESTION 10

When estimating the cost of capital, which of the following financial resources would probably NOT be included in the cost of capital calculation?

- A. Common stock
- B. Long-term debt
- C. Preferred stock

D. Short-term debt

Correct Answer: D

QUESTION 11

A company issues \$5 million of commercial paper at a discount for 60 days. The interest cost is \$85,000. The backup line fee for this transaction is \$2,000, and the dealer fee is \$1,000. What is the annual interest rate?

A. 10.56%

B. 10.71%

C. 10.74%

D. 10.89%

Correct Answer: D

QUESTION 12

A financially sound company sends wires to investors in the morning but does not receive replacement funds until the afternoon. Which facility will the company MOST LIKELY arrange with its bank to facilitate the company's wire payment activities on any given day?

A. A ledger overdraft

B. A daylight overdraft

C. A standby letter of credit

D. A short-term line of credit

Correct Answer: B

QUESTION 13

XYZ Company is a net borrower. Its cost of funds is 5.0%, its earnings credit rate is 3.0%, and the reserve requirement is 10%. Average service fees are \$50,000 per month. Its average ledger balance is \$2,000,000, and its average collected balance is \$1,000,000. What are the collected balances required to pay for services during a 30-day month?

A. \$12,166,667

B. \$13,518,519

C. \$20,277,778

D. \$22,530,864

Correct Answer: D

QUESTION 14

As a result of the Sarbanes-Oxley Act, what new entity was established to sanction firms and individuals for audit violations?

- A. The Sarbanes-Oxley Review and Assessment Board
- B. The Accounting Controls Advisory Board
- C. The Public Company Accounting Oversight Board
- D. The Auditing Review Board

Correct Answer: C

QUESTION 15

A regional physicians' group is looking for an alternative to liability insurance to help protect against potential future liability claims. Which method would BEST serve its need to protect against catastrophic losses?

- A. Casualty insurance
- B. A risk retention group
- C. Non-insurance
- D. Self-insurance

Correct Answer: B

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