accountests CORPORATE CPALEVEL

Example Questions

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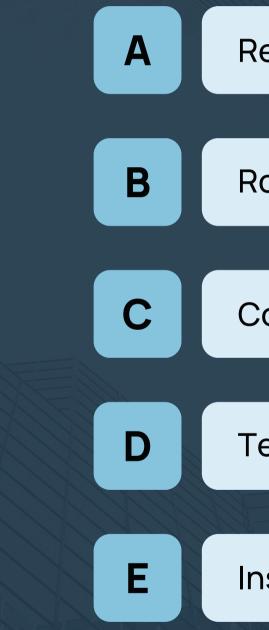




Example Question

You are reviewing Operating Activities section from your Statement of Cash Flows and notice an item that shouldn't be there.

Which one is it?



1

Revenue from sale of goods

Royalty receipts

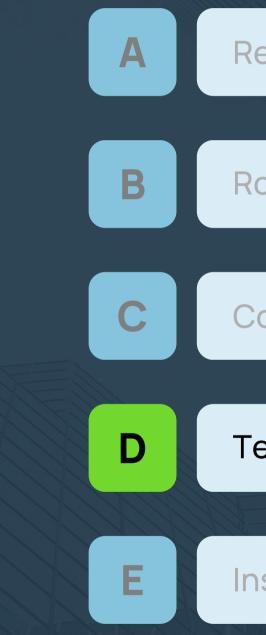
Corporation tax payments

Term loans received

Insurance premiums paid

Term loans received

IFRS and US GAAP require loans to be included as Financing activities in the Statement of Cash Flows



1

Revenue from sale of goods

Royalty receipts

Corporation tax payments

Term loans received

Insurance premiums paid

Example Question

2

2

In which order would you find these acronyms for profitability in a set of management reports presented to directors (first to last)?



EBITDA / EBIT / NPBT / NPAT

EBIT / EBITDA / NPBT / NPAT

NPAT / NPBT / EBIT / EBITDA

NPBT / EBITDA / EBIT / NPAT

EBIT / EBITDA / NPAT / NPBT

2

EBITDA / EBIT / NPBT / NPAT

EBITDA is the closest to operating cash flow, with later acronyms reducing this by including depreciation, amortisation, interest and tax.



EBITDA / EBIT / NPBT / NPAT

EBIT / EBITDA / NPBT / NPAT

NPAT / NPBT / EBIT / EBITDA

NPBT / EBITDA / EBIT / NPAT

EBIT / EBITDA / NPAT / NPBT

Example Question

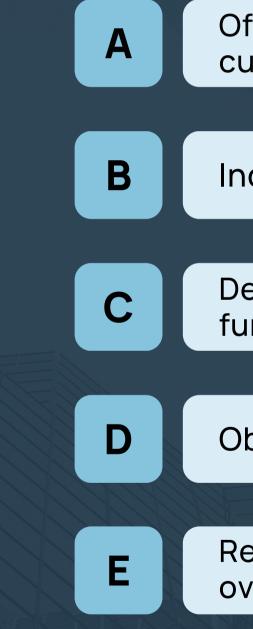
3

3

The working capital ratio in your business has reduced to 1.4

To meet bank funding requirements it needs to be 1.5

Which of these actions should achieve that?



Offer extended credit terms to customers to get more sales

Increase bank overdraft limits

Defer a capital project that was to be funded from term debt

Obtain additional credit from suppliers

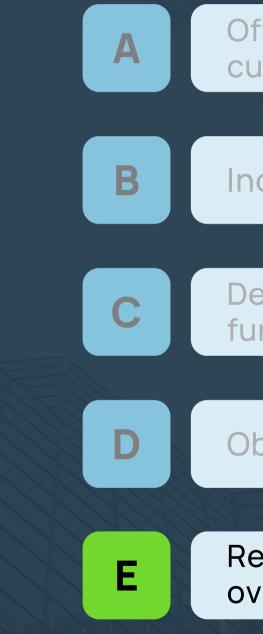
Reduce inventories to repay bank overdraft

3

Reduce inventories to repay bank overdraft

Working capital ratio is "current assets : current liabilities"

To increase the ratio either current assets have to rise faster than current liabilities, or both current assets and current liabilities need to both reduce at the same rate. This option is the only one guaranteed to achieve this.



Offer extended credit terms to customers to get more sales

Increase bank overdraft limits

Defer a capital project that was to be funded from term debt

Obtain additional credit from suppliers

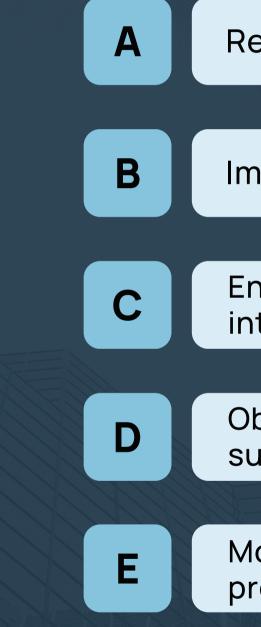
Reduce inventories to repay bank overdraft

Example Question

4

You have completed a cashflow forecast for your fast expanding business, which shows a shortfall in available cash.

Which of these options will NOT assist in improving the situation?



Receivables factoring

Improving receivable collection policies

Entering in to a "fixed for floating" interest swap

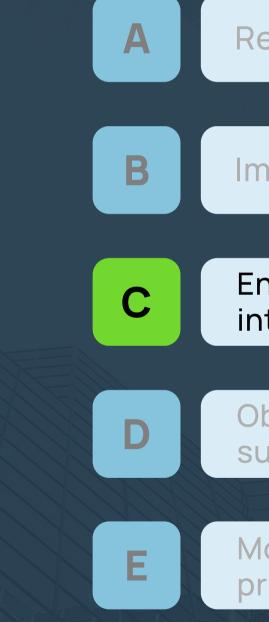
Obtain extended credit terms from suppliers

Move to a Just In Time inventory procurement policy

4

Entering in to a "fixed for floating" interest swap

Changes to cashflow from a swap will depend on the arrangement and current interest rates. The effect may be positive or negative in a particular period.



Receivables factoring

Improving receivable collection policies

Entering in to a "fixed for floating" interest swap

Obtain extended credit terms from suppliers

Move to a Just In Time inventory procurement policy

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Still not sure? Check out the Which Test Table