



accountests

VIRTUAL CFO TEST

Example Questions

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Example Question

1

Example Question

1

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

A

EBITDA / EBIT / NPBT / NPAT

B

EBIT / EBITDA / NPBT / NPAT

C

NPAT / NPBT / EBIT / EBITDA

D

NPBT / EBITDA / EBIT / NPAT

E

EBIT / EBITDA / NPAT / NPBT

Answer

1

EBITDA / EBIT / NPBT / NPAT

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

A

EBITDA / EBIT / NPBT / NPAT

B

EBIT / EBITDA / NPBT / NPAT

C

NPAT / NPBT / EBIT / EBITDA

D

NPBT / EBITDA / EBIT / NPAT

E

EBIT / EBITDA / NPAT / NPBT

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Example Question

2

Example Question

2

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

Which one is it?

A

Revenue from sale of goods

B

Royalty receipts

C

Corporation tax payments

D

Term loans received

E

Insurance premiums paid

Term loans received

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

A

Revenue from sale of goods

B

Royalty receipts

C

Corporation tax payments

D

Term loans received

E

Insurance premiums paid

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Example Question

3

Example Question

3

The working capital ratio in your clients business has reduced to 1.3

To meet bank funding requirements it needs to be 1.6

Which of these actions should achieve that?

A

Offer extended credit terms to customers to get more sales

B

Increase bank loan limits

C

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

D

Obtain additional credit from suppliers

E

Reduce inventories to repay bank loans

Reduce inventories to repay bank loans

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.

A

Offer extended credit terms to customers to get more sales

B

Increase bank loan limits

C

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

D

Obtain additional credit from suppliers

E

Reduce inventories to repay bank loans

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Example Question

4

Example Question

4

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

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

A

Receivables factoring

B

Improving receivable collection policies

C

Entering in to a "fixed for floating" interest swap

D

Obtain extended credit terms from suppliers

E

Move to a Just In Time inventory procurement policy

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.

A

Receivables factoring

B

Improving receivable collection policies

C

Entering in to a "fixed for floating" interest swap

D

Obtain extended credit terms from suppliers

E

Move to a Just In Time inventory procurement policy

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