

Exam Questions

Section I: Understanding Financial Statements

1. What is a financial statement? Name the 4 basic types of financial statements of the company.
2. What is balance sheet? What is the overall structure of the balance sheet?
3. What is the structure of current and fixed assets?
4. What is liabilities? What is their structure?
5. What is equity? What are its elements?
6. What is the difference between income statement and balance sheet?
7. What kinds of profit does income statement show?
8. Cash flow statement: purpose and structure?
9. What is the difference between investing and financing activities in the cash flow statement of a company?
10. Who are the users of financial statements and what is their interest?

Section II: Analyzing Financial Performance

11. How would you explain what a financial ratio is?
12. What is the benefit of using financial ratios in financial management?
13. What does Return on Equity Ratio show?
14. How do you understand Liquidity of a company?
15. What is included in current assets?
16. What is included in current liabilities?
17. What does defensive interval show?
18. What does Operating Cycle show?
19. What does Capital Turnover show?
20. How do you understand Leverage?

Section III: Financial Planning and Forecasting

21. What is Financial Planning? In what form are the results of financial planning usually presented?

22. What are Budgeted Financial Statements based on?
23. What is Strategic Planning and what is it comprised of?
24. What methods of Sales forecast do you know?
25. What detail budgets are prepared for Budgeted Financial Statements?
26. What is the procedure of calculating Net Income in the Budgeting Income Statement?
27. What is EFR? What does it show?
28. What are the two main components of Master Budget?
29. What is included in the Operating Plan?
30. What is included in Financial Plan?

Section IV: Capital Budgeting Analysis

31. What are Capital Expenditures? Why is it important to analyze them?
32. What are the Three Stages of Capital Budgeting Analysis?
33. What is the relationship between stages of CBA level of uncertainty?
34. What is a Decision Tree and what is its purpose in the Decision Analysis?
35. What is the purpose of Option Pricing in the CBA?
36. How would you explain what Discounted Cash Flows mean?
37. What is Net Present Value (NPV)? How is it calculated?
38. What is Internal Rate of Return (IRR)? What does it show? How is it calculated?
39. What is Discounted Payback Period (DPP)? What does it show? How is it calculated?
40. How can we manage uncertainty and risk in CBA?

Section V: Cash Flow Management

41. Explain cash cycles.
42. How can you calculate a cash flow cycle?
43. What is cash flow planning? What is included in this activity?
44. What are the types of short-term financing?
45. What are collections practices in managing cash?

46. What are disbursement practices in managing cash?
47. What are the warning signs in managing cash?

Section VI: Managing Capital

48. What is cost of capital? What does it represent?
49. How does taxation influence the cost of capital?
50. What is the overall objective in managing capital within the organization?
51. What are the advantages and disadvantages of stock financing and debt financing?
52. How does inflation, investment demand, business and financial risks influence the cost of capital?
53. What is capital structure?
54. What is financial leverage?
55. What is risk return tradeoff?
56. What is operating leverage?
57. What are the 2 approaches to managing capital?
58. What signaling effect?
59. What is “pecking order” of financing?
60. What kinds of costs are considered in cost of capital?
61. What is WACC? How is it calculated?
62. What is refinancing risk?
63. What are floatation costs?
64. What the concept of marginal cost of capital is about?
65. What is the difference between primary and secondary markets for financing?
66. What is underwriting and spread in underwriting?
67. What is IPO?
68. What is private placement?