



Free Questions for CMAPRA19-P03-1 by dumpshq

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Question 1

Question Type: MultipleChoice

Which of the following are true of interest rate swaps?

Options:

- A-** Risk of default is high from the floating interest rate payer if interest rates rise.
- B-** An interest rate swap is an external hedging technique.
- C-** When interest rates are falling, the risk of default by the fixed interest rate payer is low.
- D-** Some companies use interest rate swaps to deliberately increase their risks because they believe that they are better at predicting future interest rates than the market.
- E-** An interest rate swap is an internal hedging technique.

Answer:

A, B, D

Question 2

Question Type: CorrectText

A US company has to pay 500,000 for a new machine.

You have the following information on currencies.

EUR1 = 1.2300

EUR 1= USD1.6200

What is the cost of the machine in USD?

Give your answer to the nearest \$.

Answer:

Question 3

Question Type: MultipleChoice

The long-term prospects for inflation in the UK and the USA are 2% and 6% per annum respectively.

The GBP/USD spot rate is currently GBP/USD1.71.

Using purchasing power parity theory, what GBP/USD spot rate would you expect to see in three months' time?

Options:

A- GBP/USD 1.69

B- GBP/USD 1.73

C- GBP/USD 1.77

D- GBP/USD 1.65

Answer:

B

Question 4

Question Type: MultipleChoice

M is a multinational IT company with headquarters in Asia and with operations in all continents.

It is now trying to expand its operations in Europe. This is seen as a major challenge as the European market is very well developed with established players in fierce competition against each other.

As well as developing and producing its own products, it sources products across Asia, America and Europe as part of infrastructure deals which have to include as much of its own equipment as possible. In doing this, transfer prices can be set in YEN, USD, EURO, GBP. Transfer prices are revised every month in line with production times as most goods are made on short order times with sales cycles running at 3-4 months.

The longer sales cycle against committed transfer pricing presents problems as customers expect quotes to be valid for 90 days whereas M's suppliers reserve the right to revise pricing at the end of every month with quotes only valid for 8 days in the following month.

How should M deal with this problem?

Options:

- A-** Use a centralised treasury function to set up unilateral netting so that all trades can be balanced off against each other before any money is transferred.
- B-** Offer a small discount for any customers who pay in M's home currency.
- C-** Do nothing, everyone is in the same situation.
- D-** Incentivise sales persons to be more accurate when forecasting prices.

Answer:

A

Question 5

Question Type: MultipleChoice

TYU is a retailer selling televisions. The company is financed wholly by equity.

Why might TYU be exposed to interest rate risk?

Options:

- A- Customers' disposable income may change.
- B- TYU's competitors may have variable rate borrowings.
- C- TYU's suppliers may have borrowings.
- D- TYU's cost of capital will vary with interest rates.
- E- TYU's competitors may have fixed rate borrowings.

Answer:

A, B, C

Question 6

Question Type: MultipleChoice

Company W produces mobile phone components and has recently tendered for a substantial contract. The results of the tendering process will not become available until three months from now. If the company is successful it will require 2,000 units of a commodity which is currently traded in an open commodity market for \$740 per unit. However, there has been speculation that this commodity could increase substantially in price over the next three months and so the company is considering purchasing the commodity now and storing it for three months.

The funds to buy the commodity would be borrowed at an annual interest rate of 7% and the storage cost of the product would be \$5.40 per unit per month. The storage costs would be paid at the end of the three month storage period.

Which of the following represents the gain or loss (to the nearest thousand dollars) that will accrue to Company W assuming that the price of the commodity rises to \$800 in three months' time?

Options:

- A- \$62,000 gain
- B- \$95,000 gain
- C- \$88,000 gain
- D- \$16,000 loss

Answer:

A

Question 7

Question Type: MultipleChoice

GUJ A small but rapidly expanding company has recently opened several branches in locations far away from the Head Office. All of the branches are relatively small with no one branch accounting for more than 5% of turnover. Management has decided that the company is not yet large enough to install an Internal Audit function but is, nonetheless, concerned about maintaining adequate control and monitoring at the branches whilst allowing Branch Managers the opportunity to react to local circumstances as appropriate.

Which of the following measures would assist Head Office management in maintaining appropriate monitoring and control at the branches?

Options:

- A-** Restricting the autonomy of individual Branch Managers to purely routine matters and instructing them to refer everything else to Head Office.
- B-** Dealing with all Human Resource, recruitment, and similar issues directly from Head Office.
- C-** Arranging visits by senior management to each branch periodically.
- D-** Instituting the use of a formalised budgetary control system at head office for all branches.
- E-** Establishing an open communication policy for employees at branches to allow them to contact Head Office on any matter that concerns them.

Answer:

C, D, E

Question 8

Question Type: MultipleChoice

SDF is a quoted company that has a large internal audit department.

Which of the following would impair the independence of SDF's internal audit?

Options:

- A-** The head of internal audit reports directly to SDF's chief accountant.
- B-** Junior internal audit staff are recruited directly from university. They spend two years with the company before moving into other departments within SDF.
- C-** Internal audit staff receive a bonus whenever they discover a compliance error.
- D-** It is left to the individual members of the internal audit department to report any conflicts of interest associated with a proposed investigation to which they have been assigned.

E- Internal audit staff salaries are linked to a company-wide salary scheme.

Answer:

A, B, C

Question 9

Question Type: MultipleChoice

Which of the following are threats to the control environment?

Options:

- A-** Directors not producing receipts for their expenses.
- B-** Internal auditors not following up on internal control problems.
- C-** Directors ignoring unethical practices that increase sales.
- D-** Regularly changing procedures to comply with legislation.
- E-** Allowing staff to follow unwritten policies.

Answer:

A, B, C

Question 10

Question Type: MultipleChoice

YUI owns 18 factories, which are spread around the country. Each factory employs 500-700 production staff and has its own administrative and accounts departments.

It has recently been discovered that the manager in charge of YUI's Hightown factory has been overstating his personal expenses claims for the past five years. The total amount stolen in this manner has been estimated at \$10,000.

Why would it have been relatively difficult to have prevented this fraud?

Options:

- A-** Senior members of management can often override controls.
- B-** It is impossible for anybody to check expenses claims submitted by a senior manager.
- C-** Managers are generally highly intelligent and are generally capable of designing ways to defeat control systems.
- D-** Internal controls cannot address fraud, only error.

Answer:

A

Question 11

Question Type: MultipleChoice

Company C wishes to recruit an employee who will have responsibility for, among other things, the receipt and handling of cash. Which THREE of the following would be most likely to provide useful information about the candidate from the point of view of the Internal Auditor?

Options:

- A-** The candidate's academic qualifications.
- B-** References from previous employers of the candidate.
- C-** The candidate's personal referees.
- D-** The candidate's membership of a professional body.
- E-** Confirmation that the candidate does not have a criminal record.

Answer:

B, D, E

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