

Sample CTP Materials

This file contains several items:

- Sample overview of *Essentials* book
- Sample chapter review
- Sample problem drill
- Sample preparation tips



Overview of Essentials (excerpt)



Essentials of Treasury Management Review/Conclusions

Chapter	Comments/Conclusions
1 Role of Treasury Management	“Soft” chapter in that it contains a lot of general material, which makes it hard to know what to study.
2 Treasury Org. Structure	Provides more “beef” to these topics than previous editions of the study guide.
3 Financial Environment	Pretty straightforward for bankers; lots of memorization for all test-takers.
4 Financial Accounting	Tough for non-accountants. CPAs might “blow it off” and not do as well as they should.

Chapter Review (excerpt)



Philosophy of Working Capital

CTP Review: Chapter 6



Ken Parkinson
Treasury Info. Services
tisconsulting.com

Chapter Evaluation

Chapter(s)/ No. of questions	Chapters 6 7 questions
Toughness	Ch. 6: 😐 😐 😐 (moderate)
Math content	Just a little bit here – cash cycle and evaluating discounts
Range of material	Rather wide!

Overview of Chapter

- WC Philosophy (ch. 6)
 - Overview of WC
 - WC Strategies
 - Basics of ST Credit
 - Costs and Risks of Debt
 - Financing Strategies
 - Cash Discount Calcs.

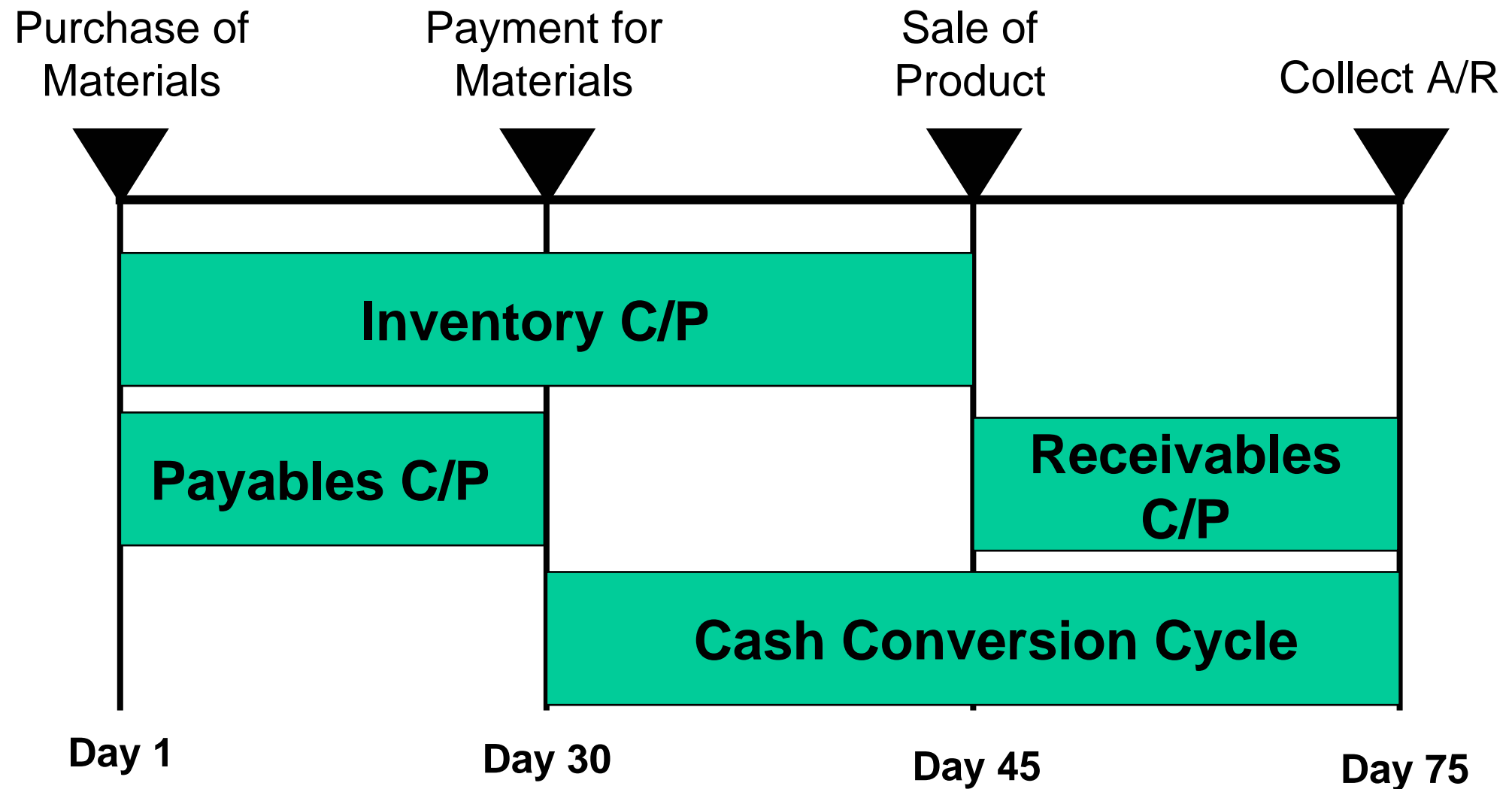
WC Overview

- Working Capital – current assets
- **Net** Working Capital – current assets (cash, marketable securities, A/R, inventory, prepaid expenses) minus current liabilities (A/P, notes payable, accrued liabilities)
 - Link to current ratio
- When we speak of working capital management, we often really mean net working capital

WC Cash Flow Cycle

- Similar to a time line
- Cash conversion cycle components (“conversion periods”)
 - Days’ payables (DP): from purchase of supplies to payment for them (= A/P/COGS)
 - Days’ inventory (DI): from acquisition of raw materials to sale as finished goods (= Inventory/COGS)
 - Days’ receivables (DR): ave. collection period (= DSO)
- Conversion period – time that must be financed
 - Period (cash conversion cycle) = $DR + DI - DP$

Cash Flow Cycle (Exhibit 6.1)



C/P = Conversion Period

Cash Conversion Cycle Costs

- Lost sales from tighter credit
- Production stoppage due to lack of inventory
- Lost discounts on payables
- Higher prices charged by suppliers

Problem Drill (excerpt)



CTP Problems

Study Problems for CTP Candidates



Notice/Disclaimer

- These questions were not taken from any previous CTP exams, nor are they intended as equivalent problems for any current and/or future exams. In fact, they may not exactly cover all possible types of numeric questions. They are intended solely for use by CTP candidates as part of their preparation for the CTP exam.
- This file may only be used for personal use.

Questions? E-mail: ken@tisconsulting.com

1. Assuming a 33% tax rate, what is the tax equivalent yield for a taxable investment to be the equivalent of a tax-exempt security with a yield of 4.50%?

- (A) 4.50%
- (B) 6.72%
- (C) 6.06%
- (D) 13.64%

[click for answer and calculation](#)

$$100 \times (.045)/(1 - .33) = 6.72\%$$

2. If a 91-day T-bill of \$250,000 is offering a discount rate of 4.75%, how much will a short-term investor invest on day 1?

- (A) \$247,112.01
- (B) \$250,000.00
- (C) \$247,039.38
- (D) \$246,998.26

[click for answer and calculation](#)

$$250,000 - [(.0475 \times 250,000) \times 91/360] \\ = 246,998.26$$

7. Commercial paper is issued for 60 days at for a discounted (nominal) rate of 5.25%. What is its nominal yield for \$1 million of this CP?

- (A) 5.370%
- (B) 5.323%
- (C) 5.296%
- (D) 5.250%

[click for answer and calculation](#)

$$\begin{aligned} & 1 \text{ MM} \times [1 - (.0525 \times 60/360)] \\ & = 991,250 \quad (8,750/991,250) \times (365/60) \\ & = 5.370\% \end{aligned}$$

12. Given credit sales of \$150,000, \$225,000, and \$450,000 for July, August, and September (respectively), what is the company's DSO for September if September's outstanding receivables were \$375,000?

- (A) 40.91 days
- (B) 25.00 days
- (C) 50.00 days
- (D) 41.36 days

click for answer and calculation

$$\begin{aligned} & (150,000 + 225,000 + 450,000) / 90 \\ & = 9,166.67 \quad 375,000 / 9,166.67 \\ & = 40.91 \text{ days} \end{aligned}$$

Preparing for the Exam (excerpt)





Preparing for the exam

- How to establish an effective study plan
- How to navigate through the exam
- What to expect from major sections
- How to simplify computations
- Sources and resources



Effective Study Plans

- Gradual approach works best
 - Assess your strengths and weaknesses
 - Group chapters
 - Organize your plan
 - Keep a steady pace
- Develop effective study aids
 - Drills
 - Tracking “log”
 - Practice questions/problems



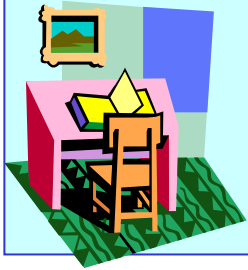
Assess your strengths and weaknesses

■ Analyze chapters

- **Strong:** You have lots of experience and know this stuff cold. You could teach the session on it!
- **Medium:** You have some experience or knowledge. Maybe you subbed for the person who does it, or you were at a meeting and it was discussed.
- **Weak:** You wouldn't know it if you tripped over it! It all looks like Greek to you!

■ Summarize for the framework for your study plan

- Chapters to hit hard
- Formulas, problems to master
- Topics to “unlearn”



For example ...

Chapt	Quests on Exam	Level of difficulty	Defini-tions	Interpre-tation	Prob-lems
14 Risk	8	Fairly difficult	Heavy	Some, tricky	Not likely
13 Borr	10	Hard, unless?	Lots, esp. LT	Some, tricky	Yes, tricky?
16 Bk Rels	7	Easy – medium	Few simple	A little	Probably A/Anal



What's *Unlearning*?

- There may be topics that you have ***too much*** experience in. Something ...
 - You've handled for a lengthy time (e.g., cash collections or disbursements).
 - You used to do for a long time (ST investing).
 - You have to learn for your job (e.g., payment systems for bankers).
- Unlearning is tough!
 - You have to read the text to see (for yourself) how basic it is, not to learn the contents.
 - You'll have to go back over this a few times.



What to Expect

- The study guide is your basic point of reference because it is acknowledged as the "Body of Knowledge."
 - Go by the book!
- This means that what it says is considered correct, even if you might quibble or even disagree! And you will probably find some areas.
 - Ignore these feelings!
- Also, remember that the test is done well in advance, as is the study guide, so very late-breaking events will not be on the exam.
 - So, don't panic!



Types of Questions

- “Regular” question (varied levels of difficulty)
 - Only one answer is correct.
 - There will be one other answer that’s “close.”
- Multiple correct answers (toughest questions)
 - Uses Roman Numerals with statements, etc.
 - Answers are combinations of the Roman Numerals.
 - Evaluate each Roman Numeral first, then look at the answers.
- Sequencing questions (pretty tough)
 - Also use Roman Numerals for possible sequence of an activity (e.g, letter of credit, ACH payment).
 - Answers are various sequences.



Simplify Computations

■ Investing

- Yields (of all kinds: memorize!)
- 360 days = money market transaction; 365 for other, including borrowings. Also 365 = bond equivalent or investor's equivalent.
- Investment proceeds, interest

■ Borrowing

- Effective costs of instruments
- Simple if you remember: what is paid divided by what is received



Example (4)

How much should you invest if a project will return \$5,000 five years from now and your cost of capital is 10%?

(A) \$3,402

(B) \$5,000

(C) \$3,105

(D) \$3,705

[click for answer and calculation](#)

$$\begin{aligned} \text{PPV} &= (\$5,000)/(1+.1)^5 = \\ &= \$5,000/1.61051 = \$3,104.61. \end{aligned}$$



Sources and Resources

■ Drills to help

- Set aside time for straightforward drills.
- Repetitions or some other form of memorization technique.
- Mark areas in text to memorize.
- Use flash cards or the equivalent.
- Test your recall of the various lists and other details, such as responsibilities, roles, etc.
- Do drills faithfully and regularly, perhaps with a buddy.



Sources and Resources

- Make electronic flash cards with Power Point.
 - Enter the list of items you want to remember.
 - Go to “Slide Show” menu, select “Custom Animation.”
 - Select “Text 2” (or whatever it is called), and the answer bullets should be selected.
 - Click on “Animate” and “On Mouse Click.”
 - Click on “Effects” to select how the bullets will appear. (I usually select “Appear.”) Then click on “OK.”
 - When you click on the slide show icon (or how ever you initiate a slide show), the question will appear, and each answer bullet will appear when you click on your mouse.



Other Resources

- *Preparing for Certification*: New book with >300 practice questions, study tips, etc., from TIS-Books
- CTP review sessions: Sponsored by many regional treasury associations, including TMANY, TMANE, Florida groups, offering chapter reviews, practice tests, interaction
- Web chat/study groups: See AFP Web site, et al.
- Study groups