Question #1 of 14

Question ID: 1575451

A company with a moderate approach to working capital management would *most likely* fund:

A) permanent current assets using long-term funds, and fund seasonal current assets using short-term funds.

B) both permanent and seasonal current assets using short-term funds.

C) permanent current assets using short-term funds, and fund seasonal current assets using long-term funds.

Question #2 of 14

Question ID: 1575454

Which of the following companies' working capital management is *most* indicative of a moderate approach?

	Permanent working capital needs are funded using:	Variable working capital needs are funded using:
Company A	Long-term debt	Equity
Company B	Equity	Short-term debt
Company C	Short-term debt	Long-term debt

A) Company A.

B) Company B.

C) Company C.

Question #3 of 14

Question ID: 1575447

While conducting market research, an analyst observes that significant amounts of a company's sales are prepaid, while inventory levels are generally very low. The analyst should *most appropriately* conclude that the company has a:

A) low cash conversion cycle.

B) high cash conversion cycle.

C) high days of inventory on hand.

Question #4 of 14

Question ID: 1575445

If the days of inventory on hand, days sales outstanding, and days payable outstanding all doubled, a positive cash conversion cycle (CCC) would:

A) increase by a factor of less than 2.

B) double.

C) remain unchanged.

Question #5 of 14

Question ID: 1575444

The cash conversion cycle (CCC) would *most likely* decrease if:

A) days sales outstanding increased.

B) days payable outstanding decreased.

C) days of inventory on hand decreased.

Question #6 of 14

Question ID: 1575449

A supplier offers 4/30 net 90 terms. The bank interest rate is 6.5%. Which source of financing is the cheapest?

A) The bank.

B) The two cost the same.

C) The supplier’s offered terms.

Question #7 of 14

Question ID: 1575446

Buildup Design, Inc., expects a 20% reduction in its days payable outstanding from 50 to 40 days, while its days of inventory on hand and days sales outstanding would remain unchanged. What would be the *most likely* impact on the cash conversion cycle (CCC)?

A) The CCC would decrease by 10 days.

B) The CCC would increase by 10 days.

C) The CCC would increase by 20%.

Question #8 of 14

Question ID: 1573309

The quick ratio is considered a more conservative measure of liquidity than the current ratio because the quick ratio excludes:

A) inventories.

B) marketable securities.

C) accounts receivable.

Question #9 of 14

Question ID: 1575448

A company's cash conversion cycle (CCC) has been gradually increasing over the last three years. Which of the following factors would *best* explain this change?

A) The company is turning over inventory faster.

B) The company's trade creditors have tightened their credit conditions.

C) The company is collecting its accounts receivable faster.

Question #10 of 14

Question ID: 1575452

Which of the following scenarios is *most* consistent with a conservative approach to working capital management?

A) A company funds its rent expense using short-term debt.

B) A company holds significantly higher amounts of long-term assets than short-term assets.

C) A company funds its inventory needs using long-term debt.

Question #11 of 14

Question ID: 1573308

A high cash conversion cycle suggests that a company's investment in working capital is:

A) too high.

B) appropriate.

C) too low.

Question #12 of 14

Question ID: 1573307

Which of the following *most* accurately represents the cash conversion cycle?

A) average days of receivables + average days of inventory + average days of payables.

B) average days of payables + average days of inventory – average days of receivables.

C) average days of receivables + average days of inventory – average days of payables.

Question #13 of 14

Question ID: 1575450

Which of the following scenarios is *most* consistent with an aggressive approach to working capital management?

A) A company finances working capital using short-term funds.

B) A company finances working capital using long-term funds.

C) A company finances working capital using equity instead of debt.

Question #14 of 14

Question ID: 1575453

A company's management recently decided to fund its inventory needs and rent expenses using long-term debt rather than short-term debt. The management's decision would *most likely* result in higher:

A) profitability.

B) costs.

C) equity.