



TREASURY  
EXCELLENCE  
AS STANDARD

# ACT Practice Paper

Award in International Cash Management (AwardICM)  
Practice Paper 2



## Practice paper for the Award in International Cash Management (AwardICM)

Based on the syllabus assessed from September 2020.

### Introduction

This practice paper has been produced by the Awarding Body at the Association of Corporate Treasurers (ACT) to assist students in their preparation for the AwardICM assessment. It contains a practice exam with answer key.

Ideally, students should have completed the majority of their AwardICM studies before attempting this practice paper. Students should allow themselves 90 minutes to complete the exam. They should then review their performance to identify areas of weakness on which to concentrate the remainder of their study time.

Although the practice exam in this guide is typical of an AwardICM assessment, it should be noted that it is not possible to test every single aspect of the syllabus in any one particular exam. To prepare properly for the examination, candidates should make full use of the tuition options where available and read as widely as possible to ensure that the whole syllabus has been covered.

### Assessment technique: AwardICM

The best approach to multiple choice assessments is to work methodically through the questions. Candidates should not spend too much time on any one question. If they cannot make up their mind, they should leave the question, flagging it to come back to later.

When all of the questions have been answered, it is prudent to use any remaining time to go through each question again, carefully, to double-check that nothing has been missed. Altering just one incorrect response to a correct response could make the difference between passing and failing.

### Assessment information

The AwardICM assessment consists of 75 multiple choice questions, 25 from each of the three units that make up this qualification.

AwardICM assessment test specification

Unit Name	Amount of questions
Unit 1	25
Unit 2	25
Unit 3	25
<b>Total</b>	<b>75</b>

The pass mark for the AwardICM assessment is 76%.

Under exam conditions, **1½ hours** (90 minutes) is allowed for the AwardICM assessment.

For each question, there is only **ONE** correct answer. One mark is awarded for each correct response identified by the candidate. No mark is awarded if the candidate either chooses an incorrect response or fails to choose any response. No marks are deducted for candidates choosing an incorrect response.

When you take your actual exam, you will be sitting online using your own PC/Laptop. You have access to an online scientific calculator, but for the purpose of this test, you may use a non-programmable scientific calculator.

In order for you to determine whether or not you have passed, the correct answers are contained within a table at the end of this document. There is also reference to the relevant Unit and Learning Outcome if you need to revisit the associated material.

If you are taking the practice exam online, then at the end of the assessment, you will be immediately issued with a provisional result, indicating a Fail, Pass, Merit or Distinction grade. You will also receive a summary at the end of your test that advises you how you have performed by learning outcome. For the questions that you got wrong, you can click the link and it will take you back to the question. We would recommend completing the practice exam online for the best experience.

For more information on your results when you take the live exam, please see the [Notes to Results](#).

## Questions

- 1 **Which of the following is a definition of 'debt'?**
  - A Capital that is invested by a shareholder.
  - B Funds that are generated from trading.
  - C Money that is borrowed from another party.
  - D Reserves that are reinvested in the business.
  
- 2 **Any type of short-term obligations for a business can be defined as which of the following?**
  - A Company payables.
  - B Current liabilities.
  - C Debt repayments.
  - D Trade creditors.
  
- 3 **Which of the following is a primary responsibility of treasury within a corporate organisation?**
  - A Engaging with all the organisation's stakeholders.
  - B Managing central bank relationships.
  - C Maximising return on surplus funds.
  - D Rationalising the number of products developed.
  
- 4 **Which of the following is the most important responsibility of treasury?**
  - A Ensuring the business has the money it needs to meet its obligations.
  - B Maintaining relationships with all of the organisation's most important stakeholders.
  - C Monitoring daily changes in the organisation's share price.
  - D Overseeing implementation of the organisation's ethical code.
  
- 5 **Which of the following is a likely benefit for an organisation of obtaining funding from equity rather than debt?**
  - A Increased leverage.
  - B Reduced long-term costs.
  - C Shareholders will have increased control.
  - D There are no regular repayments to be made.
  
- 6 **For a group that has some overdrawn accounts, utilising a bank's pooling service so any available credit balances can be optimised will bring which of the following benefits?**
  - A Balance visibility will be enhanced.
  - B Debt will be repaid.
  - C Interest costs will reduce.
  - D Net surpluses will increase.

- 7 **Which of the following is an internal factor that will impact directly on both an organisation's strategy and its international cash management decisions?**  
**The organisation's:**
- A branding policy.
  - B culture.
  - C office layout.
  - D training.
- 8 **Which of the following is an example of a strategic decision that is likely to have a direct impact on treasury?**
- A Business process outsourcing.
  - B Delegated authorities.
  - C Employee induction.
  - D Supplier approval process.
- 9 **An organisation's culture and the size of its business will determine its:**
- A corporate structure.
  - B interpretation of legislation.
  - C manufacturing location.
  - D regulatory compliance.
- 10 **Which of the following is generally stated as a rationale for using a centralised approach for business functions?**
- A Globalisation.
  - B Intermediation.
  - C Regulation.
  - D Standardisation.
- 11 **Which of the following is an internal factor that will impact on business planning and treasury decision-making?**
- A Emerging technologies.
  - B Employee induction.
  - C Risk appetite.
  - D Supplier accreditation.
- 12 **Medium-term liquidity management planning most typically includes considering which of the following?**
- A Access to credit lines.
  - B Making payments.
  - C Monitoring budgets.
  - D Using credit cards.

- 13 **Which of the following most typically provide accounts, deposit taking services, lending facilities and transaction banking services for consumers and small business customers?**
- A Central banks.
  - B Investment banks.
  - C Retail banks.
  - D Special purpose banks.
- 14 **Which of the following are financial market participants that have 'disrupted' traditional business models?**
- A Central banks.
  - B Fintechs.
  - C Intermediaries.
  - D Investment banks.
- 15 **Can non-bank corporate organisations have a direct connection to SWIFT?**
- A No, banks have grouped together to prevent corporates from making payments themselves.
  - B No, the technology will only allow connectivity through an established bank.
  - C Yes, but they are only able to make payments to domestic banks.
  - D Yes, corporates who meet the criteria can make direct payments.
- 16 **In which of the following circumstances is it likely to be most beneficial for a business to have already established a close and trusting relationship with just one or two banks?**
- A As new banks launch.
  - B During economic downturns.
  - C When credit is plentiful.
  - D When new technology becomes available.
- 17 **A major corporate business is most likely to find innovative solutions to challenging situations by dealing with which of the following?**
- A Correspondent bank.
  - B Relationship bank.
  - C Secondary bank.
  - D Transaction bank.
- 18 **Moody's, Standard & Poor's and Fitch are all types of which of the following?**
- A Credit rating agencies.
  - B Financial intermediaries.
  - C Fintech businesses.
  - D Investment market brokers.

- 19 **Emerging technologies are increasingly demanded by treasuries and their stakeholders to satisfy which of the following?**
- A Demand for real-time data.
  - B Importance of meeting legislation.
  - C Meeting corporate governance.
  - D Need for fewer communications.
- 20 **A bank current account always allows which of the following?**
- A A borrowing limit.
  - B Committed funding.
  - C Immediate access to funds.
  - D Money market access.
- 21 **When opening an account for a new corporate customer, a bank will require which of the following?**
- Details of:**
- A all shareholder addresses.
  - B authorised signatories.
  - C director qualifications.
  - D the product portfolio.
- 22 **Which of the following is a mechanism for reducing the volume of transactions undertaken by group companies by consolidating individual items relating to intercompany trades of goods and services?**
- A Leading.
  - B Lockbox.
  - C Netting.
  - D Pooling.
- 23 **A lockbox service will be of most use to a company paid by customers using which of the following methods?**
- A ACH payments.
  - B Cash.
  - C Cheques.
  - D Direct debits.
- 24 **Some banks allow a notional credit allowance which can be used to reduce charges. This allowance is calculated on balances in which of the following accounts?**
- A Current account.
  - B Money market account.
  - C Savings account.
  - D Treasury pooling account.

- 25 **The application of technology in treasury is facilitating which of the following that will improve the daily management of cash?**
- A Data back-up.
  - B Online security.
  - C Real-time visibility.
  - D Trend analysis.
- 26 **Which of the following are designed for low-value, non-urgent and bulk transactions?**
- A ACH payments.
  - B Bankers' drafts.
  - C Cheques.
  - D Wire transfers.
- 27 **Which of the following provides a means of payment for goods and services, with no specified credit limit, where the full amount is paid when demanded?**
- A Bank overdraft.
  - B Charge card.
  - C Credit card.
  - D Short-term loan.
- 28 **In using cards as a payables method, which of the following are exclusively targeted at managing an organisation's spend on travel?**
- A Charge cards.
  - B Lodge cards.
  - C Procurement cards.
  - D Virtual cards.
- 29 **The pace of change in the payments landscape has mostly been influenced by which of the following?**
- A Bank consolidation.
  - B Comparison websites.
  - C Inflation.
  - D Technology.
- 30 **Which of the following has driven the need for treasury to become better informed about the range and cash management implications of the many different payment instruments available?**
- A Branding.
  - B Globalisation.
  - C Intermediation.
  - D Terms.

- 31 **Understanding which of the following is the most important in payables management?**
- A Interest rate trends.
  - B Inventory re-order levels.
  - C Key customer accounts.
  - D Supplier credit terms.
- 32 **When agreeing a method to receive payment in another currency from an overseas client, the amount actually received is most likely to be impacted by which of the following?**
- A Exchange rate.
  - B Reconciliation methods.
  - C Remitter fees.
  - D Type of goods.
- 33 **A company is awaiting payment of an outstanding receivable from a client overseas. The company demands that the client makes the payment due by using the quickest possible method.**
- Which method will they demand?**
- A Bankers' draft.
  - B Cheque.
  - C Direct debit.
  - D Wire transfer.
- 34 **Which of the following is an important activity of receivables management?**
- A Arranging lines of credit in case these are required to provide access to funds.
  - B Checking the quality of goods received before making payments.
  - C Ensuring invoices are sent to customers as quickly as possible.
  - D Validating purchase orders before authorising payments to third parties.
- 35 **In receivables management which of the following is the most important element of the contract with a client?**
- A Insurance requirements.
  - B Liability clauses.
  - C Liquidated damages.
  - D Payment terms.
- 36 **Engineering GmbH (EG) has inventory days of 87, payables days of 67 and receivables days of 73.**
- What is EG's cash conversion cycle?**
- A 53 days.
  - B 81 days.
  - C 88 days.
  - D 93 days.

37 **Pharma Industries (PI) has payables days of 39, receivables days of 35 and inventory days of 48.**

**What is PI's cash conversion cycle?**

- A 26 days.
- B 44 days.
- C 49 days.
- D 52 days.

38 **In respect of liquidity management, which of the following is commonly regarded as the most liquid asset on a company's balance sheet?**

- A Cash at bank.
- B Overdue debtors.
- C Shareholder funds.
- D Term deposits.

39 **In the next month, a company has considerable financial obligations falling due but has insufficient accessible cash to meet these.**

**Liquidity management within this company will focus on which of the following as a priority?**

- A Arranging a new issue of ordinary shares.
- B Ensuring access to committed borrowing facilities.
- C Repaying long-term debt to free up credit lines.
- D Trying to sell as many non-current assets as possible.

40 **Integrated cash flow forecasting incorporating a range of different inputs from internal business functions is most easily achievable through use of which of the following?**

- A Application Program Interface
- B Enterprise resource planning system.
- C Online banking system.
- D SWIFT-enabled interface.

41 **Electronic banking is most useful for a centralised treasury team to achieve which of the following?**

- A Create revised internal cash flow forecasts.
- B Identify balances held at banks in various locations.
- C Manage the organisation's various banking relationships.
- D Predict changes in future foreign exchange rates.

42 **Which of the following is a source of liquidity for an organisation?**

- A Increasing receivables.
- B Issuing bonds.
- C Reducing payables.
- D Repaying debt.

- 43 **Understanding which of the following is an important part of working capital management?**
- A Cash conversion cycle.
  - B Gearing ratio.
  - C Interest cover.
  - D Long-term investment yields.
- 44 **Which of the following is a common internal challenge regarding cash visibility?**
- A Changing inflation.
  - B Management experience.
  - C Structure of the organisation.
  - D Types of products manufactured.
- 45 **For a risk-averse company, which of the following would be the best for it to invest its surplus cash in?**
- A Commercial paper.
  - B Company ordinary shares.
  - C Corporate bonds.
  - D Government-backed securities.
- 46 **Which of the following provides an alternative method to invest surplus cash funds without using a bank?**
- A Certificates of deposit.
  - B Money market fund.
  - C Notice accounts.
  - D Savings accounts.
- 47 **If all other factors remain unchanged, including the amount of equity issued, a reduced gearing ratio means which of the following for a company?**
- A It will pay less interest.
  - B Its current ratio is deteriorating.
  - C Its debts are increasing.
  - D Its fixed assets are depreciating.
- 48 **Renegotiating improved terms with the bank in respect of which of the following would lead to a reduction in the amount of interest paid?**
- A Allowance.
  - B Margin.
  - C Per item tariff.
  - D Transaction fees.

- 49 **Most banks charge corporate customers an agreed fee for different types of transactions. This is typically known as which of the following?**
- A Notional allowance rate.
  - B Per item rate.
  - C Reconciliation rate.
  - D Service rate.
- 50 **Large corporates most typically seek to reduce their bank fees through which of the following?**
- A Expansion.
  - B Globalisation.
  - C Intermediation.
  - D Negotiation.
- 51 **If all other factors remain unchanged, a positive future cash flow is most likely to deliver which of the following?**
- A A reduction in the amount of tax paid on profits.
  - B An enhancement in earnings per share.
  - C An improvement in the current ratio.
  - D An increase in the number of shares in issue.
- 52 **Cash flow forecasts can be best described as which of the following?**
- A A monthly breakdown of external events.
  - B A prediction of the future.
  - C A regularly revised budget.
  - D A spreadsheet showing expected income.
- 53 **A treasurer will typically be expected to provide information about which of the following to support the development of the organisation's financial budget?**
- A Cost of sales.
  - B Depreciation costs.
  - C Employee benefit costs.
  - D Interest costs.
- 54 **Which of the following financial measures of profit is the largest?**
- A EBIT.
  - B EBITDA.
  - C Profit before tax.
  - D Retained earnings.

55 **Accumulated retained earnings are reported in which one of the following financial statements?**

- A Balance Sheet.
- B Cash Flow Statement.
- C Income Statement.
- D Management commentary.

56 **Which of the following is a current asset?**

- A Land.
- B Office equipment.
- C Overdraft.
- D Trade receivable.

57 **Computing Inc's (CI) end of year financial statements show:**

	USD
Non-current assets	9,800,000
Inventories	5,435,000
Cash	2,350,000
Receivables	3,250,000
Tax Payable	202,000
Short-term borrowing	5,164,000
Payables	3,820,000
Equity	9,677,600
Long-term bank loan	2,275,000

**What is CI's current ratio?**

- A 0.6.
- B 0.8.
- C 1.2.
- D 1.6.

58 Computing Inc's (CI) end of year financial statements show:

	USD
Non-current assets	9,800,000
Inventories	5,435,000
Cash	2,350,000
Receivables	3,250,000
Tax Payable	202,000
Short-term borrowing	5,164,000
Payables	3,820,000
Equity	9,677,600
Long-term bank loan	2,275,000

**What is CI's acid test ratio?**

- A 0.6.
- B 0.7.
- C 1.6.
- D 1.7.

59 Information calculated from German Engineering GmbH's (GEG) end of year financial statements shows:

	EUR'000
Revenues	7,859
Supplier purchases	5,950
Average inventories	1,549
Average receivables	1,874
Average payables	1,125

**What are GEG's days sales outstanding (DSO)?**

- A 115 days.
- B 153 days.
- C 30 days.
- D 87 days.

- 60 Information calculated from German Engineering GmbH's (GEG) end of year financial statements shows:

	EUR'000
Revenues	7,859
Supplier purchases	5,950
Average inventories	1,549
Average receivables	1,874
Average payables	1,125

What are GEG's days payables outstanding (DPO)?

- A 114 days.
  - B 52 days.
  - C 69 days.
  - D 95 days.
- 61 Company ABC has provided the following information from their financial statements:

	No.	GBP
Inventory	-	22m
Depreciation	-	5m
Current debt	-	18m
Non-current borrowings	-	25m
Number of equity shares	100m	-
Share price	-	3.00

The Leverage Ratio is which one of the following?

- A 10%.
- B 13%.
- C 20%.
- D 25%.

62 UK Retail Group's (UKRG) latest financial statements show:

	GBP
Shares issued	33,425,000
Retained earnings	12,725,000
Long-term bank debt	9,725,000
Profit after tax	3,322,800

**What is UKRG's return on equity?**

- A 10.0%.
- B 3.4%.
- C 6.0%.
- D 7.2%.

63 Company ABD has the following information for the last 12 months, taken during a credit analysis:

	No.	GBP
Profit before tax	-	14m
Tax	-	5m
Total equity (share issued)	20m	-

**What is ABD's earnings per share?**

- A GBP0.15.
- B GBP0.30.
- C GBP0.45.
- D GBP0.60.

64 The risk that one of those involved in a transaction might default on its contractual obligations is known as:

- A Counterparty risk.
- B Country risk.
- C Exchange risk.
- D Systemic risk.

- 65 **Sensitivity and scenario analysis are tools used to undertake which of the following?**
- A Risk assessment.
  - B Risk evaluation.
  - C Risk identification.
  - D Risk reporting.
- 66 **For a new company customer, KYC (know your customer) principles mean the bank must obtain which of the following?**
- A Addresses of all shareholders.
  - B Brand registration.
  - C Certificate of incorporation.
  - D Evidence of products produced.
- 67 **Anti-money laundering considerations for a bank are closely associated with which other activity? Requirements relating to:**
- A anti-bribery.
  - B anti-terrorism.
  - C fair competition.
  - D regulatory abuse.
- 68 **Which of the following is an internal technique for attempting to manage foreign exchange risk?**
- A Currency option.
  - B Forward contract.
  - C Insurance.
  - D Matching.
- 69 **Which of the following is the most important for an organisation to possess so it can create a culture that will meet the needs of all its stakeholders?**
- A A clear investment policy.
  - B A strong set of ethics.
  - C Corporate governance protocols.
  - D External communications frameworks.
- 70 **Companies which fail to operate in an ethically and culturally acceptable way may find that their reputations can be immediately adversely impacted due to which of the following?**
- A Corporate whistleblowing.
  - B Regulatory monitoring.
  - C Shareholder communications.
  - D Social media.

- 71 **An organisation's principles, values and culture are most likely to impact directly which of the following?**
- A Its application of legislation.
  - B Its competitive positioning.
  - C Its ethical behaviour.
  - D Its external financial reporting.
- 72 **Regular reporting is a key component of which of the following?**
- A A market analysis report.
  - B A stakeholder engagement plan.
  - C An effective governance structure.
  - D An employee induction programme.
- 73 **Within major corporations, the board is dependent on which of the following to ensure direction is maintained and appropriate corporate behaviours are observed?**
- A Media reports.
  - B Reporting mechanisms.
  - C Supplier behaviour.
  - D Whistleblowing hotlines.
- 74 **Governance, protocols and frameworks for an ethical organisation must consider which of the following?**
- A Cost management.
  - B Profit impact.
  - C Shareholder returns.
  - D Social responsibility.
- 75 **Corporate governance for financial institutions often includes adherence to worldwide supervisory standards. Which of the following sets out these standards?**
- A Basel accords.
  - B Board policies.
  - C Reporting protocols.
  - D Voluntary codes.

**Answers and indicative references**

Question	Unit & Section in Reading	Correct answer	Question	Unit & Section in Reading	Correct answer
1	Unit 1 Section 1.1	C	14	Unit 1 Section 3.1	B
2	Unit 1 Section 1.1	B	15	Unit 1 Section 3.2	D
3	Unit 1 Section 1.2	C	16	Unit 1 Section 3.3	B
4	Unit 1 Section 1.2	A	17	Unit 1 Section 3.3	B
5	Unit 1 Section 1.3	D	18	Unit 1 Section 3.4	A
6	Unit 1 Section 1.3	C	19	Unit 1 Section 3.5	A
7	Unit 1 Section 2.1	B	20	Unit 1 Section 4.1	C
8	Unit 1 Section 2.1	A	21	Unit 1 Section 4.1	B
9	Unit 1 Section 2.2	A	22	Unit 1 Section 4.2	C
10	Unit 1 Section 2.2	D	23	Unit 1 Section 4.2	C
11	Unit 1 Section 2.3	C	24	Unit 1 Section 4.3	A
12	Unit 1 Section 2.3	A	25	Unit 1 Section 4.4	C
13	Unit 1 Section 3.1	C			

**Award in International Cash Management Practice Paper 2**

<b>Question</b>	<b>Unit &amp; Section in Reading</b>	<b>Correct answer</b>	<b>Question</b>	<b>Unit &amp; Section in Reading</b>	<b>Correct answer</b>
26	Unit 2 Section 5.1	A	39	Unit 2 Section 7.1	B
27	Unit 2 Section 5.1	B	40	Unit 2 Section 7.2	B
28	Unit 2 Section 5.1	B	41	Unit 2 Section 7.3	B
29	Unit 2 Section 5.2	D	42	Unit 2 Section 7.4	B
30	Unit 2 Section 5.2	B	43	Unit 2 Section 7.5	A
31	Unit 2 Section 5.2	D	44	Unit 2 Section 7.6	C
32	Unit 2 Section 6.1	A	45	Unit 2 Section 8.1	D
33	Unit 2 Section 6.1	D	46	Unit 2 Section 8.1	B
34	Unit 2 Section 6.2	C	47	Unit 2 Section 8.2	A
35	Unit 2 Section 6.2	D	48	Unit 2 Section 8.2	B
36	Unit 2 Section 6.3	D	49	Unit 2 Section 8.3	B
37	Unit 2 Section 6.3	B	50	Unit 2 Section 8.3	D
38	Unit 2 Section 7.1	A			

**Award in International Cash Management Practice Paper 2**

<b>Question</b>	<b>Unit &amp; Section in Reading</b>	<b>Correct answer</b>	<b>Question</b>	<b>Unit &amp; Section in Reading</b>	<b>Correct answer</b>
51	Unit 3 Section 9.1	C	64	Unit 3 Section 11.1	A
52	Unit 3 Section 9.1	B	65	Unit 3 Section 11.1	B
53	Unit 3 Section 9.1	D	66	Unit 3 Section 11.2	C
54	Unit 3 Section 9.2	B	67	Unit 3 Section 11.2	B
55	Unit 3 Section 9.2	A	68	Unit 3 Section 11.3	D
56	Unit 3 Section 9.2	D	69	Unit 3 Section 11.4	B
57	Unit 3 Section 10.1	C	70	Unit 3 Section 12.1	D
58	Unit 3 Section 10.1	A	71	Unit 3 Section 12.1	C
59	Unit 3 Section 10.2	D	72	Unit 3 Section 12.2	C
60	Unit 3 Section 10.2	C	73	Unit 3 Section 12.2	B
61	Unit 3 Section 10.3	B	74	Unit 3 Section 12.3	D
62	Unit 3 Section 10.4	D	75	Unit 3 Section 12.3	A
63	Unit 3 Section 10.4	C			

ACT (Administration) Limited  
69 Leadenhall Street  
London  
EC3A 2BG

[www.treasurers.org](http://www.treasurers.org)

Copyright © ACT (Administration) Limited 2020

All rights reserved. Except as permitted under current legislation you may not photocopy, store in a retrieval system, publish, perform in public, adapt, broadcast, transmit, record or reproduce in any form or by any means or medium any part of this work without ACT (Administration) Limited's permission.

We intend this publication as a guide and not professional advice. Although we have made every effort to ensure that the contents are correct at the time of publication, ACT (Administration) Limited makes no warranty that the information in this publication is accurate or complete and accepts no liability for any loss or damage suffered by any person acting or refraining from acting as a result of anything in this publication.