ACT

PRACTICE

PAPER

Certificate in International Cash Management – MicroCredentials

Working Capital and Operational Cash Cycles (WCOCC)

Practice paper for the Certificate in International Cash Management – MicroCredentials – Working Capital and Operational Cash Cycles (WCOCC)

Based on the syllabus assessed from 16 March 2026.

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 WCOCC MicroTest. It contains a practice assessment for the specified MicroTopic as well as practice answers.

Ideally, you should have completed the majority of your studies for WCOCC before attempting this practice paper. You should allow yourself 45 minutes to complete the exam. You should then review your performance to identify areas of weakness on which to concentrate the remainder of your study time.

Although the practice paper in this guide is typical of a WCOCC assessment, it should be noted that it is not possible to test every single aspect of the Learning Outcomes in any one particular assessment. To prepare properly for the MicroTest, you should make full use of the tuition options where available and read as widely as possible to ensure that all Learning Outcomes have been covered.

Assessment technique: WCOCC

The best approach to multiple choice assessments is to work methodically through the questions.
You should not spend too much time on any one question. If you cannot make up your mind, you 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 WCOCC assessment consists of 22 questions, split into sections A, B and C; and is worth a total of 40 marks.

WCOCC MicroTest specification:

Section	Number of questions	Marks available	Question format
Section A	10 multiple choice questions (MCQs) and 5 multiple response questions (MRQs).	15	This section will test a cross-section of knowledge to achieve breadth of syllabus coverage.
Section B	1 mini scenario with 5 accompanying MCQs.	5	This section will test a cross-section of knowledge to achieve breadth of syllabus coverage.
Section C	2 longer form questions.	20	This section will be based on mini-scenarios common to practice. Questions will test knowledge, analysis, application and justification as appropriate.
Total	22	40	

Under exam conditions, 45 minutes is allowed for the WCOCC MicroTest.

When you take your actual MicroTest, 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.

Please note that an asterisk **(*)** is used to indicate all correct answers (keys) for MCQs and MRQs in the practice assessment.

Questions

SECTION A

Section A is made up of 10 multiple choice questions and 5 multiple response questions and is worth a total of 15 marks.

10 Multiple choice questions: 10 x 1 mark questions.

5 Multiple response questions: 5 x 1 mark questions.

The purpose of this section is to test a cross-section of knowledge to achieve breadth of syllabus coverage.

1 Question Text:

A SWIFT MT 101 message type is used for which of the following purposes?

Options

A A balance report.

B A confirmation of debit.

C* A request for transfer.

D An advice of cheque(s).

Mark/Score: 1

2 Question Text:

A letter of credit is:

Options

A a document signed by a carrier and issued to a consignor that evidences the receipt of goods for shipment.

B a written order by a drawer to a drawee to pay a named party, at a specified date.

C an instruction requesting a presenting bank to deliver documents only upon receipt of payment from an importer.

D* an undertaking by an issuing bank, at the request of the bank's customer, to pay a named party a specified sum of money.

Mark/Score: 1

3 Question Text:

'Conditions precedent' in a loan agreement are:

Options

A assurances relating to the past and present condition of the borrower.

B requirements for the borrower to report to the lender any material adverse changes in the business.

C restrictions on the borrower imposed by the lender throughout the lending term.

D* terms the borrower must meet prior to drawdown.

Mark/Score: 1

4 Question Text:

How are units in a standard variable net asset value money market fund (Standard VNAV MMF) calculated according to the 2020 EU MMF regulation?

Options

A At a constant price rounded to the nearest percentage point.

B At a constant price so long as the value of the underlying assets do not deviate by more than 0.2% from par.

C To the equivalent of at least five significant figures.

D* To the equivalent of at least four significant figures.

Mark/Score: 1

5 Question Text:

Which of the following is a feature of cash concentration pooling?

Options

A Credit or debit positions of participants are always visible on their bank accounts.

B Interest debited or credited to each participant is characterised as bank interest.

C* Participants' funds are co-mingled in a master account managed by treasury.

D The legal title to funds always remains unaffected.

Mark/Score: 1

6 Question Text:

Company A buys GBP600,000 worth of goods from Company B and Company B buys GBP850,000 from Company A. What will be the cost saving if bilateral netting is agreed, assuming two days cost of float at 3.15% and a 365-day basis?

Options

A* GBP207.12.

B GBP103.56.

C GBP250.27.

D GBP293.42.

Mark/Score: 1

7 Question Text:

The unique feature of a 'dematerialised' letter of credit is that it has been issued:

Options

A* in an electronic rather than paper-based format.

B in a non-domestic currency.

C with an additional guarantee from a second bank.

D with a cancellation option for the issuing bank.

Mark/Score: 1

8 Question Text:

Which of the following standard clauses within a typical notional pooling agreement is used to confirm that no prior lien exists on any credit balances held with the relevant bank?

Options

A* Representations and warranties.

B Cross guarantees.

C Changes in circumstances.

D Legal right of offset.

Mark/Score: 1

9 Question Text:

Which of the following best describes the purpose of the Cash Conversion Cycle (CCC)? It:

Options

A* measures the number of days cash is tied up in the working capital process.

B calculates the amount of cash available by assets minus current liabilities at a specific reporting d ate.

C measures the level of profitability generated from inventory and receivables management activities.

D calculates the average time taken to pay suppliers using standard payment terms and conditions.

Mark/Score: 1

10 Question Text:

Which of the following best explains how Direct Debits (DD) can improve working capital efficiency for a company? It:

Options

A* enables the company to control the timing of customer collections, stabilising inflows.

B allows the company to delay supplier payments, without compromising vendor relationship.

C accelerates cash settlement at the point of sale, without requiring any customer authorisation process.

D eliminates the risk of non-payment by customers, so it is a totally risk-free option for the company.

Mark/Score: 1

11 Question Text:

Which TWO of the following would be classified as negative covenants in bank loan documentation?

Options

A* Restriction on capital purchases.

B* Event of default under another facility.

C Requirement to comply with all laws and regulations.

D Obligation to maintain property and facilities.

E Maintenance of a minimum net worth ratio.

Mark/Score: 1

12 Question Text:

Which of the following money market instruments can be traded on active secondary markets?

Select **ALL** that apply.

Options

A* Treasury bills.

B* Certificates of deposit.

C* Commercial paper.

D Bank time deposits.

E Repos.

Mark/Score: 1

13 Question Text:

Which **TWO** of the following actions would help a company improve its Conversion Cycle (CCC)?

Options

A* Faster customer collections through lower DSO.

B Earlier supplier settlement through lower DPO.

C* Lean inventory practices through lower DIO.

D Larger inventory balances through higher DIO.

E Delayed supplier settlement through higher DPO.

Mark/Score: 1

14 Question Text:

Which **TWO** of the following features support automatic cash application within a receivables process?

Options

A* A Unique customer vIBAN for each payer.

B Physical cheques received through postal delivery.

C* Structured payment references within ISO 20022.

D Manual remittance advices sent by email.

E Customer payment matching using payer name only.

Mark/Score: 1

15 Question Text:

Which **TWO** of the following are characteristics of notional pooling?

Options

A* Interest is calculated using a net position.

B Daily sweeps create intercompany loans.

C* Subsidiaries retain ownership of balances.

D A header account receives transferred cash balances.

E Surplus funds move through automated bank sweeps.

Mark/Score: 1

SECTION B

Section B consists of 1 case study-based scenario, containing 5 multiple choice questions (MCQs), **worth 1 mark each**.

These questions are all single response MCQs.

Section B will focus on smaller sections of the syllabus and requires more depth of knowledge and application to practice.

Section B – Case Study

Special Packaging Group (SP) is a cardboard box manufacturer based in the Netherlands. SP retails its boxes to small businesses across the whole of Europe and invoices in a range of currencies (EUR, PLN, CZK and CHF) but its functional currency is EUR.

SP has four bank accounts in its trading currencies which are notionally pooled in the Netherlands with SP's treasury team managing the pool header account. This allows access to a EUR3m pool overdraft facility. The pooling arrangement documentation imposes a single account overdraft limit of EUR7m and a gross overdrawn limit across all accounts of EUR10m. Intraday limits are set at EUR20m.

Despite efforts to promote electronic payments, SP still receives a large number of customer payments by cheque, including those in foreign currency (FCY). SP has requested that its bank 'negotiate' all future FCY cheque payments. The bank has agreed to this on a 'with recourse' basis.

SP is currently negotiating a contract with a new supplier of packaging in Sweden. The supplier has suggested documentary collection as the method of transferring title and making payment, but SP is concerned about the costs and added administration involved with trading in this way. The cash manager has advised the Swedish supplier that SP would prefer to use the same method as it uses for its longstanding contracts with other suppliers, which involves settling invoices 30 days after goods are shipped and delivered.

SP's cash flow forecast for 31 July is showing that a number of large payments and receipts are due, as follows:

EUR '000s	31 July Opening balances	Payments	Receipts	31 July End of day balances
Treasury account	214	0	565	779
Account 1	(450)	(1,415)	0	(1,865)
Account 2	5,907	0	4,309	10,216
Account 3	(6,487)	(976)	1,445	(6,018)
Account 4	(132)	(4,887)	546	(4,473)
Notional Pool balance	**(948)**	**(7,278)**	**6,865**	**(1,361)**

It is now 2 July and the treasurer has asked the cash manager for a funding strategy for the forecast deficit on 31 July. As the deficit is only due to be temporary, the cash manager plans on utilising the pool overdraft facility. In advance of this date, though, the cash manager will request a temporary extension to the pool overdraft limits, as required.

SP is forecast to generate sustained surplus cash balances in the latter part of the year, so the cash manager is currently drawing up a new investment policy for inclusion in the treasury policy. The cash manager's policy addresses credit risk and liquidity risk, but the treasurer is unhappy that a third key investment risk has not been addressed within the first draft of the new policy. The cash manager has agreed to add further content to the policy in this regard for further review.

16 Question Text:

Which of the following is treasury achieving with its cheque strategy? It is:

Options

A eliminating default risk.

B* enhancing liquidity.

C managing its interest rates

D transferring counterparty exposure.

Mark/Score: 1

17 Question Text:

Which of the following methods of trade settlement would SP prefer to use with its Swedish supplier?

Options

A Avalisation.

B Cash in advance.

C Letter of credit.

D* Open account.

Mark/Score: 1

18 Question Text:

Which of the following is a feature of the cash manager's funding strategy for 31 July?

Options

A* The bank can demand repayment at will.

B The bank may charge fees for early repayment.

C The bank will charge interest based on the prevailing rate on the repayment date.

D The bank will expect repayment on a pre-agreed date.

Mark/Score: 1

19 Question Text:

Which of SP's agreed overdraft limits will need to be extended on 31 July?

Options

A Gross overdraft limit and single account overdraft limit.

B* Gross overdraft limit only.

C Intraday limit only.

D Single account overdraft limit and intraday limits.

Mark/Score: 1

20 Question Text:

Which of the following is the third KEY risk omitted by the cash manager in the first draft of the new treasury policy?

Options

A Counterparty risk.

B Currency risk.

C* Interest rate risk.

D Transaction risk.

Mark/Score: 1

SECTION C

Section C is made up of 2 case study questions and is worth a total of 20 marks.

2 longer form question: 2 x 10 mark question.

Please note that some questions may be broken into sub-questions (for example a,b,c).

Questions will be based on mini-scenarios common to practice. Questions will test knowledge, analysis, application and justification as appropriate to level descriptors.

Please ensure you open and read the associated Case Study information before answering the question. This can be found above the answer box.

<u>**Case Study C2**</u>

Connex Bus (CB) is a large and sophisticated bus and coach travel company domiciled in the Netherlands, which serves much of western Europe. CB has recently acquired a bus travel provider in Morocco called MorBus.

The plan is for CB to leverage its technology and expertise in digital platforms to grow the MorBus business and improve its profit margins.

An onboarding plan has been developed. All relevant information relating to MorBus is being integrated into CB's own treasury systems. CB uses a treasury management system (TMS) which provides all the functions a treasurer would typically expect to manage workflow effectively.

In future Morbus will follow CB's policies and procedures, but its local treasury team in Morocco will continue to trade external deals, using their local banks and local knowledge.

The first priority for CB's treasury is to onboard MorBus' new and existing derivative trades into its TMS so that the counterparty limits of the newly combined group can be calculated and a check undertaken to ensure compliance with policy.

The two-person treasury team in Morocco will be able to define its own treasury transaction workflows within the TMS for its commodity (diesel) and FX deals, which it trades over the phone.

Due to the larger size of the combined business, CB's treasury team has proposed to the finance director that they get direct access to the SWIFT system to facilitate both business and treasury payments. The finance director has agreed to review the business case.

21 Question Text:

Section C - Case Study 2a

Explain how the treasury team based in Morocco might use CB's TMS effectively in the future.

(5 marks)

Mark/Score: 5

Section C - Case Study 2b

Explain the characteristics, cost structure and process of the SWIFT system and the benefits it would bring to CB's enlarged business.

(5 marks)

Mark/Score: 5

Case Study C4

Fresh and Quick (FQ) is a large supermarket chain in the United States with annual group revenues in excess of USD10bn.

FQ recently updated its medium and long-term cash flow forecasts, which it used to determine the size and duration of its upcoming funding requirements. As a result, FQ has issued the following US Commercial Paper (CP):

Face value	USD40m
Term	91 days
Discount rate	2.8500%
Credit enhancement costs	0.3800% on the face value
Dealer charges	0.1000%

FQ's funding manager has also agreed a new committed facility with three banks to meet FQ's longer-term cash requirements.

There are two financial covenants included in the new committed facility documentation:

- 'Net Debt' must not exceed a maximum of four times 'Earnings Before Interest, Tax, Depreciation and Amortisation' (EBITDA)
- 'Earnings Before Interest and Tax' (EBIT) must be maintained at a minimum level of five times interest paid.

The funding manager has asked FQ's cash manager to include these financial covenants in future cash flow forecasts and treasury reports.

23 Question Text:

Section C - Case Study 4a

Calculate the annualised all-in cost of FQ’s recent CP issue.

(5 marks)

Mark/Score: 5

24 Question Text:

Section C - Case Study 4b

Explain why FQ’s banks included the two financial covenants in its committed facility documentation and why it is important for FQ’s cash manager to be aware of them.

(5 marks)

Mark/Score: 5

Case Study – Mark scheme

<table>
<tr>
<td>C2a</td>
<td>LO 3.2</td>
<td>
The recommended 'best practice' treasury transaction workflow is as follows:
Deal input – Approvals – Confirmation – Settlement generation – Payment initiation.
Deal input
The TMS must record all transactions performed by the locally based treasury team. Transactions will need to be input directly into the system, as deals are completed on the telephone.
Depending on the TMS capabilities, it is recommended that the following be done at deal input stage:

competitive quotes for performance analysis purposes
check the deal against counterparty and other limits used by treasury
produce all the cash flows resulting from the deal (such as flows at the start or maturity of the transactions, or periodic flows such as interest)
initiate actions for events such as rate sets, or option expiry dates, for the relevant dates
pass the deal through the work-flow which is set up for the transaction type/amount/dealer
create the entries needed to record the transaction in the books of account
log hedge relationships required to satisfy the accounting requirements for obtaining hedge accounting treatment.

Approval
It is normally recommended that all transactions and payments must be authorised by someone other than the originator, but as the team in Morocco is so small, this may not be possible. If time zones allow, it would be good practice for the CB treasury team to approve deals.
If not, the best solution would be for systems to be set up so that transactions outside of predetermined limits cannot be entered into the TMS. This would reduce the need for approvals if not logistically possible.
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<table>
<tr><td></td><td></td><td>Confirmation
The TMS should produce confirmations in either letter format or, more usually for high volume treasuries, a file produced in the format required by the confirmation matching system.

Settlement generation
The TMS stores information about the firm's own settlement instructions and those of its counterparties (part of its 'static data'). These are usually allocated automatically to each transaction based on the type of transaction and currency. The TMS permits cash flows to be netted and/or split, either manually or automatically according to rules which have been defined.

Payment initiation
Once settlement instructions have been checked, the payment file can be produced in the format appropriate for the Morocco team.</td></tr>
<tr><td>C2b</td><td>LO 3.2</td><td>The characteristics of the SWIFT system are that it provides:
standardised message formats for all transactions
high security - using 'public key infrastructure' (PKI)
high availability – zero 'downtime'
operations centres and regional processors.
The process is:
data from the sending user is sorted and immediately despatched to receiving banks. The system transmits data, not funds. Member banks still need a correspondent bank to settle financial transactions.
The cost is:
one-off membership fee
annual fixed fee
per item charges which reduce as volumes increase
SWIFT infrastructure and systems costs
member internal infrastructure and systems costs.
The advantages to CB are all the efficiencies it brings, which will be helpful for the combined business. As the acquisition plan is around leveraging technology, the following will be useful:
standard message formats facilitate automated handling and STP
fast and secure
beneficiary bank gets speedy receipt of messages
reduced errors.</td></tr>
</table>

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<tr><td>C4a</td><td>LO 3.4</td><td>Issue costs

= FV x (discount % + enhancement % + dealer %) x (days/year basis)

= USD40,000,000 x ((0.0285 + 0.0038 + 0.001) x (91/360))

= USD40,000,000 x 0.0084175

= USD336,700.00

Issue proceeds = FV − discount amount

= USD40,000,000 − (USD40,000,000 x 0.0285 x (91/360))

= USD40,000,000 − USD288,166.67

= USD39,711,833.33

The annualised all-in cost is calculated as follows: = $\frac{total\ issue\ costs}{issue\ proceeds}$ x $\frac{year\ basis}{Days}$

= $\frac{\$336,700}{\$39,711,833.33}$ x $\frac{360}{91}$ = 0.0335416

= 3.35%</td></tr>
<tr><td>C4b</td><td>LO 3.4</td><td>The financial covenants in FQ’s committed facility documentation are clauses that commit FQ to operate within pre-defined financial constraints.

The net debt/EBITDA covenant is a leverage covenant setting out a maximum level of debt, relative to earnings. In this case the proxy used is earnings before interest, tax, depreciation and amortisation (EBITDA). This means net debt cannot exceed four times EBITDA.

The EBIT/Interest paid covenant is a cover-ratio or coverage covenant requiring FQ to maintain a minimum level of earnings (EBIT) relative to interest paid. The interest paid will usually include all debt servicing costs.

If FQ breached a financial covenant, it would likely constitute an event of default meaning FQ would have to renegotiate its terms with the banks well before there is a serious risk of insolvency. This means the banks can have an early warning system if FQ’s financial situation deteriorates.

The cash manager must make sure that measuring and ensuring compliance with financial covenants is not too onerous a task. The cash manager should regularly review covenant compliance and monitor forecast compliance to highlight any potential problems. This is particularly important when performing stress tests as compliance with banking covenants and the availability of credit facilities are critical factors.</td></tr>
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