

# HOT PDF Financial-Management Cram Exam - High Pass-Rate WGU Reliable Financial-Management Exam Price: WGU Financial Management VBC1

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## WGU - C214 Financial Management – Final Exam 2023

Statement of Cash Flows **Correct Answers** Shows the change in cash balance for a period of time. Focuses only on items where cash is received, or cash is paid.

Cash Flow from Operating Activities (CFO) **Correct Answers** Cash flow that a company generates as a result of day-to-day business operations. Deals with Current Assets and Current Liabilities.

Cash Flow from Investing Activities (CFI) **Correct Answers** Cash flow that is generated from investments in long term assets.

Cash Flow from Financing Activities (CFF) **Correct Answers** Cash flow that is used to fund the company. Cash flow that is generated from financing the business. Includes Debt & Equity.

How does an increase in Accounts receivable impact CFO? **Correct Answers**  
An Increase in Accounts receivable will decrease CFO

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## WGU Financial Management VBC1 Sample Questions (Q26-Q31):

### NEW QUESTION # 26

How does country risk affect global financial management decisions?

- A. It is typically considered irrelevant in financial planning since it is unpredictable.
- B. It reduces the complexity of international investments.
- C. It necessitates strategies to mitigate potential losses from instability or unfavorable policies.
- D. It only affects firms with domestic operations facing international competition.

**Answer: C**

Explanation:

Country risk refers to the possibility that political, economic, legal, or social conditions in a foreign country will negatively affect a firm's operations and cash flows. In global financial management, this risk directly influences investment appraisal, financing choices, and risk management policies. For capital budgeting, higher country risk can lower expected cash flows (e.g., through capital controls, expropriation risk, supply disruptions, or taxation changes) and/or increase the discount rate applied to foreign projects. For financing, lenders and investors demand higher returns in riskier jurisdictions, affecting borrowing costs and feasible capital structures. Firms respond by using mitigation strategies such as diversification across countries, contractual protections, political risk insurance, careful partner selection, staging investments, and hedging currency exposures when relevant. Country risk also drives decisions about where to locate production, how to structure subsidiaries, and whether to denominate contracts and debt in local or hard currencies. Because country conditions can materially change expected outcomes, it is a core planning input rather than irrelevant or simplifying, making option A the correct statement.

### NEW QUESTION # 27

How does a competitive sale of bonds work?

- A. Underwriters negotiate directly with the issuing firm on price and interest rate.
- B. The underwriter is selected by the issuing firm based on a thorough interview process.
- C. Underwriters submit bids, and the firm selects one based on price and interest rate.
- D. The underwriter purchases bonds at a fixed rate determined by the government.

**Answer: C**

Explanation:

In a competitive bond sale, the issuer invites multiple underwriters (often investment banks) to bid on underwriting the bond issue. Each underwriting group proposes terms—commonly including the interest cost to the issuer (true interest cost or net interest cost), pricing, and underwriting spread. The issuer then selects the bid that provides the most favorable overall financing terms, typically the lowest borrowing cost for the desired structure and risk profile. This process is designed to create market competition among underwriters, which can reduce underwriting costs and improve pricing efficiency—especially when the issuer is well-known and the bond issue is relatively standard. This differs from a negotiated sale (option A), where the issuer works directly with a chosen underwriter to set terms through discussion rather than competitive bidding. Option C describes how an issuer might choose firms to participate, but it is not the defining mechanism of a competitive sale. Option D is incorrect because governments do not set fixed rates for corporate bond underwriting; pricing is determined by market conditions, issuer credit risk, investor demand, and the competitive bidding process itself.

### NEW QUESTION # 28

Why would a company choose to maintain a certain level of cash as a reserve balance?

- A. To distribute as dividends at the end of the fiscal year
- B. To pay for major capital expenditures without external financing
- C. To cover the cost of repurchasing shares from the stock market

- **D. To safeguard against unforeseen expenses and maintain liquidity**

**Answer: D**

Explanation:

Maintaining a cash reserve is a core element of prudent working capital management. Firms hold cash to meet transaction needs, precautionary needs, and sometimes speculative opportunities. The precautionary motive is particularly important, as it allows firms to handle unexpected expenses, revenue shortfalls, or economic disruptions without relying on costly external financing. Adequate liquidity reduces the risk of financial distress and enhances operational flexibility. Financial management theory emphasizes balancing the opportunity cost of holding cash against the benefits of liquidity. Option C accurately reflects this precautionary and liquidity-focused rationale.

#### **NEW QUESTION # 29**

What is a primary goal of managing accounts receivable through credit policies?

- A. To transition all sales to cash-only transactions
- **B. To balance customer convenience with the firm's cash flow needs**
- C. To eliminate accounts receivable entirely
- D. To maximize sales regardless of cash flow impact

**Answer: B**

Explanation:

The primary objective of accounts receivable management is to strike an optimal balance between increasing sales and maintaining healthy cash flows. Extending credit can stimulate demand and improve competitiveness, but excessive or poorly managed credit policies can lead to delayed cash inflows, higher bad debt losses, and increased financing costs. Financial management theory emphasizes evaluating credit standards, credit terms, and collection policies to ensure that the marginal benefit from additional sales exceeds the marginal cost of carrying receivables. These costs include opportunity costs of tied-up capital, administrative expenses, and default risk. Effective receivables management supports liquidity while preserving customer relationships. Option D accurately reflects this balanced objective, whereas the other options ignore either revenue growth or cash flow discipline.

#### **NEW QUESTION # 30**

What costs are considered part of an asset's initial investment?

- **A. Delivery and installation**
- B. Discounted salvage value
- C. Depreciation
- D. Market research

**Answer: A**

Explanation:

The initial investment for a capital project includes all costs required to acquire and prepare an asset for use. These costs typically include purchase price, delivery, installation, testing, and any necessary setup expenses. Financial management texts clearly distinguish these capitalized costs from expenses such as depreciation, which is an accounting allocation over time, and salvage value, which is considered at the end of a project's life. Market research is usually treated as a separate operating or planning expense unless directly attributable to asset acquisition. Option B correctly identifies delivery and installation as part of the initial investment.

#### **NEW QUESTION # 31**

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