

New Release Financial-Management Exam Dumps - WGU Financial-Management Questions

WGU C214 OA Financial Management Exam Questions And Answers

- A. \$200 outflow
- B. \$800 outflow
- C. \$800 inflow**
- D. \$1,000 inflow

8. A company reported an increase in accounts payable of \$2000 for the current year. Half of this amount is expected to be paid next period.

How will this change in accounts payable be reported on the statement of cash flows?

- A. The change will increase cash flow from operations by \$1000
- B. The change will decrease cash flows from operations by \$2,000
- C. The change will decrease cash flows from operations by \$1000
- D. The change will increase cash flow from operations by \$2000**

9. A company's trial balance shows \$900 in long-term debt. On which financial statement should this be shown?

E. The balance sheet

10. What do cash flows from financing activities generally relate to?

- A. A firm's purchase and sale of long-term assets
- B. A firm's non-cash transactions
- C. A firm's debt and equity transactions**
- D. A firm's sale of goods and services

11. What is true about the cash flow from the operating activities section of the statement of cash flows?

- A. Increases in current liability accounts represents an inflow of cash and should be added to net income**
- B. Decreases in current liability accounts represent an outflow of cash and should be added to net income
- C. Increases in current liability accounts represent an outflow of cash and should be subtracted from net income
- D. Decreases in current liability accounts represent an inflow of cash and should be added to net income

12. Partial financial data for a company is as follows.

EBIT \$250,000
Depreciation \$10,000
Change in working capital \$2,000
Net capital expenditures \$3,000
Tax rate 30%

What is the company's free cash flow?

- A. \$255,000
- B. \$178,000**
- C. \$180,000
- D. \$265,000

13. An analyst is comparing the ratios of two firms and needs to address accounting differences. What would be

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WGU Financial Management VBC1 Sample Questions (Q39-Q44):

NEW QUESTION # 39

Why might a firm use a combination of methods to calculate the cost of common equity?

- A. To focus exclusively on dividend policies
- B. To comply with regulatory requirements
- **C. To achieve a more accurate and comprehensive estimate**
- D. To account for one method being significantly more complex

Answer: C

Explanation:

No single model perfectly estimates the cost of common equity under all conditions. CAPM focuses on systematic risk, the Gordon growth model emphasizes dividends and growth, and other approaches may rely on market comparables. Each method has strengths and weaknesses depending on firm characteristics and market conditions. Financial management best practice therefore recommends using multiple approaches and comparing results to arrive at a more reliable estimate. This triangulation reduces model-specific bias and highlights potential inconsistencies in assumptions.

Managers then apply judgment to select a reasonable cost of equity that reflects risk, growth prospects, and investor expectations. Option A correctly reflects this practical, widely accepted approach.

NEW QUESTION # 40

What is a function of the Financial Industry Regulatory Authority (FINRA)?

- A. Issuing currency
- **B. Regulating brokerage firms**
- C. Managing federal monetary policy
- D. Insuring bank deposits

Answer: B

Explanation:

FINRA's core function is regulating brokerage firms and registered representatives to ensure fair and honest markets. It establishes and enforces rules governing trading practices, licensing, disclosure, and ethical conduct. FINRA also conducts examinations, investigates misconduct, and administers arbitration and mediation between investors and brokers. Unlike the Federal Reserve or FDIC, FINRA does not manage monetary policy or insure deposits. Financial management and regulatory texts consistently describe FINRA as a critical component of U.S. securities market oversight. Option D correctly identifies its primary role.

NEW QUESTION # 41

How does country risk affect global financial management decisions?

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

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 # 42

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

- A. To cover the cost of repurchasing shares from the stock market
- B. To distribute as dividends at the end of the fiscal year
- **C. To safeguard against unforeseen expenses and maintain liquidity**
- D. To pay for major capital expenditures without external financing

Answer: C

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 # 43

Which type of security has voting rights associated with it?

- A. Convertible note
- **B. Common stock**
- C. Secured bond
- D. Preferred stock

Answer: B

Explanation:

Voting rights are a defining characteristic of common stock and represent ownership and control in a corporation. Holders of common stock typically have the right to vote on key corporate matters such as electing the board of directors, approving major mergers or acquisitions, and authorizing significant changes to corporate governance. These rights align with the role of shareholders as residual claimants, meaning they receive what is left after all other obligations—such as debt and preferred dividends—are met. Preferred stockholders usually do not have voting rights under normal conditions, as preferred stock is structured to resemble a hybrid between debt and equity, emphasizing fixed dividend payments rather than control. Bondholders and holders of convertible notes are creditors, not owners, and therefore have no voting power in corporate decisions. From a financial management perspective, voting rights are a key factor in ownership structure, agency relationships, and corporate governance.

Option D correctly identifies common stock as the security that carries voting rights.

NEW QUESTION # 44

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