

Latest Updated Financial-Management Exam Outline - WGU Financial-Management Reliable Exam Online: WGU Financial Management VBC1

WGU C214 Financial Management Concepts Practice Exam

The matching principle in accrual accounting requires that:

- a. Expenses are matched to revenue recognition.
- b. Expenses are matched to the year in which they are incurred
- c. Revenues are matched to the year in which they are booked
- d. Revenues should be large enough to match expenses ✓✓a

The addition to retained earnings each year is:

- a. Net Income
- b. Net Income minus dividends
- c. Net Income plus dividends
- d. Net Income times the Payout Ratio ✓✓b

Net working capital equals:

- a. Current assets
- b. Current liabilities
- c. Current assets minus current liabilities
- d. None of the above ✓✓c

What does the Sarbanes-Oxley Act require companies to do?

- a. Have a board of directors
- b. Register all foreign sales
- c. Make estimated tax payments
- d. Have transparent, accurate financial statements ✓✓d

If a company produces and sells a product only in the U.S., what international developments may affect its sales?

- a. Fluctuating exchange rates

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>> Financial-Management Exam Outline <<

Financial-Management Reliable Exam Online, Financial-Management Hot Questions

Of course, the future is full of unknowns and challenges for everyone. Even so, we all hope that we can have a bright future. Pass the

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WGU Financial Management VBC1 Sample Questions (Q13-Q18):

NEW QUESTION # 13

How does a competitive sale of bonds work?

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

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 # 14

A building owner is undertaking a weatherization project. The owner will make a one-time investment of \$410,000 for caulking, sunshades, and smart thermostats. Annual utility savings are projected to be:

- * Year 1: \$125,000
- * Year 2: \$125,000
- * Year 3: \$140,000
- * Year 4: \$140,000
- * Year 5: \$160,000

What is the payback period, in years?(Round up)

- A. 0
- B. 1
- C. 2
- D. 3

Answer: C

Explanation:

The payback period measures how long it takes for a project's cumulative cash inflows to recover the initial investment. It is a simple capital budgeting technique commonly used as a preliminary screening tool.

Although it does not account for the time value of money or cash flows beyond the cutoff period, it is useful for assessing liquidity and risk exposure.

Cumulative cash flows are calculated as follows:

- * End of Year 1: \$125,000
- * End of Year 2: \$250,000
- * End of Year 3: \$390,000
- * End of Year 4: \$530,000

The initial investment of \$410,000 is recovered sometime during Year 4. Because the question instructs to round up, the payback period is reported as 4 years. Financial management textbooks emphasize that while payback should not be used alone to accept or

reject projects, it provides insight into how quickly invested capital is recovered, which is especially relevant for projects with uncertainty or liquidity constraints.

NEW QUESTION # 15

What is a potential drawback of lowering the annual dividend payment?

- A. It might lead to higher sales growth for the company.
- B. It can lead to an immediate increase in the company's stock price.
- C. It may cause the company's stockholders to react negatively.
- D. It could possibly increase the company's net margin.

Answer: C

Explanation:

Dividend policy carries important signaling effects in financial markets. Investors often view dividends as a signal of management's confidence in the firm's future cash flows. When a company lowers its dividend, shareholders may interpret the action as a sign of financial distress, declining profitability, or uncertainty about future earnings. This negative perception can result in a decline in the firm's stock price and reduced investor confidence. While dividend reductions may free up cash for reinvestment and improve long-term financial flexibility, the short-term market reaction is often unfavorable.

Financial management literature stresses that dividend changes should be made cautiously and clearly communicated to avoid misinterpretation. Option D correctly identifies this key drawback.

NEW QUESTION # 16

How does the global bond market impact the strategies of multinational corporations?

- A. By ensuring fixed interest rates on all international loans
- B. By reducing the need for currency risk management
- C. By offering diverse financing options beyond domestic markets
- D. By enhancing incentives to raise capital domestically

Answer: C

Explanation:

Multinational corporations (MNCs) often seek the lowest-cost and most flexible sources of long-term financing. The global bond market expands their choices beyond domestic lenders and investors, enabling firms to issue debt in multiple countries, currencies, and structures (fixed vs. floating rates, maturities, secured vs. unsecured, and different covenant packages). This broad access can reduce the weighted average cost of capital (WACC) if foreign markets provide lower yields, deeper investor demand, or better terms for the issuer's credit profile. Global issuance can also support operational needs: an MNC earning revenues in euros or yen may issue bonds in those currencies to create a natural hedge, matching debt service with foreign-currency cash inflows and reducing exchange-rate exposure. However, the global bond market does not remove currency risk automatically (so B is incorrect), nor does it guarantee fixed interest rates (D is incorrect). While domestic issuance remains important, global markets increase strategic flexibility, allowing firms to optimize capital structure, diversify funding sources, manage refinancing risk, and tailor financing to geographic cash flows-core themes in international financial management.

NEW QUESTION # 17

A recent news article reported that a popular tech start-up has not yet reached profitability or experienced a period of positive cash flows from operations. Instead, the company has been focused primarily on capturing market share and attracting new customers.

What does the continued negative cash flow from operations (CFO) signal about this firm?

- A. It indicates the firm is effectively managing its assets and using them to generate earnings for the firm.
- B. It implies the firm is investing minimally in the future growth of the company and its operations.
- C. It suggests the firm is burning cash in its operations and may eventually run out of funding sources.
- D. It shows the firm is generating too much cash from operations and will not be able to continue to do so.

Answer: C

Explanation:

Cash flow from operations reflects the cash generated (or consumed) by a firm's core business activities. When CFO is consistently

negative, it indicates that operating expenses and working capital needs exceed cash inflows from sales. For start-ups, this is common during early growth phases, as firms spend heavily on marketing, technology, and customer acquisition to build scale and future revenue potential. However, from a financial management perspective, negative CFO also signals cash burn. Unless offset by financing inflows (equity or debt) or expected future positive cash flows, continued operating losses can threaten liquidity and solvency. Analysts closely monitor burn rate, funding runway, and the firm's ability to transition to sustainable operations. Option C accurately captures this risk-focused interpretation, whereas the other options either mischaracterize negative CFO or contradict its fundamental meaning.

NEW QUESTION # 18

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