

# Quiz 2026 WGU Valid Exam Financial-Management Questions Pdf

WGU C214 OA Financial Management Exam

1. The stock price of a company increases and the market is deemed efficient. What assumption can be made?  
A. A new, patented, product was introduced to the market.  
B. New machinery was purchased with a useful life of 20 years.  
C. Management is optimizing its resources and operating efficiently.  
D. Management hired new employees and invested in a training program.
2. Which statement is true about how the global market affects the U.S.  
A. A bad options trade executed by a foreign subsidiary of a Wall Street bank will affect layoffs overseas.  
B. A bad derivatives trade executed by a foreign subsidiary of a Wall Street bank will affect layoffs overseas.  
C. American investors and fund managers make decisions based on financial reporting standards developed and financial statements audited overseas.  
D. Foreign investors and fund managers make decisions based on financial reporting standards developed and financial statements audited overseas.
3. What are secondary markets?  
A. Markets where securities are traded subsequent to the initial offering.  
B. Markets where securities are issued for the first time.  
C. Markets where securities are issued through a competitive sale.  
D. Markets where securities are issued through a negotiated sale.
4. A special interest group in the U.S. has been lobbying intensely for protectionism through increased tariffs and trade restrictions, with the argument that it will save jobs in the industry they represent. What is the most likely result if they are successful?  
A. Employees and shareholders of the domestic industry that produce the protective goods will be hurt and the nation will benefit.  
B. The overall economy will benefit from trade restrictions and tariffs.  
C. Removing the trade restrictions and tariffs will result in a net economic loss to the overall U.S. economy.  
D. Employees and shareholders of the domestic industry that produce the protected goods will benefit and the nation will be hurt.
5. What do the content and structure of a balance sheet report?  
The assets, liabilities, and equity at a point in time
6. What is the basis used to compute a company's income tax expense?  
A. Pretax accounting income.  
B. Taxable income.  
C. Net operating income.  
D. Taxes payable.

Net Income \$1000

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## **WGU Financial Management VBC1 Sample Questions (Q56-Q61):**

### **NEW QUESTION # 56**

Using the dividend discount valuation information provided, what is the intrinsic value of the stock?

- A. \$66.55
- B. \$52.40
- C. \$60.00
- D. \$75.80

**Answer: A**

Explanation:

This question applies dividend-based stock valuation principles commonly covered under the Dividend Discount Model (DDM). The intrinsic value of a stock is determined by discounting expected future dividends at the investor's required rate of return. When dividends are expected to grow at a constant rate, financial management texts recommend using the Gordon Growth Model, which states that stock value equals the next expected dividend divided by the difference between the required return and the growth rate. The calculated value of \$66.55 reflects the present value of expected future dividends based on the assumptions provided in the problem. This valuation technique is widely used for mature, dividend-paying firms with stable growth. The result represents the theoretical fair value of the stock, which investors compare to the current market price to assess whether the stock is undervalued or overvalued.

### **NEW QUESTION # 57**

What is the goal of just-in-time (JIT) inventory management?

- A. To increase the quantity of on-hand inventory
- B. To extend the cash conversion cycle
- C. To minimize holding costs by reducing inventory levels
- D. To maximize the storage space utilized

**Answer: C**

Explanation:

Just-in-time (JIT) inventory management aims to minimize inventory levels by synchronizing production and deliveries closely with demand. By receiving materials only when needed, firms reduce holding costs such as storage, insurance, spoilage, and obsolescence. JIT also improves cash flow by freeing capital previously tied up in inventory and shortening the cash conversion cycle. Financial management literature highlights JIT as a strategy that enhances efficiency but requires reliable suppliers and precise demand forecasting. Option B accurately captures the core objective of JIT systems.

### **NEW QUESTION # 58**

Use Whole Pine Inc.'s financial statements for 20X3 below to answer the following question.

What is Whole Pine Inc.'s quick ratio for 20X3?

**Whole Pine Inc. Income Statement—20X3**

Revenue	\$10,000
– Cost of Goods Sold	(3,500)
– Expenses	(5,000)
<b>Net Income</b>	<b>\$ 1,500</b>

**Whole Pine Inc. Balance Sheet—20X3**

<b>Assets</b>	<b>Liabilities and Stockholder Equity</b>		
Cash	\$2,000	Accounts Payable	\$1,000
Accounts Receivable	500	Long-Term Debt	4,000

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<b>Assets</b>	<b>Liabilities and Stockholder Equity</b>		
Cash	\$2,000	Accounts Payable	\$1,000
Accounts Receivable	500	Long-Term Debt	4,000
Inventory	1,500	Common Stock	2,000
Net Property, Plant, and Equipment	4,000	Retained Earnings	1,000
<b>Total Assets</b>	<b>\$8,000</b>	<b>Total Liabilities and Stockholder Equity</b>	<b>\$8,000</b>

- A. 2.50
- B. 0.15
- C. 4.00
- D. 0.65

**Answer: A**

**Explanation:**

The quick ratio, also known as the acid-test ratio, measures a firm's ability to meet short-term obligations using its most liquid assets. It is calculated as:

$$(\text{Cash} + \text{Accounts Receivable} + \text{Marketable Securities}) \div \text{Current Liabilities}$$

For Whole Pine Inc., quick assets include cash of \$2,000 and accounts receivable of \$500, totaling \$2,500. Inventory is excluded because it is less liquid and may not be easily converted into cash.

Current liabilities consist of accounts payable of \$1,000. Dividing \$2,500 by \$1,000 yields a quick ratio of 2.50. This indicates that the firm has \$2.50 in highly liquid assets for every \$1.00 of short-term obligations, suggesting strong short-term liquidity. Option C correctly reflects this calculation and interpretation.

**NEW QUESTION # 59**

Why might investors choose to invest in junk bonds?

- A. They always outperform the stock market in terms of returns.
- B. They offer the potential for higher returns in exchange for higher risk.
- C. They offer guaranteed returns with minimal risk.
- D. They are backed by government guarantees.

**Answer: B**

Explanation:

Junk bonds, also known as high-yield bonds, are issued by firms with lower credit ratings and therefore higher default risk. To compensate investors for this additional risk, these bonds offer higher interest rates than investment-grade bonds. From a financial management and portfolio perspective, investors may include junk bonds to enhance portfolio returns, particularly when they believe default risk is overstated or when economic conditions are favorable. Junk bonds do not guarantee returns and are not backed by government guarantees, making options A and D incorrect. They also do not consistently outperform equities, especially during periods of financial stress. Option B accurately reflects the risk- return tradeoff that underpins investment decisions in capital market theory: higher expected returns are associated with higher risk.

**NEW QUESTION # 60**

In the statement of cash flows, what is the most commonly used method by financial analysts to calculate cash flows from operations (CFO)?

- A. The balance sheet method
- B. The indirect method
- C. The asset disposal method
- D. The direct method

**Answer: B**

Explanation:

The indirect method is the most commonly used approach to calculate cash flows from operations (CFO). Under this method, analysts begin with net income and adjust for non-cash expenses (such as depreciation and amortization) and changes in working capital accounts (current assets and current liabilities). This method highlights the reconciliation between accrual-based net income and actual cash generated by operations. Financial analysts favor the indirect method because it provides insight into how accounting profits translate into cash flows and helps identify earnings quality issues. Although the direct method shows actual cash inflows and outflows from operations, it is less commonly used due to higher data requirements. The indirect method is widely accepted under accounting standards and dominates published financial statements, making it the standard tool in financial statement analysis and valuation work.

**NEW QUESTION # 61**

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