

# CTFA<sup>Q&As</sup>

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**QUESTION 1**

These are additional charges you may owe if you decide to pay off your loan prior to maturity. What are these?

- A. Prepayment penalty
- B. Loan rollover
- C. Loan disclosure
- D. Loan repayment

Correct Answer: A

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**QUESTION 2**

Which of the following is the characteristic of a cyclic stock?

- A. Their value is tied with the overall state of national economy
- B. They are low priced, speculative and risky securities
- C. They have stable earning and no extensive liabilities
- D. They have irregular earning and extensive liabilities too

Correct Answer: A

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**QUESTION 3**

A commonly cited benefit of leasing is absence of down payment. However, today most leases require a "capital cost reduction" which is the down payment that lowers the potential depreciation and therefore your monthly lease payments. You may be able to negotiate a lower capital cost reduction or find a lease that doesn't require one. The lease payment calculation is based on four variables. Which one of the following:

- A. Capitalized cost
- B. Forecast residual value
- C. Money factor
- D. Lease date

Correct Answer: D

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**QUESTION 4**

Espinosa Coffee and Trading, Inc.'s common stock measured beta is calculated to be 0.75. The market beta is, of course, 1.00 and the beta of the industry of which the company is a part is 1.10. If Merrill Lych were to calculate an

"adjusted beta" for Espinosa's common stock, that adjusted beta would most likely be:

- A. less than 0.75
- B. more than 0.75, but less than 1.10
- C. equal to 1.10
- D. equal to 0.95 {i.e.,  $(1/3) \times (0.75 + 1.00 + 1.10)$ }

Correct Answer: B

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## QUESTION 5

Short-term portfolios are:

- A. Portfolios consisting of liabilities with maturities of one year to meet dollar needs.
- B. Portfolios consisting of combined revenues of less than one year to meet liquidity needs.
- C. Portfolios consisting of assets with maturities of less than one year to meet liquidity needs.
- D. Portfolios consisting of expenses with maturities of less than or equal to one year to meet dollar needs.

Correct Answer: C

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