

BOK Accounting and Finance Lesson Questions

Lesson 1

1. A business's statement of financial condition is also known as a
 - A. statement of cash flows.
 - B. balance sheet.
 - C. income statement.
 - D. profit and loss statement.

2. What type of asset would trademarks, licenses, and patents be considered?
 - A. Current assets
 - B. Property, plant and equipment
 - C. Intangibles
 - D. Investments

3. The accounts receivable turnover ratio measures the
 - A. effectiveness by which credit sales are converted into cash.
 - B. amount of short-term borrowing a firm must obtain.
 - C. extent to which suppliers are providing free credit to a company.
 - D. profitability of short-term assets.

4. Which class of ratios best measures a company's ability to pay its financial obligations in the short-term?
 - A. Profitability
 - B. Leverage
 - C. Liquidity
 - D. Asset utilization

5. Return on equity is primarily influenced by the combination of
 - A. net margin and asset efficiency.
 - B. gross margin and working capital management.
 - C. operating margin and the amount of debt.
 - D. inventory turnover and short-term debt.

Lesson 2

1. What elements of corporate finance are not consolidated in a thorough financial plan?

- A. Capital budget and investments
- B. Capital structure and financial policy
- C. Working capital policies and short-term financial management
- D. Dividend policy and share repurchases

2. Which is NOT a determinant of viability in a turnaround?

- A. Liquidity analysis
- B. Long-run strategic planning
- C. Achieving positive cash flow
- D. Solvency analysis

3. The sustainable growth rate measures a company's

- A. average rate of growth over the past five years.
- B. highest potential growth rate achievable.
- C. maximum growth rate potential without changing its capital structure or raising external equity.
- D. Gross Domestic Product (GDP).

4. When creating a cash flow planning model, which key performance measure would professionals LEAST likely use?

- A. Overtime hours and productivity
- B. New shipments by product and margin
- C. New purchase commitments from customers and suppliers
- D. Research and development initiatives

5. A firm's sustainable growth rate is typically higher than its return on equity.

- A. True
- B. False

Lesson 3

1. The length of the operating cycle is defined as the
 - A. inventory turnover ratio plus 10-day receivable cycle.
 - B. days sales outstanding minus accounts payable.
 - C. accounts payable turnover rate plus number of outstanding accounts.
 - D. length of inventory turnover plus accounts receivable.

2. The cash conversion cycle is defined as the
 - A. fixed assets turnover ratio plus operating cycle.
 - B. operating cycle minus the accounts payable period.
 - C. cash plus marketable securities.
 - D. net worth minus cost of goods sold.

3. If a company had 50 days of receivables outstanding, 35 days of inventory outstanding and 29 days to pay its trade creditors, then its cash conversion cycle would be how many days?
 - A. 29
 - B. 56
 - C. 85
 - D. 114

4. What are compensating bank balances?
 - A. Bank deposits held in a non-interest bearing account
 - B. Collateral held by trade creditors
 - C. Short-term marketable securities
 - D. Secured loans

5. A tool used to track and prioritize overdue customer accounts is called a(n)
 - A. aging schedule.
 - B. Dun and Bradstreet report.
 - C. penalty tracking system.
 - D. inventory audit of credit advances.

Lesson 4

1. The analytic tool turnaround managers use to measure the sales volume needed before a product or service is profitable is called a(n)
 - A. breakeven analysis.
 - B. sustainable growth rate.
 - C. DCF valuation.
 - D. aging schedule.

2. If a customer purchases 30,000 units per year and has a contribution margin of \$10 per unit, then the product generates how much towards covering fixed costs?
 - A. \$10
 - B. \$3,000
 - C. \$30,000
 - D. \$300,000

3. In a turnaround situation, breakeven analysis is a better managerial tool for decision-making than net present value analysis.
 - A. True
 - B. False

4. In turnaround situations, given the choice between two different product manufacturing alternatives, the alternative with the lowest break-even should always be selected.
 - A. True
 - B. False

5. When is two-way break-even analysis typically used?
 - A. When it is impossible to calculate the contribution margin
 - B. When there is a need to overestimate demand for a product
 - C. When there's uncertainty regarding the values of two crucial inputs.
 - D. Never, because it's too complicated for turnaround situations

Lesson 5

1. A standard cost system assigns product costs on the basis of
 - A. historic costs.
 - B. estimated cost to produce the product.
 - C. the cost of purchasing the product elsewhere on the open market.
 - D. contribution margin.

2. Properly costing products is made challenging by the fact that
 - A. most businesses utilize transfer pricing.
 - B. allocated costs are used as much as possible.
 - C. most accounting systems are incapable of tracking relevant cost information.
 - D. not all costs are clearly attributable to a specific product, service or customer.

3. Why do standard costs improve the deficiencies associated with historical cost systems?
 - A. Accurate identification of direct materials and labor costs for each individual product is virtually impossible.
 - B. Actual cost inefficiencies can generally be hidden easily in the finished goods account.
 - C. Manufacturing efficiency is difficult to measure accurately under historic cost.
 - D. All of the above

4. Activity-based cost systems are more accurate than traditional cost systems because they rely on business activities and processes to cost rather than unit-level cost drivers.
 - A. True
 - B. False

5. Why is accurate cost information essential in any organization?
 - A. Sets product prices
 - B. Identifies products that should be eliminated
 - C. Determines customer support levels
 - D. All of the above

Lesson 6

1. What is the cost of equity capital?

- A. The return on equity plus market risk premium
- B. The risk free rate plus systemic risk times the market risk premium
- C. Asset beta times equity beta
- D. The cost of the company's debt plus 5%

2. Even when default risk is absent, increasing financial leverage has what effect?

- A. Reduces the weighted average cost of capital
- B. Increases the weighted average cost of capital
- C. Reduces the cost of equity
- D. Increases the cost of equity

3. The primary benefit of the use of debt capital is its

- A. tax deductibility.
- B. covenants.
- C. potential to increase financial diversification.
- D. ability to create agency costs for the issuer.

4. A company's business risk is NOT impacted by

- A. competition.
- B. operating leverage.
- C. financial leverage.
- D. cyclicalities.

5. What does a levered beta measure?

- A. Operating or business risk
- B. Financial risk
- C. Both operating and financial risk
- D. Unsystematic risk

Lesson 7

1. The most popular form of relative valuation is the
 - A. discounted cash flow model.
 - B. adjusted present value method.
 - C. Black-Scholes option pricing model.
 - D. comparables, or multiples.

2. In performing an discounted cash flow valuation, the appropriate discount rate to use is the
 - A. unlevered cost of equity.
 - B. weighted average cost of capital.
 - C. cost of debt, if the firm is insolvent.
 - D. levered cost of equity.

3. Terminal value is considered to be
 - A. comparable to liquidation value.
 - B. similar to the sale price of the business in the future.
 - C. equivalent to the present value of all future cash flows beyond the end of the forecast period.
 - D. smaller in financially distressed businesses.

4. In the dividend discount model, the appropriate discount rate is the
 - A. weighted average cost of capital.
 - B. unlevered cost of equity.
 - C. levered cost of equity.
 - D. pre-tax cost of debt.

5. The key to using an APV approach is estimating the expected
 - A. weighted average cost of capital.
 - B. unlevered cost of equity.
 - C. levered cost of equity.
 - D. bankruptcy costs.

Lesson 8

1. What event is likely to trigger COD income?
 - A. When a debtor replaces existing debt with new debt
 - B. When the terms of an existing debt are materially modified in kind or extent
 - C. When a debtor's relative acquires the debt at a discount from an individual unrelated to the debtor
 - D. All of the above

2. The highest priority item used to reduce tax attributes in a bankruptcy exception is the
 - A. alternative minimum tax credit.
 - B. net capital loss and capital loss carryovers.
 - C. basis of depreciable property.
 - D. net operating loss and net operating loss carryovers.

3. Whether a debtor is in Chapter 11 has an impact on the
 - A. liquidation value.
 - B. magnitude of the NOL reductions the estate must recognize.
 - C. tax deductibility of interest expense.
 - D. tax deductibility of depreciation.

4. If a taxpayer receives abandoned property from a bankrupt estate, then the taxpayer's basis would be
 - A. the original purchase price of the property.
 - B. zero.
 - C. the same basis in the property that the estate had.
 - D. the receipt of the property is tax free.

5. In bankruptcy, the debtor's pre-petition tax debts are classified as what type of claim?
 - A. First priority
 - B. Third priority
 - C. Sixth priority
 - D. Eighth priority

Lesson 9

1. In fresh start accounting, what happens to the equity of the bankrupt entity?
 - A. It is reported at its revised book value.
 - B. It is considered irrelevant and all stock of the predecessor company will be cancelled.
 - C. It depends on whether new stock is issued as part of the plan of reorganization.
 - D. It is equal to its book value plus retained earnings adjusted for goodwill.

2. Following the adoption of fresh start reporting, future depreciation expenses are based on
 - A. historic cost of the assets.
 - B. a maximum five year depreciable life.
 - C. revised asset values and their revised estimated useful lives.
 - D. whether the entity has debt tax shields or not.

3. Following the adoption of fresh start reporting, liabilities that are retained during the reorganization are reported at the
 - A. revised asset value of the amounts to be paid.
 - B. original face value.
 - C. original values plus their proportion of allocated bankruptcy costs.
 - D. present value of the amounts to be paid.

4. When is goodwill recognized under fresh start accounting?
 - A. When the value of previously acquired businesses remains in excess of their purchase price
 - B. When the estimated equity value is positive
 - C. When the estimated market value of the reorganized entity exceeds the identified values of all assets
 - D. Never. Goodwill is never recognized under fresh start accounting.

5. Fresh start accounting requires that _____ assets be revalued at _____.
 - A. All; estimated current market values
 - B. Only tangible; estimated current market values
 - C. All intangible; zero
 - D. All; their historic cost

LAW BOK - Lesson 1

1. What are the three critical elements to a contract?
 - A. Offer, acceptance, consideration
 - B. Communication, consideration, confirmation
 - C. Binding, executory, agreement
 - D. Terms, beneficiaries, indication

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2. At what point is a contract formed?
 - A. When the merchandise or service is advertised
 - B. When an offer is made
 - C. When acceptance occurs
 - D. When the terms are documented

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3. Which is an example of a contract that MUST be in writing?
 - A. An agreement that can be fulfilled within 9 months
 - B. A contract for the sale of goods totaling \$300
 - C. A lease for 6 months
 - D. A contract creating an interest in land

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4. Under what situation can a contract be discharged?
 - A. An independent, part-time plumber runs out of supplies before the length of the contract
 - B. An independent, part-time plumber moves his/her family out of state, far from the job site
 - C. An independent, part-time plumber gets a full time job and has limited time
 - D. An independent, part-time plumber becomes terminally ill and is unable to complete the job

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5. What is the most common remedy for breach of contract?
 - A. Remedies
 - B. Terminations
 - C. Damages
 - D. Claims

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BOK LAW - Lesson 2

1. How is security interest created?
 - A. With a security agreement
 - B. By filing a claim against all debtors
 - C. After a court hears the case and provides authorization
 - D. By listing all personal relationships with debtors

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2. What is NOT needed on the financing statement?
 - A. The debtor's legal name
 - B. The secured party's name
 - C. The description of the collateral
 - D. The debtor's signature

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3. A financing statement is effective for how long after it has been filed?
 - A. 1 year
 - B. 3 years
 - C. 5 years
 - D. 7 years

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4. What does "perfection" accomplish?
 - A. Defines creditor's rights regarding the debtor
 - B. Outlines the proposed plan of reorganization
 - C. Provides immediate relief from all collection efforts
 - D. Gives notice of the creditor's rights to the world

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5. Following repossession and sale of property after default, creditors must apply proceeds from the collection in which order?
 - A. Expenses incurred in the collection, obligations owed to the creditor who collected and sold the property, obligations owed to other creditors, the debtor
 - B. Obligations owed to the creditor who collected and sold the property, expenses incurred in the collection, obligations owed to other creditors, the debtor
 - C. Obligations owed to the creditor who collected and sold the property, obligations owed to other creditors, the debtor, expenses incurred in the collection
 - D. The debtor, obligations owed to the creditor who collected and sold the property, expenses incurred in the collection, obligations owed to other creditors

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BOK LAW: Lesson 3

1. The process of seizing and selling the debtor's property to satisfy a creditor's judgment is known as
 - A. execution.
 - B. garnishment.
 - C. perfecting.
 - D. leveraging.

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2. What provides authorization for an officer to seize a debtor's real and personal property?
 - A. Automatic stay
 - B. Financial petition
 - C. Writ of attachment
 - D. Document of execution

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3. The act of repossessing, or taking custody over the property of the debtor is referred to as a
 - A. writ of possession.
 - B. order for action.
 - C. levy.
 - D. lien.

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4. What purpose does a receiver serve?
 - A. To garnish the debtor's wages
 - B. To care for, collect, and dispose of defendant's property
 - C. To enforce a writ of protection
 - D. To ensure the creditor's property is returned immediately

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5. To obtain debtor's property that is held by a third party, the creditor must file a writ of
 - A. intention.
 - B. automatic stay.
 - C. garnishment.
 - D. attachment.

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BOK LAW: Lesson 4

1. Which Chapters of the Bankruptcy Code are available to corporations?

- A. Chapters 7, 9 and 11
- B. Chapters 11 and 12
- C. Chapters 7 and 11
- D. Chapters 7, 11, 12 and 13

Pg 4-2

2. Does a bankruptcy court ever have jurisdiction to hear a non-core matter?

- A. No
- B. Yes

Pg 4-10

3. What is one characteristic of a Creditor's Committee?

- A. The members have fiduciary duties to the bankruptcy estate
- B. The members must be representative of the creditors in the case
- C. The members must volunteer to serve
- D. All of the above

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4. Individual Debtors who have secured debts and desire to keep the property securing those debts should seek relief under which Chapter of the Bankruptcy Code?

- A. Chapter 7
- B. Chapter 12
- C. Chapter 13
- D. Chapter 15

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5. What are the effects of conversion from one Chapter to another?

- A. There is a new filing date
- B. The administrative expenses of the first chapter are subordinate to those of the new chapter
- C. A new trustee will be appointed
- D. Proofs of claim must be filed

Pg 4-3

BOK LAW Chapter 5

1. In a Chapter 11 case, when is the sale of estate property required to be approved by the courts?
- A. Never, because the proceeds are distributed to creditors
 - B. Only when occurring during the ordinary course of business
 - C. When occurring outside of the ordinary course of business
 - D. When it is burdensome to the estate

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2. When does the automatic stay take effect?
- A. When creditors receive notice
 - B. When the petition is filed
 - C. When the case is discharged
 - D. When the case is dismissed

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3. What actions are prohibited by the automatic stay?
- A. Criminal proceedings against the debtor
 - B. Actions designed to collect any debt
 - C. Proceedings to enforce police power
 - D. Withholding debtors income for a pension contributions

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4. Which situation could potentially terminate/provide relief of the automatic stay?
- A. The debtor provides a secured party with adequate protection of its interest
 - B. The debtor has equity in property that the creditor's seeking
 - C. The property is necessary to the debtor's reorganization
 - D. The case was not filed in good faith

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5. Which would NOT be considered single asset real estate?
- A. A shopping center containing six men's and women's boutiques, 11 specialty stores, and three restaurants.
 - B. A 10-story office building with ten businesses, each occupying an entire floor.
 - C. An apartment with eight, one-bedroom units, four studio units, and 16 two-bedroom units.
 - D. A factory with multiple pieces of high-tech machinery, seven assembly lines, and eight executive offices sectioned off from the factory floor for management.

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BOK LAW - Lesson 6

1. Who remains in control of a business in most Chapter 11 cases?
 - A. Pre-bankruptcy management
 - B. Interim, court-appointed CEO
 - C. Examiner
 - D. Bankruptcy judge

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2. What is the role of the examiner?
 - A. Run the debtor's business
 - B. Propose a plan in the Chapter 11 case
 - C. Investigates debtor's competency and honesty
 - D. Interviews key staff as to their personal financial health

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3. Under what condition may cash collateral be used?
 - A. When cash is immediately needed
 - B. When securities risk losing value
 - C. When personal loans need repayment
 - D. When the lienholder consents

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4. If the trustee/DIP wants to use, sell or lease property outside the ordinary course of business, the trustee/DIP must first
 - A. Proceed independently.
 - B. Hire counsel and/or auctioneer to perform open sale.
 - C. Post public notice and accept first-offers.
 - D. Provide notice to creditors and attend a hearing.

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5. A trustee/DIP wishing to sell or lease property in the ordinary course of business is required to
 - A. Obtain court's authorization
 - B. Provide 20 days' notice to creditors.
 - C. Allow creditors to "credit bid."
 - D. Nothing. It's allowable under ordinary course of business.

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BOK LAW - Lesson 7

1. Assisting bankruptcy courts with cases, preventing fraud and dishonesty, and establishing, maintaining and supervising a panel of eligible trustees is whose responsibility?
 - A. The Attorney General
 - B. The bankruptcy judge
 - C. The United States Trustee
 - D. The Committee of Creditors

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2. Under what circumstances would a trustee be appointed in a Chapter 11 case?
 - A. Fraud
 - B. Dishonesty
 - C. Gross mismanagement
 - D. All of the above

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3. What is the primary role of the examiner in a Chapter 11 bankruptcy?
 - A. To collect and liquidate the debtors property
 - B. To take over the duties of management
 - C. To serve as a disbursing agent for the funds paid into the debtor's plan
 - D. To investigate the debtor's business operations and prospects for rehabilitation

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4. Professionals seeking compensation from the DIP of bankruptcy estate must file required disclosures and proposed orders for appointment at what point in the process?
 - A. As soon as possible after the petition is filed
 - B. At a hearing with the UST
 - C. During the 11 U.S.C. §341 meeting
 - D. After services have been rendered

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BOK: Management Lesson Questions

Lesson 1

1. The most common cause of business failure is a result of
 - A. management.
 - B. excessive indebtedness.
 - C. loss of market share.
 - D. competition.

2. External causes of business decline and failure include changes in what conditions?
 - A. Economic
 - B. Competitive
 - C. Societal
 - D. All of the above

3. Business failure can be attributed to what leadership quality?
 - A. Leaders who request and consider input from employees
 - B. Leaders who recognize the environment is changing and adapt accordingly
 - C. Leaders who respect and encourage dissenting viewpoints
 - D. Leaders who rely on “old wisdom” and maintain the status quo

4. Business decline and failure are most often caused by factors that are external to the firm.
 - A. True
 - B. False

5. What indicates that a business’s finances are poorly functioning?
 - A. Strict working capital controls
 - B. Redeployable fixed assets
 - C. Inadequate ownership capital
 - D. Adequate inventory

Lesson 2

1. Which is NOT considered a factor in the original Altman Z-score?
 - A. Working Capital/Total Assets
 - B. EBIT/Total Assets
 - C. Retained Earnings/Sales
 - D. Sales/Total Assets

2. Identify an early warning sign of decline and failure.
 - A. Appropriate market share
 - B. Reduced employee turnover
 - C. Simple and inefficient problem solving
 - D. Operational overexpansion

3. The sustainable growth rate indicates whether
 - A. a company can grow within its current capital structure.
 - B. growth is profitable or unprofitable.
 - C. a company should increase or decrease its debt.
 - D. new lines of business should be explored.

4. High dividend payments decrease the sustainable growth rate.
 - A. True
 - B. False

5. Recent survey evidence indicates the strongest adverse trend for a business is
 - A. gross margin.
 - B. operating margin.
 - C. net margin.
 - D. capital margin.

Lesson 3

1. Which is NOT considered an element of a successful turnaround?
 - A. Selling the business to a financial or strategic buyer
 - B. Adequate bridge financing
 - C. A viable core business
 - D. An effective turnaround manager

2. According to a 1996 survey by Turnaround Management Association (TMA), what percent of all distressed companies eventually recover?
 - A. None
 - B. 10
 - C. 20
 - D. 80

3. What is a key requirement to enable a turnaround of a business?
 - A. Sales volume umbrella
 - B. Positive cash flow
 - C. Competitive location
 - D. All of the above

4. Factoring is the process by which a third party acquires the accounts receivable of a firm and assume the responsibility and risks of collection.
 - A. True
 - B False

5. Most often, the first step in a successful turnaround is to
 - A. try to sell the business.
 - B. increase advertising and brand awareness.
 - C. hire an image consultant.
 - D. discharge the current management team.

Lesson 4

1. Exceptional managerial leadership requires which skill set?
 - A. Good negotiating skills
 - B. General management skills
 - C. Entrepreneurial instincts
 - D. All of the above

2. What would NOT be considered a critical requirement of an effective turnaround manager?
 - A. Ability to craft strategy
 - B. Experience in raising capital to fund operations
 - C. Ability to implement strategy
 - D. Organizational leadership skills

3. Process innovation strategy is typically more successful in a turnaround than a market focus strategy.
 - A. True
 - B. False

4. Which strategy would be most effective in early decline?
 - A. Value-added strategy
 - B. Market sharing strategy
 - C. Service innovation strategy
 - D. Process innovation strategy

5. What strategy is most effective in advanced decline?
 - A. Value-added strategy
 - B. Market sharing strategy
 - C. Service innovation strategy
 - D. Process mastery strategy

Lesson 5

1. The goal of the initial stage of the turnaround process is
 - A. emergency action.
 - B. stabilization.
 - C. evaluation.
 - D. management change.

2. The time between the management change stage and the return to normal stage varies, but generally takes
 - A. two to four months.
 - B. six to eight months.
 - C. one to three years.
 - D. eight to ten years.

3. The objective of the emergency action stage is to
 - A. hire an outside turnaround consultant.
 - B. control cash for company survival.
 - C. make small, repeated employee cuts.
 - D. attempt to increase product prices.

4. Efforts in the stabilization stage should focus on
 - A. making remaining operations as effective and efficient as possible.
 - B. arranging for new lines of credit.
 - C. determining which vendors are critical.
 - D. seeking new growth opportunities.

5. During which stage are the three requirements for survivability evaluated?
 - A. Emergency Action
 - B. Stabilization
 - C. Evaluation
 - D. Management Change

Lesson 6

1. The primary reason to change management during a turnaround is to
 - A. put in place the right combination of key managers.
 - B. replace the Board of Directors.
 - C. reduce headcount by at least 33 percent.
 - D. threaten and scare employees into better performance.

2. Early action in the selection of a turnaround professional is important because
 - A. the passage of time undermines a firm's prospects of a successful turnaround.
 - B. bridge financing subsequently becomes costly or unavailable.
 - C. key employees have greater mentoring opportunities to support change.
 - D. the core and peripheral businesses will immediately grow.

3. What is the general opinion on replacing the incumbent CEO in a turnaround?
 - A. It is always a good idea, regardless of circumstance.
 - B. It should only take place when the Board of Directors is weak.
 - C. It depends on whether the CEO is also a founder of the business.
 - D. There is no clear consistent evidence regarding the advantages and disadvantages of replacing incumbent CEOs.

4. If replacing the CEO, who is the best option?
 - A. An insider who is eager to rise to the top
 - B. An outsider that lacks industry experience
 - C. An outsider that has considerable industry experience
 - D. The evidence is mixed whether it's better to use insiders or outsiders as replacements

5. During a distress situation, should board members be replaced?
 - A. No, as they provide important continuity
 - B. Yes, but only if creditors and shareholders insist
 - C. Yes, if they are unwilling to guide the firm through the turnaround process
 - D. Yes, always, and as soon as the turnaround begins

Lesson 7

1. During the evaluation stage, turnaround professionals must NOT focus their efforts on determining the

- A. logical business units.
- B. most appropriate turnaround strategy.
- C. availability of adequate financing.
- D. business's viability.

2. Which analytical technique can be used to assess financial conditions in the evaluation stage?

- A. Cash flow analysis
- B. Break-even analysis
- C. Balance sheet analysis
- D. All of the above

3. What is the goal of break-even analysis?

- A. To estimate how much cash the firm has
- B. To identify the extent of changes necessary to stop the company's continued losses
- C. To estimate the number of years until a firm reaches the return to normal stage
- D. To explore the use of extensive ratio analysis

4. Assessing personnel strengths and weaknesses should happen very early during the turnaround process.

- A. True
- B. False

5. Critical customer assessment and evaluation include what type of analysis?

- A. Lost order analysis
- B. Industry pattern analysis
- C. Accounts payable analysis
- D. Workforce analysis

Lesson 8

1. Which is an element of an effective strategy in a turnaround situation?
 - A. Specific and difficult goals and objectives
 - B. Under-communication to stakeholders
 - C. Brief and limited functional action plans
 - D. Replacement of the Board of Directors

2. During the process of preparing detailed functional action plans, lead responsibility for conceiving strategies is delegated to the
 - A. employees within the changing departments.
 - B. human resources staff.
 - C. functional department heads.
 - D. Board of Directors.

3. A common mistake in strategic planning is to
 - A. seek too much input from combative management.
 - B. design tactics before creating a vision.
 - C. confuse operational effectiveness with a strategy.
 - D. fail to reconsider the plan on a regular basis.

4. What is a strategy?
 - A. It describes the way a company intends to act to gain a competitive advantage.
 - B. It always requires a total quality component.
 - C. It contains details about adequate operational and financial planning.
 - D. It outlines a way to outperform the competition.

5. The first step in developing an effective strategy is to develop a
 - A. mission statement.
 - B. vision statement.
 - C. short term action plan.
 - D. vendor fulfillment chart.

Lesson 9

1. Which is an external source of cash?

- A. Collecting receivables
- B. Stretching payables
- C. Reducing inventories
- D. Selling stock to a private equity firm

2. Vendor precedence and priority should be considered when determining the importance of which vendors to pay first in a distress situation.

- A. True
- B. False

3. Customers, products and product lines that are not profitable should be

- A. maintained as key stakeholders with greater authority in the business.
- B. eliminated, unless changes can be made to make them profitable.
- C. kept, but charged higher prices than stronger customers and distributors.
- D. given more lenient credit terms to fund their continued involvement with the company.

4. Actions for effectively turning around the culture of an organization include

- A. establishing a sense of urgency.
- B. generating short-term wins.
- C. empowering employees to act.
- D. All of the above.

5. Control of a distressed company's purchasing decisions should be vested in the

- A. chief financial officer.
- B. corporate controller.
- C. chief procurement officer.
- D. turnaround manager.

Lesson 10

1. The first objective in the business restructuring stage is to
 - A. improve profit.
 - B. grow revenue.
 - C. eliminate financial employees.
 - D. file Chapter 11.

2. The fastest and most effective means to get employees to support a turnaround plan is to
 - A. embrace lean thinking.
 - B. invest in high-tech solutions.
 - C. offer monetary incentives.
 - D. properly restructure top management.

3. Common techniques to improve liquidity include
 - A. rapidly growing the company.
 - B. extension of payable terms for some suppliers.
 - C. owning capital assets in lieu of leases.
 - D. diversifying banking services among multiple institutions.

4. What do the letters in EVA represent?
 - A. Economic Value Added
 - B. Early Vitalization Agenda
 - C. Equity Versus Assets
 - D. Elemental Variable Allocations

5. The first step in improving the people mix of the business is to
 - A. increase external hiring.
 - B. ensure a strong management team.
 - C. use part-time employees to avoid further firings.
 - D. implement a continuing education function.

Lesson 11

1. Practicing the skills of turnaround management everyday involves
 - A. recognizing problems early.
 - B. evaluating options frequently.
 - C. acting quickly and decisively.
 - D. All of the above*

2. Most companies are able to grow their way out of financial distress.
 - A. True
 - B. False

3. During the return to normal stage, the most important functional set of activities is
 - A. financial management.
 - B. R&D management.
 - C. marketing management.
 - D. personnel management.

4. In order to successfully pursue a differentiation strategy, a firm must
 - A. alter their approach to marketing.
 - B. increase unit sales to be effective.
 - C. develop strong R&D capabilities that outperform comparable competitor offerings.
 - D. gain stronger customer loyalty to its brand.

5. What is the general census on strategic alliances with other organizations?
 - A. They never work out as intended.
 - B. They can be enormously successful and profitable if managed properly.
 - C. They are never preferable to internal development of capabilities.
 - D. They create cultural and integration challenges that are rarely worth pursuing.

Lesson 12

1. The primary purpose of WARN is to
 - A. give employees advance notice of impending plant closures or mass layoffs.
 - B. prevent U.S. firms from hiring non-U.S. citizens.
 - C. require businesses to inform lenders when they enter the zone of insolvency.
 - D. prevent companies from eliminating suppliers without adequate notice.

2. The purpose of COBRA is to
 - A. provide family and medical leave opportunities for employees.
 - B. allow employees to continue to receive health benefits after job loss.
 - C. ensure job stability following military leave.
 - D. prevent companies from terminating their health plans.

3. What is the purpose of CERCLA?
 - A. Provide special employment opportunities in areas affected by natural disaster
 - B. Prevent age discrimination among employees
 - C. Establish requirements concerning closed and abandoned hazardous waste sites
 - D. Prohibit out of court settlements on environmental catastrophes

4. Sarbanes-Oxley imposes new duties and responsibilities for
 - A. auditors.
 - B. financial disclosure.
 - C. analysts.
 - D. All of the above

5. The Hart-Scott-Rodino requires
 - A. acquisitions of a certain size be reported to the FTC and Justice prior to their consummation.
 - B. price discrimination in less competitive markets be prevented.
 - C. limitations to the number of Boards of Directorship on which an individual can serve.
 - D. a standard filing fee regardless of the size of the acquisition.

Lesson 13

1. According to TMA's Code of Ethics, obligations by the turnaround professional to the client include

- A. competence.
- B. independence.
- C. truthfulness.
- D. All of the above

2. According to TMA's Code of Ethics, a member may accept a performance bonus or other contingency fee.

- A. True
- B. False

3. According to TMA's Code of Ethics, the general obligations and professional boundaries of a member include

- A. standards of excellence.
- B. human rights.
- C. continuing education.
- D. All of the above

4. According to TMA's Code of Ethics, a member's duty is solely to whom?

- A. Bankruptcy Court
- B. Creditors
- C. Client
- D. All of the above

5. TMA's Code of Ethics precludes equity ownership of a troubled company client.

- A. True
- B. False