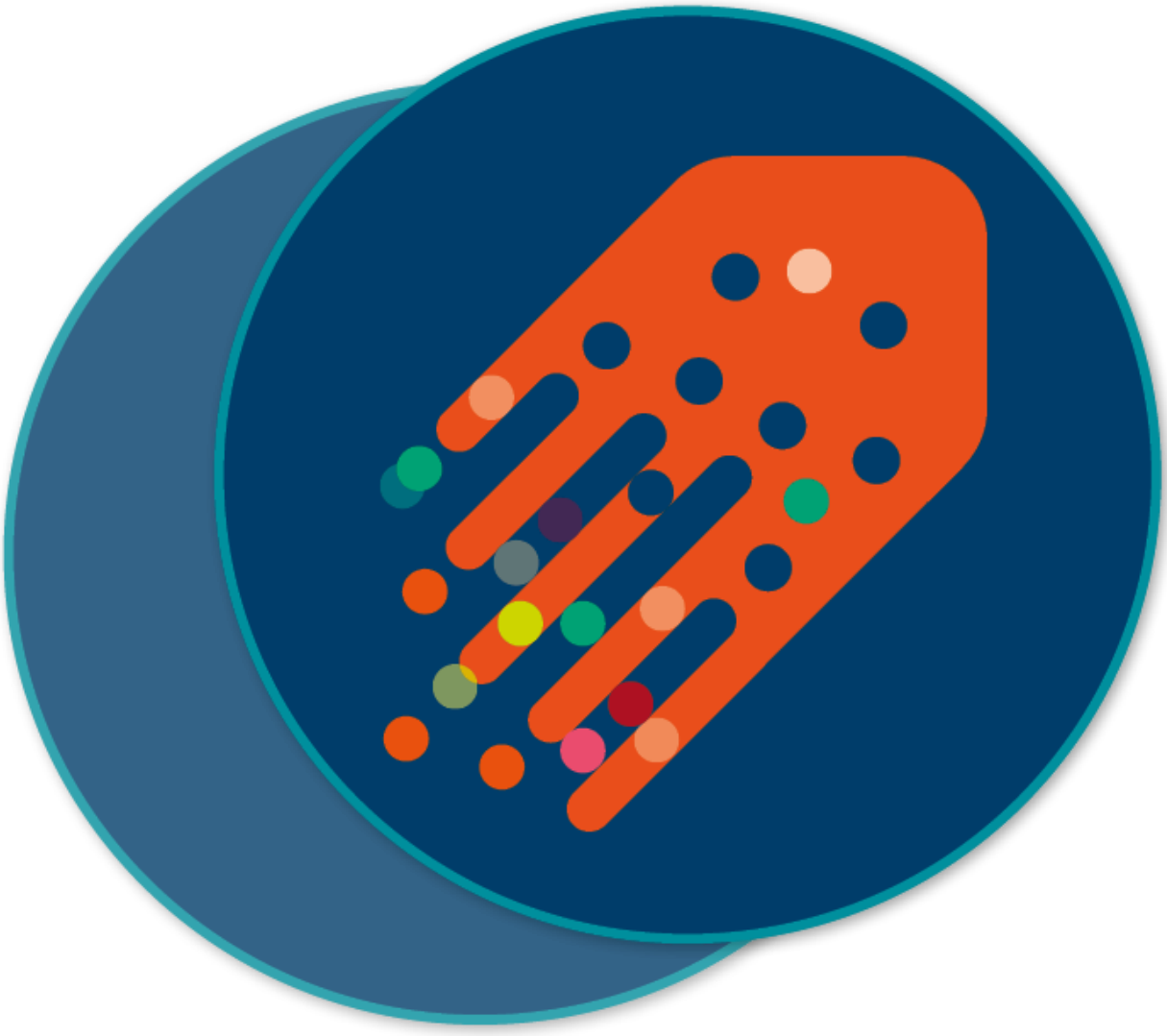
ACT Practice Paper

Certificate in Treasury – MicroCredentials

Working capital & cash

Practice Paper



Practice paper for the Certificate in Treasury – MicroCredential – Working capital & cash (WCC)

Based on the syllabus assessed from 07 October 2025.

Introduction

This practice paper has been produced by the Awarding Body at the Association of Corporate Treasurers (ACT) to assist students in their preparation for the WCC MicroTest. It contains a practice assessment for the specified MicroTopic as well as practice answers.

Ideally, you should have completed the majority of your studies for WCC before attempting this practice paper. You should allow yourself 60 minutes to complete the exam. You should then review your performance to identify areas of weakness on which to concentrate the remainder of your study time.

Although the practice paper in this guide is typical of a WCC assessment, it should be noted that it is not possible to test every single aspect of the Learning Outcomes in any one particular assessment. To prepare properly for the MicroTest, you should make full use of the tuition options where available and read as widely as possible to ensure that all Learning Outcomes have been covered.

Assessment technique: WCC

The best approach to multiple choice assessments is to work methodically through the questions.
You should not spend too much time on any one question. If you cannot make up your mind, you should leave the question, flagging it to come back to later.

When all of the questions have been answered, it is prudent to use any remaining time to go through each question again, carefully, to double-check that nothing has been missed. Altering just one incorrect response to a correct response could make the difference between passing and failing.

Assessment information

The WCC assessment consist of 23 questions, split into sections A, B and C; and is worth a total of 50 marks.

WCC MicroTest specification:

Section	Number of questions	Marks available	Question format
Section A	12 Multiple Choice questions (MCQs) and 3 Multiple Response questions (MRQs).	15	This section will test a cross-section of knowledge to achieve breadth of syllabus coverage.
Section B	1 mini scenario with 5 accompanying MCQs.	5	This section will test a cross-section of knowledge to achieve breadth of syllabus coverage.
Section C	3 longer form questions.	30	This section will be based on mini-scenarios common to practice. Questions will test knowledge, analysis, application and justification as appropriate.
Total	23	50	

Under exam conditions, 60 minutes is allowed for the WCC MicroTest.

When you take your actual MicroTest, you will be sitting online using your own PC/Laptop. You have access to an online scientific calculator, but for the purpose of this test, you may use a non-programmable scientific calculator.

Questions

SECTION A

Section A is made up of 12 Multiple Choice questions and 3 Multiple Response questions and is worth a total of 15 marks.

12 Multiple Choice questions: 12 x 1 mark questions.

3 Multiple Response questions: 3 x 1 mark questions.

The purpose of this section is to test a cross-section of knowledge to achieve breadth of syllabus coverage.

1 Question Text:

A business has constant sales of EUR800m per year and purchases of EUR600m. Sales proceeds are received two months in arrears and suppliers are paid one month in arrears. What is the investment in its working capital?

Options

A EUR33.3m.

B EUR183.3m.

C EUR81.5m.

D* EUR83.3m.

Mark/Score: 1

2 Question Text:

The Days Payable Outstanding for a company have increased from 25 to 30 days. It has average outstanding payables of GBP10m and its purchases are spread evenly throughout the year.

Which of the following is the company's annual purchase figure?

Options

A GBP120,000,000.

B* GBP121,666,666.

C GBP132,727,273.

D GBP144,000,000.

Mark/Score: 1

3 Question Text:

Why could a company's cleared bank balance (local currency) be lower than the ledger balance?

Options

A The bank has given an earlier value date for the receivable side of a foreign exchange trade.

B The company has yet to repay its outstanding borrowings that are due today.

C* There are incoming cheques that have not been credited for the current value date.

D There was an urgent payment made late in the day which was not posted in the accounts.

Mark/Score: 1

4 Question Text:

What is a drawback of having excessive headroom?

Options

A Bank facility utilisation fees will be higher than required.

B Future drawdowns from the facility are likely to be restricted due to non-use of the facility.

C Having excess liquidity could lead to unnecessary investment in working capital.

D* The commitment fees for bank facilities would be higher than necessary.

Mark/Score: 1

5 Question Text:

Which of the following is the main cost of cash forecasting for a SME business?

Options

A Cost of a treasury management system including setup and annual maintenance.

B* Cost of labour time to produce and review the forecasts.

C Higher foreign exchange costs due to improved cash visibility from the forecast.

D Inaccurate forecasting can lead to incorrect decisions and high net interest charge.

Mark/Score: 1

6 Question Text:

Which of the following defines a par bond?

A bond whose yield represents:

Options

A* its coupon rates.

B what the investor is willing to pay.

C the inherent risk of the investment.

D prevalent market rates.

Mark/Score: 1

7 Question Text:

Which of the following will lead to a reduction in cash due to movement in working capital?

Options

A A reduction in stock levels.

B An increase in accounts payable.

C* An increase in accounts receivable.

D An increase in capital expenditure.

Mark/Score: 1

8 Question Text:

Which of the following payment methods would provide a company with the most certainty over the timing of its receipts?

Options

A ACH payment.

B Bank transfer.

C Cheque.

D* Direct debit.

Mark/Score: 1

9 Question Text:

Consignment inventory management is characterised by:

Options

A building up stock levels in anticipation of a large order with a new supplier.

B* inventory being held on site but only invoiced for once it has been used or resold.

C reorder levels that almost exactly match demand levels ensuring minimum stock levels.

D use of a mathematical model to calculate reorder quantities and frequency.

Mark/Score: 1

10 Question Text:

Which of the following is a characteristic of cash pooling?

Options

A Intercompany loans are not required.

B* Physical cash is moved to a centralised bank account.

C There is generally an increase in counterparty risk at a group level.

D Thin capitalisation rules are avoided.

Mark/Score: 1

11 Question Text:

Which of the following is a common characteristic shared by a payment factory and an in-house bank?

They both:

Options

A allow foreign exchange transactional hedging to be centralised.

B can reduce group borrowing requirements.

C facilitate straight through processing and hence reduce risk.

D* require strong controls as they concentrate operational risk.

Mark/Score: 1

12 Question Text:

Which of the following describes a reverse repo instrument?

Options

A A borrowing backed up by buying a basket of securities and selling them at maturity.

B A borrowing with the sale of securities at the start date and buying them back at maturity.

C A contract to purchase securities at a discount to the market price and resell later at market value.

D* An investment in a basket of securities which are then sold back at maturity.

Mark/Score: 1

13 Question Text:

Which TWO of the following are potential disadvantages for a company that increases the credit period it provides to its customers?

Options

A A reduction in accounts receivable leading to higher working capital levels.

B Delayed cashflow caused by an increase in accounts payable.

C* Higher costs associated with debt collection.

D* Higher interest costs due to delayed cashflow.

E Poor customer retention due to changed credit terms.

Mark/Score: 1

14 Question Text:

Which of the following does a bank mandate typically include?

Select **ALL** that apply.

Options

A A list of bank accounts and their purpose, i.e. receipts or payments.

B A list of financial instruments that are authorised for use.

C* A list of signatories to the account for payments.

D Details of the ownership structure.

E* Instructions as to how changes to the mandate can be authorised.

Mark/Score: 1

15 Question Text:

Which of the following are advantages of using a network bank rather than a correspondent bank?

Select **ALL** that apply.

Options

A By using a network bank the company is diversifying its payment options and reducing group payment risk.

B* It is easier to place a trace on a payment that has gone missing.

C* Payments can potentially be received on a same day value basis for some currencies.

D* The costs of a non-urgent payment are likely to be lower with a network bank.

E The coverage of the network bank is likely to be better in remote areas than that provided by a correspondent network.

Mark/Score: 1

SECTION B

Section B consists of 1 case study based scenarios, each containing 5 multiple choice questions (MCQs), **worth 1 mark each**, relating to the case study.

These questions are all single response MCQs.

Section B will focus on smaller sections of the syllabus and requires more depth of knowledge and application to practice.

Section B – case study 204-6-3

TTG is a French technology company that supplies personal finance software to the investment industry. It has a large customer base across Europe and customers typically pay by direct debit or standing order. The company provides a cloud-based solution and charges its customers a monthly fee for the use of its software. As the business has grown over the last five years, it has seen profitability rise with increased revenues outpacing development costs.

It has recently acquired another business in South America with the aim of increasing its customer base in that region. Customer payment terms are more varied than Europe and reliant on quarterly invoicing which is settled by the domestic automated clearing house (ACH) system a month later. The acquired company has several legacy bank relationships and banks accounts with less favourable bank arrangements and fees. The company is keen to keep costs to a minimum but embrace the latest technology from the banking sector using apps for invoicing and payment tracking. One concern is the rising banking costs but it is also essential for TTG to have full visibility of cash across the business and as close to real time as possible. Additionally, TTG is rolling out monthly cash forecasting to its subsidiaries in Europe and South America on a receipts and payments basis for one month time horizons.

16 Question Text:

Which bank service is likely to be the most important consideration for TTG to consider?

Options

A Access to sources of funding.

B* Efficient collection of customer funds.

C Interest rate on current accounts.

D Lowest bank fees.

Mark/Score: 1

17 Question Text:

Funding costs for the acquired company are likely to be higher due to:

Options

A higher payment fees.

B higher transaction receipt fees.

C interest apportionment fees.

D* less favourable value dating.

Mark/Score: 1

18 Question Text:

Which of the following is most important in facilitating the banking services that TTG uses?

Options

A* Application programming interfaces.

B Blockchain.

C Electronic data interchange.

D Machine learning.

Mark/Score: 1

19 Question Text:

What is likely to be the immediate impact on TTG's banking after the acquisition?

Options

A Higher credit risk.

B Improved diversity of funding.

C Lower bank fees.

D* Weaker group cash visibility.

Mark/Score: 1

20 Question Text:

The roll out of the proposed forecasting will be of benefit to TTG as it will:

Options

A help increase the number of bank accounts.

B help optimise medium term funding requirements.

C help understand long term cash trends.

D* provide visibility of FX exposures.

Mark/Score: 1

SECTION C

Section C is made up of 3 case study questions and is worth a total of 30 marks.

3 longer form questions: 3 x 10 mark questions.

Please note that some questions may be broken into sub-questions (for example a,b,c) on the next page.

Questions will be based on mini-scenarios common to practice. Questions will test knowledge, analysis, application and justification as appropriate to level descriptors.

Please ensure you open and read the associated Case Study information before answering the question. This can be found above the answer box.

Case Study C204-1

TSH manufactures garden furniture, which it sells through independent retail outlets and by direct on-line sale to individual consumers.

The assistant treasurer of TSH has been asked to review the company's working capital position against that of the industry average and has partially completed this review.

The treasurer of TSH has suggested that a sales discount of 1% for payment on delivery sounds like a very attractive proposition in view of the fact that the company pays 2% interest on short-term borrowings.

The assistant treasurer's analysis of TSH's working capital position is shown below:

TSH annual figures	**EUR '000**	**TSH end of year figures**	**EUR '000**	**TSH working capital days**	**Industry average working capital days**
Turnover	200	Accounts receivable	50	91.3	90
Purchases	110	Accounts payable	20		65
Cost of sales	120	Inventory	25		65
		Total working capital			90

21 Question Text:

Section C - Case Study 204-1a

Calculate the working capital days required to complete the treasurer's working capital analysis.

Type your answer in the table provided.

(3 marks)

Mark/Score: 3

22 Question Text:

Section C - Case Study 204-1b

Describe appropriate ways of improving TSH's working capital position in areas where it underperforms against the industry average.

(4 marks)

Mark/Score: 4

23 Question Text:

Section C - Case Study 204-1c

Discuss the validity of the treasurer's comment with regards to providing a sales discount for payment on delivery.

(3 marks)

Mark/Score: 3

Case Study C206-3

Company Bold plans to pay a dividend of EUR20m in 90 days' time. The funds are available now and Bold's treasurer is considering how best to invest these funds in the interim.

The treasurer is considering investing in one or more of the following instruments:

- **EUR20m in a 90-day money market deposit with Safe bank at interest of 4.7%**
- **EUR20.5m nominal of a 180-day certificate of deposit to be issued by Secure bank at an issue price of EUR20m, (equivalent to a yield of 5%).**

Secure bank has a lower credit rating than Safe bank.

24 Question Text:

Section C - Case Study 206-3a

Identify **FOUR** key considerations that a treasurer should take into account when deciding how best to invest surplus cash.

(2 marks)

Mark/Score: 2

25 Question Text:

Section C - Case Study 206-3b

Calculate:

1. the interest for the 90 day period for the money market deposit
2. for the CD
3. the holding period interest for the CD.

(5 marks)

Mark/Score: 5

26 Question Text:

Section C - Case Study 206-3c

Explain **THREE** factors, which are relevant to the treasurer's decision on whether to invest in the certificate of deposit or money market deposit under consideration.

(3 marks)

Mark/Score: 3

Case Study C204-4

RT is a company based in the UK. RT manufactures equipment.

The GBP bank account showed a cleared credit balance of GBP50,000 at the end of Monday 1 July.
RT's latest bank statement shows the following entries:

Ledger date	Value date	Debits (GBP)	Credits (GBP)
28 June	2 July	(20,000)	
1 July	3 July		80,000
2 July	4 July	(10,000)	
3 July	4 July		50,000

Interest is earned on credit balances on a banded basis using the following tiered interest rates:

Range (GBP)	Interest rate
0 – GBP50,000	0%
GBP50,001 to GBP120,000	2%
Above GBP120,000	3%

27 Question Text:

Section C - Case Study 204-4a

Describe **TWO** types of value dating, giving an example of when each would apply.

(3 marks)

Mark/Score: 3

28 Question Text:

Section C - Case Study 204-4b

Calculate the cleared balance, interest rate and interest earned each day.

Type your answer in the table provided.

(5 marks)

Mark/Score: 5

29 Question Text:

Section C - Case Study 204-4c

Discuss whether the interest earned would have been higher if interest rates had been set on a stepped basis.

(2 marks)

Mark/Score: 2

Case study mark scheme

Case study C205-1

Q1a Calculate the working capital days required to complete the treasurer's working capital analysis. — 3 marks

Q1b Describe appropriate ways of improving TSH's working capital position in areas where it underperforms against the industry average. — 4 marks

Q1c Discuss the validity of the treasurer's comment with regards to providing a sales discount for payment on delivery. — 3 marks

Total: 10 marks

Further info

Spreadsheet format required for part a

TSH annual figures	EUR '000	TSH end of year figures	EUR '000	TSH working capital days	Industry average working capital days
Turnover	200	Accounts receivable	50	91.3	90
Purchases	110	Accounts payable	20		65
Cost of sales	120	Inventory	25		65
		Total working capital			90

1a

Mark Scheme

TSH annual figures	EUR '000	TSH end of year figures	EUR '000	TSH working capital days	Industry average working capital days
Turnover	200	Accounts receivable	50	91.3	90
Purchases	110	Accounts payable	20	66.4 (= 20/110 x 365)	65
Cost of sales	120	Inventory	25	76.0 (= 25/120 x 365)	65
		Total working capital	55	100.4 (= 55/200 x 365)	90

1 mark per calculation

(3 marks)

1b

1 mark per point up

1c	• TSH should focus on improving control of inventory as its inventory days are considerably higher than the industry average. • Inventory can be improved by keeping inventory levels low as possible but still be able to meet customer requirements. • Mathematical models can be used to determine optimum reordering levels. • Just-in-time (JIT) can also be used to minimise raw material storage. • (No marks for mentioning consignment inventory arrangements as these would increase rather than reduce inventory levels for TSH.) The treasurer is not correct, as the sales discount is more expensive than borrowing. The sales discount only releases funds 90 days earlier at a cost of 1% which is approximately equivalent to 4% a year. The borrowing rate on short-term funds is considerably lower at 2% a year.	(4 marks) 1 mark per point (3 marks) **Total: 10 marks**

Case study C206-3

Q3a	Identify **four** key considerations that a treasurer should take into account when deciding how best to invest surplus cash.	2 marks
Q3b	Calculate: i. the interest for the 90day period for the money market deposit ii. for the CD and iii. the holding period interest for the CD	1 mark 2 marks 2 marks
Q3c	Explain three factors, which are relevant to the treasurer's decision on whether to invest in the certificate of deposit or money market deposit under consideration.	3 marks **Total: 10 marks**
3a	**Mark Scheme** Factors to take account of for surplus cash: • Security • Liquidity • Maturity • Yield	½ mark per point (up to 2 marks)
3b	Interest calculations i. MMD deposit = 20m x 90 /360 * 4.70% = 235,000 ii. CD = 20.5m / (1 + 5% * 90/360) = 20,246,913.58 Interest = 246,913.58 iii. Holding period interest = (20,246,913.58/20,000,000 -1) * (360/90) = 4.9383%	1mark 2 marks 2 marks
3c	Relevant factors for a decision on CD: • Security: Secure bank issuing the CD has a lower credit rating than Safe bank. • Liquidity: the CD can be sold before maturity but the MM deposit cannot. • Yield: the CD has a higher return than the MMD which is surprising given it has more flexibility/liquidity.	(5 marks) 1 mark per point (3 marks) **Total: 10**

		marks

Case study C204-4

Q4a	Describe two types of value dating, giving an example of when each would apply.	3 marks
Q4b	Calculate the cleared balance, interest rate and interest earned each **day**. Type your answer in the table provided below.	5 marks
Q4c	Discuss whether the interest earned would have been higher if interest rates had been set on a stepped basis.	2 marks **Total: 10 marks**
	Spreadsheet template- all numbers in GBP **Date** / **Cleared balance** / **Interest Rate** / **Interest per day** 01-Jul 02-Jul 03-Jul 04-Jul	

	Mark Scheme	
Q4a	Forward value dating is where the customer is given a later value date and the bank earns interest on the funds up to that date e.g. collect value for cheque day 2 and give customer value day 4. Back value dating is where the customer is given a value date earlier than the date that the bank obtains value for the funds. E.g. to correct a bank error.	1 1/2 mark per point (up 3 marks)
4b	**Date** / **Cleared balance** / **Int Rate** / **Interest per day** 01-Jul: 50,000 / - / 0 02-Jul: 30,000 / - / 0 03-Jul: 110,000 / 2% / 6 04-Jul: 150,000 / 3% / 12	½ mark each number in table (ignore – dashes) (up to 5 marks)
4c	On a *stepped basis* interest is calculated in increments on the balance. For example, the balance of GBP 110,000 would only earn 2% interest on GBP 60,000, the value above GBP 50,000. The company would therefore prefer a banded basis.	1 mark per point (up to 2 marks) **Total: 10 marks**

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