

Essentials for Treasury Management, 3rd Edition

Table of Contents and Number of Exam Questions by Chapter

Chapter 1: The Role and Organization of Treasury Management - 8 to 10 questions

Chapter 2: Financial Regulatory Environment - 5 to 7 questions

Chapter 3: Managing Relationships with Service Providers - 11 to 13 questions

Chapter 4: Financial Accounting and Reporting - 3 to 5 questions

Chapter 5: Financial Planning and Analysis - 8 to 10 questions

Chapter 6: Introduction to Working Capital Management - 5 to 7 questions

Chapter 7: Working Capital Tools - 9 to 11 questions

Chapter 8: Cash Management and Forecasting - 14 to 16 questions

Chapter 9: Financial Risk Management - 8 to 10 questions

Chapter 10: Payment Systems, Collections and Disbursements - 16 to 18 questions

Chapter 11: Money Markets, Short Term Investing and Borrowing - 12 to 14 questions

Chapter 12: Capital Markets - 7 to 9 questions

Chapter 13: Financial Decisions and Management - 6 to 8 questions

Chapter 14: Capital Structure and Dividend Policy - 5 to 7 questions

Chapter 15: Operational and Enterprise Risk Management - 7 to 9 questions

Chapter 16: Treasury Policies and Procedures - 6 to 8 questions

Chapter 17: Information Technology in Treasury - 3 to 5 questions

** Unscoored Questions – 20

Total – 170 questions

- 33-37 % of questions test knowledge of basic facts and terms
- 38-42 % of questions test an understanding of concepts and principles
- 23-27 % of questions test the higher thinking ability to apply concepts and principles to specific situations
- 10-15% of the questions will require mathematical computations.

** These questions are unscored and do not count towards the final score.

Table of Contents

Section I: The Corporate Treasury Management Function	.
Chapter 1: The Role and Organization of Treasury Management	.
I. Introduction to the Study of Treasury Management	.
II. The Role of Treasury Management	.
A. Treasury and Its Relationship to the Corporate Finance Function	.
B. Treasury Management Objectives	.
C. Trends in Treasury	.
III. Finance and Treasury Organization and Operations	.
A. Financial Professionals in an Organization	.
B. Role of the Board of Directors in Treasury Operations	.
C. Cash Management Operations	.
D. Internal and External Collaboration	.
E. Efficient Treasury Operations	.
F. Business Transitions: Mergers, Acquisitions and Reorganization	.
IV. Treasury/Finance Organizational Structure	.
A. Centralized Versus Decentralized Control	.
B. Shared Service Center (SSC)	.
C. In-House Banking	.
V. Corporate Governance	.
A. The Challenges of Corporate Governance	.
B. Corporate Governance in the United States	.
C. Investor Relations	.
D. Role of Independent Directors	.
VI. Ethics and Accountability	.
A. Code of Conduct for Treasury	.

B. Treasury Policies and Procedures (P&Ps) .

C. Training Sessions in Corporate Treasury Ethics .

D. Areas of Particular Concern .

Chapter 2: Financial Regulatory Environment .

I. Introduction .

II. General Regulatory Environment .

A. General Types of Financial Institution (FI) Regulation .

B. The Current State of Financial Regulation .

III. Primary Regulators and Standard Setters of Global Financial Markets .

A. Financial Stability Board (FSB).

B. Bank for International Settlements (BIS)

C. International Organization of Securities Commissions (IOSCO) .

D. Financial Action Task Force (FATF) .

E. International Association of Insurance Supervisors (IAIS) .

IV. U.S. Regulatory Environment.

A. U.S. Department of the Treasury

B. Regulatory Agencies .

C. Financial Stability Oversight Council (FSOC)

D. Federal Reserve System (Fed) .

E. Office of the Comptroller of the Currency (OCC) .

F. Federal Deposit Insurance Corporation (FDIC) .

G. Other Regulatory of Depository Financial Institutions (FIs)

H. Regulatory/Supervisory Agencies Focusing on Consumer Protection, Investors and Insurance Companies .

I. Federal Government Actions During the Great Recession.

V. U.S. Federal Legislation .

A. Legislation Governing Regulation and Supervision of Financial Institutions (FI) and Financial Services

B. Legislation Governing Payment Systems and Instruments .

C. Legislation Relating to Financial Crimes, Money Laundering and Financial Disclosure

D. Legislation Governing Consumer Protection .

E. Federal Reserve Regulations .

F. Tax Considerations and the Foreign Tax Credit

G. Regulations Relating to Unclaimed Property (Escheatment)

VI. The Uniform Commercial Code (UCC).

A. Article 3 – Negotiable Instruments .

B. Article 4 – Bank Deposits and Collections .

- C. Article 4A – Funds Transfers .
- D. Article 5 – Letters of Credit (L/Cs) .
- E. Article 9 – Secured Transactions

VII: The Employee Retirement Income Security Act (ERISA)

- A. Types of Retirement Plans
- B. Objectives of the Employee Retirement Income Security Act (ERISA) .
- C. Impact on Corporate Governance .
- D. Reporting and Disclosure Requirements .
- E. The Nondiscrimination Rule .
- F. Plan Termination .
- G. Pension Protection Act (PPA)
- H. The Health Insurance Portability and Accountability Act (HIPAA)

VIII. U.S. Bankruptcy Legislation

- A. Critical Issues in a Business Bankruptcy Decision
- B. Bondholders' Rights
- C. Shareholders' Rights
- D. Chapter 11 Bankruptcy (Reorganization)
- E. Chapter 7 Bankruptcy Procedures
- F. Formal Versus Informal Bankruptcy Procedures

Chapter 3: Managing Relationships with Service Providers .

- I. Introduction .
- II. Financial Institutions (FIs): Functions and Services .
 - A. Global (Non-U.S.) Financial Institutions (FIs) .
 - B. U.S. Commercial Banks .
 - C. Investment Banking and Brokerage Firms .
 - D. Other Financial Institutions .
- III. Financial Service Provider (FSP) Selection Process .
 - A. Selection Criteria .
 - B. Soliciting Information from Financial Service Providers (FSPs) .
 - C. The Selection Decision .
- IV. Bank Relationship Management .
 - A. Number of Bank Relationships .
 - B. Documentation .
 - C. Performance Measurement and Evaluation .
 - D. Bank Compensation Practices.
 - E. Fee Versus Balance Compensation .

F. Comparing Costs Among Service Providers	.
G. Billing for Bank Services	.
V. Global Account Management	.
A. Sovereign and Political Risk	.
B. Value Dating	.
C. Bank Compensation and Fee Structures	.
D. Legal and Ethical Issues	.
VI. Account Analysis in the U.S. Commercial Banking System	.
A. Account Analysis Standards	.
B. Account Analysis Terminology	.
C. Account Analysis Calculations	.
VII. Monitoring Financial Service Provider Risk	.
A. Monitoring Financial Institution (FI) Risk	.
B. The CAMELS Rating System and Financial Institution Risk	.
C. Basel and Basel II	.
VIII: Other Topics in Managing Service Provider Relationships	.
A. Benchmarking Bank Pricing	.
B. Counterparty Risk	.
C. Offshoring of Financial Services	.
D. Managing Card Programs	.
Section II: Corporate Financial Management	.
Chapter 4: Financial Accounting and Reporting	.
I. Introduction	.
II. Accounting Concepts and Standards	.
A. Global Accounting Standards	.
B. U.S. Accounting Standards	.
III. Financial Reporting Statements	.
A. Auditing and Financial Statement Reliability	.
B. Types of Financial Statements	.
IV. Accounting for Derivatives, Hedges and Foreign Exchange (FX) Translation	.
A. Derivatives and Hedge Accounting	.
B. Foreign Exchange (FX) Translation Accounting	.
V. Accounting for U.S. Governmental and Not-For-Profit (G/NFP) Organizations	.
VI. Impact of Pension Plans and Deferred Compensation on Financial Statements	.
Chapter 5: Financial Planning and Analysis	.
I. Introduction	.

II. Basic Financial Concepts	.
A. Time Value of Money	.
B. Opportunity Cost	.
C. Cost of Capital	.
D. Cost Behavior	.
III. Decision Evaluation	.
A. Identifying Relevant Costs and Revenues	.
B. Cost/Benefit Analysis	.
IV. Developing Operating and Financial Budgets	.
A. Budgets and Financial Plans	.
B. The Budgeting Process	.
C. Treasury's Role in Budgeting	.
D. Uses of Budgets and Financial Plans	.
V. Financial Statement Analysis	.
A. Common-Size Statements and Ratios	.
B. Liquidity or Working Capital Ratios	.
C. Efficiency or Asset Management Ratios	.
D. Debt Management Ratios	.
E. Performance Ratios	.
F. Integrated Ratio Analysis	.
G. Service Industry Ratios	.
H. Strengths and Limitations of Ratio Analysis	.
VI. Performance Measurement	.
A. Return on Investment (ROI)	.
B. Residual Income (RI)	.
C. Free Cash Flow (FCF)	.
D. Economic Value Added (EVA)	.
VII. Financial Analysis and Rating Agencies	.

Section III: Working Capital Management .

Chapter 6: Introduction to Working Capital Management .

I. Overview of Working Capital	.
II. The Working Capital Cash Conversion Cycle (CCC)	.
A. Days' Inventory or Inventory Conversion Period	.
B. Days' Receivables or Receivables Conversion Period	.
C. Days' Payables or Payables Conversion Period	.
D. Calculating the Cash Conversion Cycle (CCC)	.

- III. How Changes in Current Accounts Impact External Financing .
 - A. Changes in Current Assets .
 - B. Changes in Current Liabilities .
 - C. External Financing Requirements .
- IV. Working Capital Investment and Financing Strategies .
 - A. Current Asset Investment Strategies .
 - B. Current Asset Financing Strategies .
- V. Management of Credit and Accounts Receivable (A/R) .
 - A. Relationship Between Treasury and Credit Management .
 - B. Trade Credit Policies .
 - C. Billing and Collection Methods
 - D. Forms of Credit Extension .
 - E. Cash Application .
 - F. Considerations Pertaining to Terms of Sale .
 - G. Financing Accounts Receivable (A/R) .
 - H. Cross-Border Trade Management .
 - I. Developments in Credit and Accounts Receivable (A/R) .
 - J. Legislation Affecting Credit and Collections in the United States .
- VI. Management of Inventory .
 - A. Elements of Basic Inventory Policy .
 - B. Inventory Financing .
- VII. Management of Accounts Payable (A/P) .
 - A. Disbursement System Considerations .
 - B. Accounts Payable (A/P) Developments .

Chapter 7: Working Capital Tools .

- I. Introduction .
- II. Treasury Management Timelines .
 - A. The Operating Cycle and the Cash Flow Timeline .
 - B. Evaluating the Impact of Changes to the Cash Flow Timeline .
 - C. Operating Cash Flows.
 - D. Cash Flow Timeline and Float .
 - E. Collection Float .
 - F. Disbursement Float .
 - G. Information Delay Issues .
- III. Cash Discount Calculations .
 - A. Costs for a Buyer of Not Taking the Cash Discount .

B. Benefits for a Seller of Offering a Cash Discount

IV. Cash Conversion Cycle (CCC)

- A. Days' Inventory
- B. Days' Receivables
- C. Days' Payables
- D. Calculation of the Cash Conversion Cycle (CCC)
- E. Cash Turnover Ratio.

V. Accounts Receivable (A/R) Monitoring and Control

- A. Days' Sales Outstanding (DSO)
- B. Aging Schedule
- C. Accounts Receivable (A/R) Balance Pattern

VI. Considerations for Global Working Capital Management

- A. Global Working Capital Management Tools and Techniques
- B. Export Financing

VII. Electronic Commerce (E-Commerce).

- A. Different Types of E-Commerce
- B. Electronic Data Interchange (EDI)
- C. Use of the Internet for E-Commerce and Electronic Data Interchange (EDI)
- D. Key Issues in the Development of E-Commerce
- E. Business to Business (B2B) E-Commerce Implementation
- F. Future of E-Commerce

Section IV: Cash and Liquidity Management

Chapter 8: Cash Management and Forecasting

I. Introduction

II. Cash Management Process Considerations

III. Liquidity Management

- A. Cash Inflows and Outflows
- B. Reasons for Holding Liquidity
- C. Proper Level of Liquidity
- D. Stress Test of Liquidity Policy
- E. Using Short-Term Investments for Liquidity Management
- F. Using Short-Term Financing for Liquidity Management

IV. Cash Concentration and Pooling Systems

- A. Global Concentration of Funds
- B. Cash Concentration Systems (U.S.)

V. Cash Forecasting

A. Objectives of Cash Forecasting	.
B. Forecasting Process	.
C. Forecasting Methods	.
VI. Projected Closing Cash Position	.
VII. Cash Management Risks and Controls	.
A. Internal Control Issues	.
B. External Fraud	.
C. Bank Failure	.
Section IV: Cash and Liquidity Management	.
Chapter 9: Financial Risk Management	.
I. Overview of Risk Management in Treasury	.
A. Basics of Financial Risk Management	.
B. Techniques Used to Measure Financial Risk	.
C. Role of the Treasury Area	.
D. Hedging, Speculation and Arbitrage	.
E. The Benefits of Financial Risk Management	.
II. Derivative Instruments Used as Financial Risk Management Tools	.
A. Forwards	.
B. Futures	.
C. Swaps	.
D. Options	.
III. Foreign Exchange Risk Management in Treasury	.
A. Challenges in International/Global Treasury Management	.
B. Foreign Exchange (FX) Rates	.
IV. Foreign Exchange (FX) Exposure	.
A. Economic Exposure	.
B. Transaction Exposure.	.
C. Translation Exposure	.
V. Currency Derivatives Used to Hedge Foreign Exchange (FX) Exposure	.
A. Currency or Foreign Exchange (FX) Forwards	.
B. Currency Futures	.
C. Currency Swaps	.
D. Currency Options	.
VI. Interest Rate Exposure and Risk Management	.
A. Interest Rate Forwards	.
B. Interest Rate Futures	.

C. Interest Rate Swaps .

D. Interest Rate Options.

VII. Commodity Price Exposure .

VIII. Other Issues Related to Financial Risk Management .

A. Accounting Issues .

B. Valuation and Disclosure of Derivative Instruments .

C. Impact on Derivatives from Dodd-Frank Act

D. Tax Issues Related to Hedging .

E. Hedging Policy Statement .

F. Emerging Markets .

Chapter 10: Payment Systems, Collections and Disbursements .

I. Introduction .

II. Basics of Payment Systems .

A. Cash Payments Systems

B. Paper Systems

C. Electronic Systems

D. Payment Card Systems

E. Key Participants in the Payment Clearing Process

F. The Settlement Process

G. Newly Emerging Systems

III. Common Payment Practices and Issues

A. Society for Worldwide Interbank Financial Telecommunication (SWIFT)

B. Issues for Companies Accepting Primarily Cash Payments

C. Issues Related to Paper-Based International Payments

D. Electronic Payment Security

E. Industry-Based Net Settlement Systems

VI. Global Banking Systems and Practices .

A. Identification of Bank Accounts .

B. Characteristics of Banks and Payment Systems in Europe, Canada and Mexico .

C. Anti-Money Laundering and Its Impact on Payments .

D. Continuous Linked Settlement (CLS) .

E. Straight-Through-Processing (STP)

F. ISO 20022 Global Standards.

V. U.S. Payment Systems and Instruments .

A. Paper-Based Payments .

B. Electronic Funds Transfers (EFT)

C. Card-Based Payments .

VI. U.S. Collections and Disbursements Systems .

A. Collections .

B. Disbursements .

Section V: Money and Capital Markets .

Chapter 11: Money Markets, Short-term Investing and Borrowing .

I. Introduction .

II. Global Money Markets .

A. Money Market Participants

B. Types of Money Market Instruments and Investments

III. Short-Term Money Markets in the United States .

A. Processing and Clearing of Short-Term Investments .

B. U.S. Money Market Participants .

C. U.S. Money Market Instruments .

IV. Managing Short-Term Investments .

A. Short-Term Investment Policy .

B. In-house Management of Short-Term Investment Portfolio .

C. Outsourced Management of Short-Term Investment Portfolio .

D. Investment Strategies

D. Reporting .

E. Securities Safekeeping and Securities Custody Services .

F. Investment Risk Considerations and Factors Influencing Investment Pricing .

V. Pricing and Yields on Short-Term Investments .

A. Factors Influencing Investment Pricing .

B. Yield Calculations for Short-Term Investments.

VI. Managing Short-Term Financing .

A. Short-Term Funding Alternatives .

B. Pricing and Costs of Principal Short-Term Financing Sources .

Chapter 12: Capital Markets .

I. Introduction .

II Overview of Capital Markets .

A. The Basics of Financial Markets .

B. Key Participants .

C. Division of the Capital Markets .

D. Security Exchanges and Over-The-Counter Markets .

III. Debt Financing .

- A. Medium- and Long-Term Borrowing .
- B. Other Factors in Using Debt as a Source of Capital .

IV. Equity (Stock) Securities .

- A. Common Stock .
- B. Preferred Stock .
- C. Hybrid Securities
- D. International Equity Market
- E. Depositary Receipts

V. Managing Capital Markets Investments .

- A. Objectives of Capital Market Investments .
- B. The Asset Allocation Decision .
- C. Long-term Fixed-income (Debt) Portfolio Management .
- D. Equity (Stock) Portfolio Management .

VI. Valuation of Long-Term Securities .

- A. Bond or Fixed Income Valuation
- B. Preferred Stock Valuation
- C. Common Stock Valuation

Chapter 13: Financial Decisions and Management .

I. Introduction .

II. Importance of the Finance and Treasury Functions in an Organization .

- A. Financial Objectives for Treasury Professionals .
- B. Financial Objectives of Different Types of Organizations .
- C. The Finance Function .
- D. Key Finance Decisions .

III. Raising and Managing Long-term Capital .

- A. Raising Capital .
- B. Managing Outstanding Capital .
- C. Cost of Capital .

IV. Cost of Capital and Firm Value .

- A. Capital Components and Costs .
- B. Cost of Debt .
- C. Cost of Common Equity .
- D. Weighted Average Cost of Capital (WACC) .
- E. Firm Value .

V. Debt Financing and Management .

- A. Costs of Borrowing .

- B. Basic Components in Interest Rates .
- C. Base Rates .
- D. Short-Term versus Long-Term Borrowing .
- E. Loan Agreements and Financial Covenants .
- F. Credit Rating Agencies .

VI. Lease Financing and Management .

- A. Why Companies Lease .
- B. Types of Leases .
- C. Estimated Residual Value .
- D. Tax Considerations For U.S. Corporations .
- E. Lease versus Borrow-and-Buy Decision .

VII. Equity Financing and Management .

- A. Initial Public Offering (IPO) and the Decision to List Stock in the United States.
- B. Shareholder Rights
- B. Financing Mergers and Acquisitions .

VIII. Other Topics in Financial Decisions .

- A. Tax Strategies .
- B. Impact of a Financial and Credit Crisis
- C. Market Analysis and Research Tools

Chapter 14: Capital Structure and Dividend Policy .

I. Introduction .

II. Capital Structure of a Company .

- A. Optimal and Target Capital Structures .
- B. Trade-Offs Between Financing with Long-Term Debt and Common Stock .
- C. Capital Structure Theory .
- D. Business and Financial Risk .
- E. Target Capital Structure
- F. Other Considerations in the Capital Structure Decision.
- G. Capital Structure in U.S. Not-For-Profit Organizations .

III. Use of Private Equity .

- A. Definition of Private Equity .
- B. Advantages of Private Equity .
- C. Disadvantages of Private Equity .
- D. Role of Sovereign Wealth Funds (SWF) in Private Equity .

IV. Dividend Policy .

- A. Setting Dividend Policy .

- B. Constraints on Dividend Policy .
- C. Dividend Policy and the Cost of Capital .
- D. Information Content of Dividends .
- E. Clientele Effect .
- F. Stability of Dividends .

V. Dividend Considerations .

- A. Dividend Payment Procedures .
- B. Dividend Reinvestment Plans (DRIPs) .
- C. Types of Dividends .
- D. Stock Repurchases .
- E. Intracompany Dividends .
- F. Taxes on Dividends .

VI. Repatriation of Capital for Multinational Companies (MNCs) .

- A. Multinational Company Dividends .
- B. Management Fees .
- C. Transfer Pricing .
- D. Intracompany Loans .
- E. Deemed Dividends .
- F. Restrictions on Dividends .

Section VI: Treasury Operations and Controls .

Chapter 15: Operational and Enterprise Risk Management .

I. Introduction .

II. General Risk Management .

- A. Risk Management Process .
- B. The Risk Profile .

III. Operational Risk Management .

- A. Internal Operational Risks .
- B. External Operational Risks .
- C. Fundamental Factors for Operational Risk Management Strategy .

IV. Payment System Risk (PSR)

- A. Systemic Risk
- B. Settlement Risk
- C. Fraud Risk Related to Payments

V. Enterprise Risk Management (ERM) .

- A. Market Risk
- B. Credit Risk .

C. Other Risks .

VI. Disaster Recovery and Business Continuity .

VII. Insurance Risk Management.

A. Using Insurance Contracts to Manage Risk

B. Dealing with Insurance Providers .

C. Insurance Risk Management Services

D. Risk Financing Techniques

Section VI: Treasury Operations and Controls .

Chapter 16: Treasury Policies and Procedures .

I. Introduction .

A. The Role Treasury Policies and Procedures

B. Why Treasury Policies and Procedures are Needed

C. Key Areas for Treasury Policies and Procedures

II. Process for Developing Policy Guidelines and Procedures

A. Key Control Issues .

B. The Development Process .

C. Approval of the Policy .

D. Reviews, Updates, Revisions and Procedures Implementation

E. The Procedure Development Process

III. Payments Policy Guide

A. Purpose and Scope of the Guidelines for Payments Risk Policy Development

B. Factors Impacting Payments Risk Exposure

C. Payment Methods .

IV. Collection and Concentration Policy Guide .

A. Objectives .

B. Specific Guidelines .

C. Roles and Responsibilities ..

V. Investment Policy Guidelines .

A. Importance of Having an Investment Policy .

B. Setting Investment Objectives .

C. Investment Selection and Approved List .

D. Investment Requirements .

E. Other Issues in Developing Investment Policies

VII. Card Policy Guidelines

A. Cards Issued to Employees

B. Cards Accepted from Customers

VIII. Bank Account and Financial Service Authority Policies

- A. Objective
- B. Bank Relationship Policies

IX. Additional Areas to Consider in Treasury Policies and Procedures

- A. Compliance Procedures Related to Money Laundering, Trade and Corruption Regulations
- B. Policies Related to Funding/Financing
- C. Other Key Policy Topics and Control Activities Within a Treasury Department

X. Outsourcing Policy and Control Issues

Section VI: Treasury Operations and Controls

Chapter 17: Information Technology in Treasury

I. Introduction

II. Basics of Electronic Commerce (E-Commerce)

- A. Benefits of E-Commerce
- B. Internet, Intranet and Extranet
- C. Using the Internet for E-Commerce
- D. The Languages of E-Commerce
- D. E-Commerce Security Issues

III. Electronic Data Interchange (EDI) Infrastructure

- A. Electronic Data Interchange (EDI) Standard Formats
- B. Business-to-Business (B2B) Banking Services (B2B Electronic Banking)

IV. Treasury Management Systems (TMSes)

- A. Information Management and Technology
- B. The Role of Information Management in Treasury
- C. Information Exchange Between Financial Services Providers (FSPs) and Treasury
- D. Selecting and Implementing Treasury Management Systems (TMSes) and Related Software
- E. Future Treasury Management System (TMS) Trends

V. Other Issues in Treasury Technology

- A. Transaction Workflow Innovation Standards Team (TWIST)
- C. External Investment Portals
- D. Mobile Banking
- E. Dashboard Reporting

