


**Essential Learning for CTP Candidates**  
**Carolinas Cash Adventure 2018 – Session #CTP-01**

Carolinas Cash Adventure Conference 2018

**Essential Learning for CTP Candidates**



**The Treasury Academy**  
New Frontiers in Treasury Education

D.J. Masson, CTP, FP&A & Tyrone Gant, CTP

May 20 – 23, 2018

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Carolinas Cash Adventure – 2018  
**Essential Learning for CTP Candidates**  
Session 1: Sunday Afternoon (5/20)

- ❖ **Rapid Introductions**
- ❖ **Dispelling Common Misconceptions About the CTP Exam**
- ❖ **How ETM is Created & the Exam is Developed**
- ❖ **Successful Tips & Strategies**

The Certified Treasury Professional® (CTP) designation is sponsored by the Association for Financial Professionals® (AFP)

The CTP Exam is based on the AFP's body of knowledge, **Essentials of Treasury Management, 5<sup>th</sup> Edition**® (ETM5)

**Essentials** (ETM5) is published by the AFP which holds the copyright and all rights to the relevant materials

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**Introductions**



- How many of you are corporate practitioners?
- How many of you are bankers?
- How many of you are third-party vendors?
- How many of you have an undergraduate degree in Business?
- How many of you have an MBA?
- How many of you have taken the CTP Exam previously (optional)

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# Essential Learning for CTP Candidates

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### Dispelling Common Misconceptions About the CTP Exam: 1



- The exam is divided into sections just like **Essentials (ETM5)**.
- Being able to pass means I have to be very good at rote memorization.
- The questions are heavily weighted in favor of corporate practitioners; the questions are heavily weighted in favor of bankers.
- Having an MBA or a degree in Finance means I can pass with very little preparation.
- The exam has a large number of calculations; therefore, if I am not good at math, I will never pass.

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### Dispelling Common Misconceptions About the CTP Exam: 2



- Preparing for the exam requires 6 – 12 months of study.
- I have to answer each question before I can go to the next question.
- Once I have responded to a question, I cannot change my answer.
- The test is designed to test my ability to take a test, not my understanding of **Essentials**.
- There will be questions on current topics, not just on the material in **Essentials**.
- I have been in the treasury profession for over 20 years; there is very little I haven't done; the test should be a cake walk.

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### Dispelling Common Misconceptions About the CTP Exam: 3



- I do not need to study the acronyms or glossary terms.
- I do not need to study any material in **Essentials** related to my own area of subject matter expertise since, as a treasury professional, I perform these tasks on a daily basis.
- The pass rate (i.e., the “cut” score) is arbitrarily set by AFP.
- If I miss 5 questions I will not pass because everyone I know who did not pass got a score of 295 – 5 points below the passing score of 300.

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# Essential Learning for CTP Candidates

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### Dispelling Common Misconceptions About the CTP Exam: 4

- Are there any other rumors you frequently hear about the CTP Exam that may be misconceptions?



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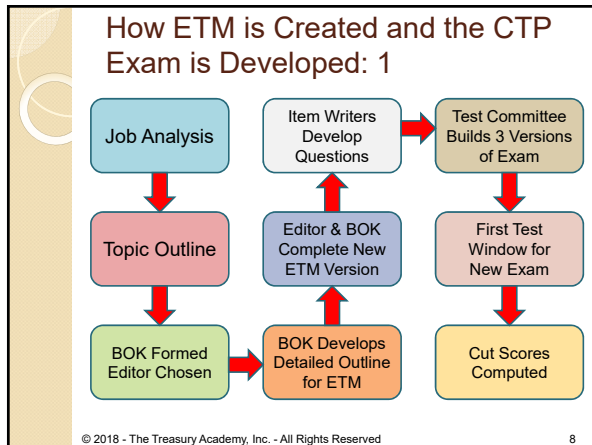
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### How ETM is Created and the CTP Exam is Developed: 2

- A job analysis is performed to survey current industry practices.
- A topic outline is developed from the job analysis.
- A BOK Committee is formed made up of corporate practitioners, bankers, and independent subject matter experts. (The corporate practitioners are from a range of industries, including not-for-profits).
- The BOK Committee develops a detailed outline of **Essentials** based on the job survey.
- The BOK selects an editor based on responses to an RFP.
- A new version of **Essentials** is written by this editor under the guidance of the BOK Committee.



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# Essential Learning for CTP Candidates

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### How ETM is Created and the CTP Exam is Developed: 3



7. After the new edition of **Essentials** is written, an Item Writers Committee is formed made up of corporate practitioners, bankers, and independent subject matter experts.
8. The Item Writers Committee develops possible test questions based on strict guidelines. Every correct answer and "distractor" must be referenced back to **Essentials**; there are no "made up" distractors.
9. A Test Committee of current CTPs is formed to select the questions from the Item Writers Committee that will be on the exam.
10. Three versions of the 170 question exam are developed by the Test Committee.
11. The members of the Test Committee take the final version of each exam to further determine its validity.

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### How ETM is Created and the CTP Exam is Developed: 4



- The test has a standardized scoring system to determine passing scores and this becomes the "cut" score for each exam.
- Each of the three versions of the exam has its own "cut" score, more difficult versions have a lower "cut" score.
- In the first test window for an updated edition of **Essentials**, the "cut" scores are not determined until after the test window is closed.
- After the first test window, the "cut" scores for **Essentials** will be determined and anyone taking the exam in later windows will receive the result at the testing site immediately upon completing the exam.

**Note:** Only 150 out of the 170 questions determine whether a candidate passes; the other 20 are questions being tested for possible use on future exams.

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### How ETM is Created and the CTP Exam is Developed 5

- Are there any questions you have about how **Essentials (ETM5)** is created and/or how the CTP exam is developed?



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# Essential Learning for CTP Candidates

## Carolinas Cash Adventure 2018 – Session #CTP-01

Carolinas Cash Adventure 2018  
**Essential Learning for CTP Candidates**

❖ **Successful Tips & Techniques for Preparing for the CTP Exam: Part I**



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Basic Facts About the CTP Exam



- The CTP exam is a book test, not a work experience test.
- Every test is a reading test; especially so with the CTP Exam. Questions and answers often depend on how they are worded.
- Many candidates find it very effective to read the answers first, then go back to the stem. This can help identify the context of a question. As we will see shortly, this is especially true with the Roman Numeral format.
- Only 4-function calculators are allowed. They do not have a memory function. They are provided for you at the testing center. If you use a financial or scientific calculator, practice doing the calculations using a 4-function.
- There is no penalty for guessing, but only do it as a last resort. Questions left blank will be counted as wrong answers.

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Successful Tips & Techniques: 1



- If you have not done so already, begin by reading the **2018 Certification Candidate Guide** and the **CTP Exam Preparation Guide** (both available on [www.afpponline.org](http://www.afpponline.org)).
- The test is a “numbers game.” As such, you must be aware of the numbers so that you are strategic in how you (1) prepare for the exam and (2) take the exam.
- Here are the basic numbers:
  - ❖ There are 170 questions.
  - ❖ Each question has one of 4 possible answers.
  - ❖ You have 3.5 hours or 210 minutes.
  - ❖ 210 minutes / 170 questions = 74 seconds per question.
  - ❖ The best way to ensure success is to go through the exam twice; to do so, you must answer every question during the first round in 37 seconds.

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### Successful Tips & Techniques: 2



- It may seem absurd to answer every question in 37 seconds the first round of the exam. There are four empirical reasons why this is the best strategy:
  1. Multiple choice exams are based on “recognition and recall;” therefore, the best strategy is to rely on quick responses.
  2. Multiple choice exams are objective, not subjective; they are not designed to test a complex understanding of a subject in the way that an essay question would. This does not mean, however, that the test makers cannot find devious ways of creating questions that, based on how they are written, can seem complex. We will see how when we review the question formats later in this module.

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### Successful Tips & Techniques: 3



- Four empirical reasons why answering every question in 37 seconds the first round of the exam this is the best strategy (continued):
  3. If you begin to look for ambiguous or complex understandings, you are doomed; you will never finish the exam in the allocated time because you will overanalyze every word and search for every possible meaning.
  4. Frustrated, you will fall back on what you or your company or bank does; this is irrelevant because “Essentials Rules.”

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### Successful Tips & Techniques: 4



- If you go through the entire test twice, you **MUST** rigorously adhere to the following strategy: On your first round, take only 37 seconds to sort 170 questions into one of the following three categories:
  1. **Slam dunk** – The answer is immediately obvious to you. (Answer during the first pass and never go back and review or you will overanalyze the question and be tempted to change your initial correct answer to one that is incorrect.)
  2. **Either/or** – There are two possible answers. (You still have a 50/50 chance if you have to guess during your second pass.)
  3. **I'm “cluefree”** – I have no clue as to the question, let alone the answer. (You still have a 25% chance of getting it right if you must guess during your second pass.)

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### Successful Tips & Techniques: 5



- Why would you want to go through the exam twice? In other words, what is the advantage in going through the entire exam during your first pass in 105 minutes?
  - ❖ You have scoped out the exam. You now know the entire range of questions. You are well-informed.
  - ❖ You have not allowed yourself to get bogged down in overanalyzing questions that frustrate you which leads to the kind of anxiety and panic that burns valuable time.
  - ❖ You have found all the questions that are “slam dunk” for you.

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### Successful Tips & Techniques: 6



- Why would you want to go through the exam twice? (cont.)
  - ❖ Information contained in a question may remind you of something you may not have remembered during the first round, thereby improving your chances of knowing the answer to your initial either/or questions.
  - ❖ You can now relax because you have another 105 minutes to go through the exam a second time.
  - ❖ If you are a “mathaphobic”, *“It is better to calculate than never.”*
  - ❖ Can you think of other advantages of this strategy?

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### Successful Tips & Techniques: 7



- See page 3 of the **CTP Examination Preparation Guide** for the number of questions from each chapter so that you can concentrate on chapters with the largest number of questions. Also, the **CTP Candidate Guide** has important information about what takes place at the testing site and how your time will be allocated.
- Concentrate on “The Big 11” – the chapters that represent 100 to 120 questions or 65% to 80% of the exam (see next slide).

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### Successful Tips & Techniques: 8

Master "The Big I I"	Number of Questions
Chapter 1: The Role of Treasury Management	10 - 12
Chap 4 & 12: Payment and Collection Systems	19 - 21
Chapter 7: Relationship Management and FSP Selection	9 - 11
Chapter 9: Financial Planning & Analysis	10 - 12
Chap 10 & 11: Working Capital and Metrics	14 - 17
Chap 12 & 14: Cash Management & Forecasting	16 - 19
Chapter 13: Money Markets, S-T Investing & Borrowing	10 - 12
Chap 16 & 17: Risk Management	12 - 16
<b>Total</b>	<b>100 - 120</b>

Source: CTP Examination Preparation Guide – 2018 - © AFP

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### Successful Tips & Techniques 9

- See the FAQ (Frequently Asked Questions) section of **2018 CTP Candidate Guide Guide – 2018** for answers to many common questions.



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### Successful Tips & Techniques: 10

How You Are Being Tested	Percentage of the Exam
Basic facts & terms	33 - 37%
Concepts & principles	38% - 42%
Ability to apply concepts & principles to specific situations	23% - 27%
Computation & higher math skills	10% - 15%

Source: CTP Certification Candidate Guide – 2018 - © AFP

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# Essential Learning for CTP Candidates


## Carolinas Cash Adventure 2018 – Session #CTP-01

 **How You Are Tested / Question Formats: Open Stem**

- You need to become familiar with CTP exam question formats because the format is a clue as to what kind of knowledge or understanding is being tested. The most common format to test rote memorization is the "open stem." The "stem" refers to the lead in to the question. These are like "fill in the blank" questions. Here is an example of an open stem question:

The Federal Reserve regulation that implemented the Electronic Funds Transfer Act of 1978 is referred to as

- A. Reg J
- B. Reg CC
- C. Reg E
- D. Reg Z

 Indicates a copy of the answer slide is available at the end of this session.

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 **How You Are Tested / Question Formats: Closed Stem**

- Another common is the "closed stem." Closed stem questions test your knowledge of concepts and principles as is demonstrated by this sample question:

Which of the following capital budgeting methods enables a Treasurer to determine the discount rate at which the net present value (NPV) is equal to zero?

- A. Internal Rate of Return
- B. Payback Period
- C. Profitability Index
- D. Net Profit Margin

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# Essential Learning for CTP Candidates

## Carolinas Cash Adventure 2018 – Session #CTP-01

 **How You Are Tested / Question Formats: Closed Stem**

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 **How You Are Tested / Question Formats: EXCEPT & NOT**

- Two formats that test basic concepts and principles are the EXCEPT and NOT formats. EXCEPT and NOT will always be capitalized for emphasis. The question is designed to see if you can recognize the wrong or incorrect answer. In other words, three answers are true; one answer is false. The True/False elimination method is a good technique for approaching these questions. Here is an example of an EXCEPT format:

Geographical proximity should be taken into consideration when setting up all of the following collections systems EXCEPT

A. Over the counter.  
B. Wire transfer.  
C. Mailed payment.  
D. Coin and currency.

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# Essential Learning for CTP Candidates

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 **How You Are Tested / Question Formats: EXCEPT & NOT**

- Below is an example of a NOT format. Again the True/False elimination technique can be very effective.

Which of the following is NOT an advantage of using a lockbox versus in-house processing?

- A. A lockbox provides efficient processing through economies of scale.
- B. A lockbox provides an external audit trail and segregation of accounts payable.
- C. A lockbox can meet time critical clearing deadlines 24 hours a day.
- D. A lockbox can establish disaster recovery and business continuity plans more readily.

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 **How You Are Tested / Question Formats: Except & NOT**

- Below is an example of a NOT format. Again the True/False elimination technique can be very effective.

Which of the following is NOT an advantage of using a lockbox versus in-house processing?

- A. A lockbox provides efficient processing through economies of scale.
-  B. A lockbox provides an external audit trail and segregation of accounts payable.
- C. A lockbox can meet time critical clearing deadlines 24 hours a day.
- D. A lockbox can establish disaster recovery and business continuity plans more readily.

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 **How You Are Tested / Question Formats: Roman Numeral**

- A format that tests the ability to **apply** concepts and principles to a specific situation is the Roman numeral question. They represent an expanded closed stem format. These questions are very challenging because they are multiple, multiple choice. Using the True/False elimination strategy is very effective. The following is an example of a Roman numeral question:

Which of the following government agencies has (have) the authority to conduct formal bank examinations?

- I. Comptroller of the Currency
- II. Securities and Exchange Commission
- III. FDIC
- IV. The Justice Department

- A. I only
- B. I and II only
- C. I and III only
- D. II and IV only

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# Essential Learning for CTP Candidates


## Carolinas Cash Adventure 2018 – Session #CTP-01

 **How You Are Tested / Question Formats: Roman Numeral**

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- Securities and Exchange Commission
- FDIC
- The Justice Department

A. I only  
B. I and II only  
 C. I and III only  
D. II and IV only

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 **How You Are Tested / Question Formats: LEAST, Best, Most**

- LEAST, Best, and Most questions are designed to test your understanding of the subtleties of a concept. All the answers are true, but you need to evaluate which answer is LEAST, Best, or Most true. These questions test your ability to differentiate, to draw distinctions. They are **not** based on what you think is LEAST, Best, or Most true, but what is LEAST, Best, or Most true according to **Essentials**. The following is an example of a Most question:

Which of the following is the Most important objective of treasury management?

- To enhance global and cross-border focus.
- To maintain access to short-term financing.
- To maintain liquidity.
- To manage risk.

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 **How You Are Tested / Question Formats: LEAST, Best, Most**

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- To maintain access to short-term financing.
 C. To maintain liquidity.- To manage risk.

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# Essential Learning for CTP Candidates

## Carolinas Cash Adventure 2018 – Session #CTP-01

**How You Are Tested / Question Formats: Item Set**

- An item set consists of two questions (never more than two) on information you are given. The item set format is usually a math or calculation problem. Answering them can be very time consuming. Sometimes it is best to leave them for the second pass.
- The next slide is an example of an item set format. First you are given information. Then you need to use the information to answer two questions in sequence.

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**How You Are Tested / Question Formats: Item Set**

XYZ company has revenues of \$150,000, current assets of \$180,000, current liabilities of \$65,000, total assets of \$300,000, and total liabilities of \$110,000.

The current asset turnover for this company is

A. 0.59  
B. 0.83  
C. 1.20  
D. 1.30

The total asset turnover for this company is

A. 0.50  
B. 0.60  
C. 0.78  
D. 2.00

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**How You Are Tested / Question Formats: Item Set**

XYZ company has revenues of \$150,000, current assets of \$180,000, current liabilities of \$65,000, total assets of \$300,000, and total liabilities of \$110,000.

The current asset turnover for this company is

➔ A. 0.59      **Current Asset Turnover** =  $\frac{\text{Revenues}}{\text{Current Assets}}$   
 B. 0.83      =  $\frac{\$150,000}{\$180,000}$   
 C. 1.20      = 0.83333  
 D. 1.30

The total asset turnover for this company is

➔ A. 0.50      **Total Asset Turnover** =  $\frac{\text{Revenues}}{\text{Total Assets}}$   
 B. 0.60      =  $\frac{\$150,000}{\$300,000}$   
 C. 0.78      = 0.50  
 D. 2.00

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# Essential Learning for CTP Candidates

## Carolinas Cash Adventure 2018 – Session #CTP-01

### How You Are Tested / Question Formats: Steps-in-a-Process

- Final question format is Steps-in-a-Process
  - This format is used to test your knowledge of the typical order in which some treasury task is accomplished. Examples might be the steps involved in sending a wire transfer, processing a lockbox item, preparing a daily cash position, or, in the example below, the order of forecasting. It is important to remember that it is not how you, your company, or your financial institution accomplishes the task, but how **Essentials** explains it is typically done.



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### How You Are Tested / Question Formats: Steps in a Process

Which of the following is the traditional order of the cash forecasting process?

- A. Determine the horizon, select the cash flows, assign a degree of certainty to the cash flows, identify suitable data, select and validate the method
- B. Select and validate the method, determine the horizon, identify suitable data, select the cash flows, assign a degree of certainty to the cash flows
- C. Select the cash flows, assign a degree of certainty to the cash flows, select and validate the method, identify suitable data, determine the horizon
- D. Identify suitable data, determine the horizon, assign a degree of certainty to the cash flows, select the cash flows, select and validate the method

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### How You Are Tested / Question Formats: Steps in a Process

Which of the following is the traditional order of the cash forecasting process?

- ➔ A. Determine the horizon, select the cash flows, assign a degree of certainty to the cash flows, identify suitable data, select and validate the method
- B. Select and validate the method, determine the horizon, identify suitable data, select the cash flows, assign a degree of certainty to the cash flows
- C. Select the cash flows, assign a degree of certainty to the cash flows, select and validate the method, identify suitable data, determine the horizon
- D. Identify suitable data, determine the horizon, assign a degree of certainty to the cash flows, select the cash flows, select and validate the method

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## Carolinas Cash Adventure 2018 – Session #CTP-01

 **How You Are Tested / Question Formats:**  
**Steps in a Process (Roman Numeral)**

Which of the following is the traditional order of the cash forecasting process?

- I. Select the cash flows
- II. Identify suitable data
- III. Assign a degree of certainty to the cash flows
- IV. Determine the horizon
- V. Select and validate the method

A. IV, I, III, II, V  
B. V, IV, II, I, III  
C. I, II, III, IV, V  
D. V, IV, III, II, I

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 **How You Are Tested / Question Formats:**  
**Steps in a Process (Roman Numeral)**

Which of the following is the traditional order of the cash forecasting process?

- I. Select the cash flows
- II. Identify suitable data
- III. Assign a degree of certainty to the cash flows
- IV. Determine the horizon
- V. Select and validate the method

 A. IV, I, III, II, V  
B. V, IV, II, I, III  
C. I, II, III, IV, V  
D. V, IV, III, II, I

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**Successful Tips & Techniques: 11**  
(Cont. from # 10 prior to the question formats)



- Learn by observing (practitioner: visit a lockbox; banker: watch a customer prepare the daily cash position report).
- Make use of audio: "listen" to the book while driving to work, jogging, etc. by having someone record the difficult sections for you.
- Tried & true: flashcards (have a family member ask you the questions).
- Think like a test maker when you are reading **Essentials**. What is most likely to be tested and in what question format?
- Do a formula "dump" on the white board when you first sit down at the computer at the test center.



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# Essential Learning for CTP Candidates

## Carolinas Cash Adventure 2018 – Session #CTP-01

### Successful Tips & Techniques: 12

- Tear **Essentials** apart (you've always wanted to do it);
- 3-hole punch it and put it in multiple binders to make it easier manage.
- Same as the last bullet, but insert blank pages so you can write notes in the facing page.
- Take an SME who will work for food for lunch (caveat: show the SME the material from **Essentials** in advance so he/she doesn't over teach you).

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### Successful Tips & Techniques: 13

- Left brain vs. right brain: What is it? How does it work? Has it been scientifically proven?
- Left brain/right brain instructor demonstration: learning the laws & regulations
- The value of colors: a valuable right brain learning technique.
- An example of using colors: **costs** vs. **benefits** and **advantages** vs. **disadvantages**.



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### Ratio Analysis

Long Term Debt to Capital:

$$\frac{\text{Long Term Debt}}{\text{Long Term Debt} + \text{Equity}}$$

Quick Ratio:

$$\frac{(\text{Cash}) + (\text{S-T Investments}) + (\text{A/R})}{\text{Total Current Liabilities}}$$

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# Essential Learning for CTP Candidates

## Carolinas Cash Adventure 2018 – Session #CTP-01

### Regs: Left Brain

Reg	Year	Act
D	1913	Federal Reserve Act
J	1913	Federal Reserve Act
Q	1933	Glass-Steagall Act
Z	1968	Truth in Lending
BB	1977 & 1995	Community Reinvestment Act
E	1978	Electronic Funds Transfer
CC	1987	Expedited Funds Availability Act
Q	2010	Dodd-Frank

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### Regs: Right Brain

Reg	Act
BB	CRA - Better Business
CC	EFAA - Check Clearing
D	FRA – Reserve Deposits
E	EFTA - Electronic
J	FRA – Jointly C&S
Q	GS & DF - Quit
Z	TIL – Zebra

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### Green for Benefits/Advantages

Benefits/Advantages of Ratio Analysis
Easily computed
Widely used
Information easily obtained
Facilitates comparison between companies

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**Essential Learning for CTP Candidates**  
**Carolinas Cash Adventure 2018 – Session #CTP-01**

**Red for Limitations/Disadvantages**

**Limitations/Disadvantages of Ratio Analysis**

- Historical performance at fixed points in time**
- Do not capture inter-period variations**
- Cannot be used in isolation**
- Accounting information only**
- Do not reflect economic value**
- Do not reflect qualitative values (strategies/managerial talent)**
- Different accounting methods may reduce validity of comparison**

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**★ Sample Exam Question**

Which of the following are disadvantages of ratio analysis?

- I Do not reflect economic value
- II Do not facilitate comparisons between companies
- III Do not reflect managerial talent
- IV Do not capture inter-period variations

- A. I only
- B. II only
- C. II and III only
- D. I, III and IV only

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**★ Sample Exam Question**

Which of the following are disadvantages of ratio analysis?

- I Do not reflect economic value
- II Do not facilitate comparisons between companies
- III Do not reflect managerial talent
- IV Do not capture inter-period variations

- A. I only
- B. II only
- C. II and III only
- D. I, III and IV only**

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# Essential Learning for CTP Candidates

## Carolinas Cash Adventure 2018 – Session #CTP-01

### Successful Tips & Techniques: 14

- Find study buddies: real or virtual
- Develop and exchange questions with your study buddies. (Caveat: follow the rules for how to write questions based on the Question Formats slides in the earlier session. Also, remember all distractors must be based on **Essentials**; they cannot be “made up.”)
- The best way to learn is to teach: teach a section you don't understand to your study buddies.



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### Successful Tips & Techniques: 15

- Approach ETM5 based on your own work habits. Do you work from menial tasks to major tasks or from major tasks to menial tasks? People who menial task first must clear their minds of the clutter associated with life's little nuisances before they can begin to climb the mountain. People who major task first cannot approach anything menial until they are confident they have successfully conquered the mountain.



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### Successful Tips & Techniques: 16

- Lower your stress level: find the test site in advance.
- Approach the CTP exam as you would a major project at work: develop a roadmap and stay on task until you complete it.
- Do the math: be realistic about how much time you really have to prepare. Having done the math, stick to your project plan.



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**Essential Learning for CTP Candidates**  
**Carolinas Cash Adventure 2018 – Session #CTP-01**

Carolinas Cash Adventure 2018  
**Essential Learning for CTP Candidates**  
**End of This Session**

**We will reconvene at 3:15 pm today.**

**The topic will be:**

**Mastering Key Concepts**  
**ETM5 – Chapters 3, 4 & 7**  
**Banks & Fin Institutions, Payment Systems  
and Relationship Management**

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