

American Academy of Financial Management Practice Test Questions and Answers

1. What is the primary purpose of financial management in an organization?

- A) To increase employee satisfaction only
- B) To maximize shareholder wealth while managing financial risks
- C) To reduce operational costs only
- D) To comply with tax regulations only

2. Which financial ratio measures a company's ability to pay short-term obligations?

- A) Return on equity
- B) Current ratio
- C) Debt-to-equity ratio
- D) Price-to-earnings ratio

3. What does NPV stand for in capital budgeting?

- A) Net Profit Value
- B) Net Present Value
- C) Net Purchase Value
- D) Net Portfolio Value

4. Which principle states that a dollar received today is worth more than a dollar received in the future?

- A) Risk-return principle
- B) Time value of money
- C) Diversification principle
- D) Liquidity principle

Answers: 1-B 2-B 3-B 4-B

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