

CPA CFE Practice Test Questions and Answers

1. What is target costing?

- A) Setting a cost target equal to current production costs
- B) Determining the allowable cost of a product by subtracting the desired profit from the target selling price
- C) A method of allocating overhead costs to products
- D) Setting the selling price by adding a markup to full production cost

2. What is a leveraged buyout (LBO)?

- A) A purchase financed entirely with equity
- B) An acquisition of a company using a significant amount of borrowed money, with the target's assets and cash flows used as collateral and to service the debt
- C) A hostile takeover bid without any financing
- D) A government-funded acquisition program

3. What is the Sharpe ratio used for?

- A) Calculating a company's earnings per share
- B) Measuring the risk-adjusted return of an investment by comparing excess return (above the risk-free rate) to total risk (standard deviation)
- C) Determining the optimal portfolio allocation
- D) Calculating the cost of debt financing

4. What does a SWOT analysis evaluate?

- A) Only the external competitive environment
- B) Internal strengths and weaknesses, and external opportunities and threats
- C) Only the financial performance of a company
- D) The technical specifications of a company's products

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

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