

# FA Practice Test Questions and Answers

## 1. What is liquidity risk?

- A) The risk of a counterparty defaulting on a contract
- B) The risk of being unable to sell an asset quickly without a significant price discount
- C) The risk of unexpected inflation eroding purchasing power
- D) The risk of fraud or employee misconduct

## 2. What is the master budget?

- A) A budget created only by senior management
- B) A comprehensive set of budgets that together describe overall company plans
- C) The highest-value capital expenditure budget
- D) A budget approved by the board of directors only

## 3. What does EBITDA stand for?

- A) Earnings Before Income Tax, Depreciation, and Amortization
- B) Earnings Before Interest, Taxes, Depreciation, and Amortization
- C) Equity Before Interest, Taxes, Depreciation, and Amortization
- D) Earnings Before Investment, Taxes, Debt, and Amortization

## 4. What is Value at Risk (VaR)?

- A) The maximum possible loss on any investment
- B) The estimated maximum loss over a given period at a specified confidence level
- C) The average return on a portfolio over a year
- D) The volatility of an asset's daily returns

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

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