

CERTIFIED LEASE & FINANCE PROFESSIONAL (CLFP) CLASS PRACTICE EXAM (SAMPLE) STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE**

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. The Philadelphia Plan is primarily associated with which financing mechanism?**
 - A. 1700s railroads tracks only
 - B. Finance from private investors for locomotives/cars
 - C. Equipment trusts
 - D. Precursor of conditional sale contract
- 2. Which statement best defines an express warranty in a lease?**
 - A. Any warranty specified by the lessor
 - B. Any warranty specifically made by the lessor
 - C. An implied warranty inferred from usage
 - D. A warranty required by law
- 3. Where do you file UCC-1 financing statement when the lessee is involved?**
 - A. In the state where the collateral is located
 - B. In the state where the lessee is incorporated
 - C. In the state where the lessor is incorporated
 - D. In federal court records
- 4. A debt-to-equity ratio around 7:1 for lessors indicates which of the following?**
 - A. High liquidity
 - B. High leverage and risk
 - C. Low leverage
 - D. High profitability
- 5. Where is a UCC-1 financing statement typically filed to perfect a security interest?**
 - A. In the state where the collateral is located
 - B. In the state where the lessor is incorporated
 - C. In the state where the lessee is incorporated
 - D. In the federal court system

- 6. What happens if a sale is not conducted commercially reasonable?**
- A. Lessor forfeits rights to pursue lessee for deficiencies
 - B. Lessor must refund all payments
 - C. Lessor takes full ownership automatically
 - D. Lessor must sue the guarantor
- 7. In the budget creation process, what step follows the initial department submission?**
- A. Reviewed by management
 - B. Repeat revisions
 - C. Submit by department
 - D. Approval by board
- 8. Which of the following options best reflects a stated benefit of securitization?**
- A. low cost of funds
 - B. potential off balance sheet
 - C. access to capital markets
 - D. add'l collateral
- 9. The Quick Ratio is defined as which formula?**
- A. $[\text{Inventory} + \text{Cash}] / [\text{CURRENT LIABILITIES}]$
 - B. $[\text{CASH} + \text{A/R}] / [\text{CURRENT LIABILITIES}]$
 - C. $[\text{CASH} + \text{A/R} + \text{Inventory}] / [\text{CURRENT LIABILITIES}]$
 - D. $[\text{CASH}] / [\text{CURRENT LIABILITIES}]$
- 10. Within how many days may payments received around bankruptcy notice need to be returned to the bankruptcy court?**
- A. 90 days
 - B. 30 days
 - C. 60 days
 - D. 120 days

Answers

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1. C
2. B
3. B
4. B
5. C
6. A
7. A
8. C
9. D
10. A

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Explanations

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1. The Philadelphia Plan is primarily associated with which financing mechanism?

- A. 1700s railroads tracks only
- B. Finance from private investors for locomotives/cars
- C. Equipment trusts**
- D. Precursor of conditional sale contract

The Philadelphia Plan is a classic example of using an equipment trust to finance railroad rolling stock. In this approach, locomotives and cars are placed into a trust, a trustee issues certificates to investors, and the railroad (the user) leases the equipment from the trust. The rent payments from the lessee fund the interest and principal on the trust certificates, with the equipment serving as collateral. This structure isolates risk for investors and provides a steady financing stream for the railroad's equipment needs. It's specifically about financing locomotives and cars through a trust-backed instrument, not just tracks or a simple private loan, and it isn't a precursor to a conditional sale contract.

2. Which statement best defines an express warranty in a lease?

- A. Any warranty specified by the lessor
- B. Any warranty specifically made by the lessor**
- C. An implied warranty inferred from usage
- D. A warranty required by law

In leases, an express warranty is a promise about the leased asset that the lessor makes in the contract itself. That's why the correct statement is that the warranty is specifically made by the lessor in the lease. Express warranties come from the contract language, not from what usage implies or what law requires. Implied warranties arise from usage, course of dealing, or legal standards and aren't tied to the exact words of the lease. A warranty required by law is typically an implied or statutory obligation, not an express contract promise. For example, if the lease states that the equipment will operate as described for a defined period, that is an express warranty.

3. Where do you file UCC-1 financing statement when the lessee is involved?

- A. In the state where the collateral is located
- B. In the state where the lessee is incorporated**
- C. In the state where the lessor is incorporated
- D. In federal court records

Filing a UCC-1 to perfect a security interest is determined by the debtor's location. When the lessee is the debtor, and the lessee is a corporate entity, its location is the state of incorporation (or organization). So the financing statement should be filed in the state where the lessee is incorporated. This ensures the security interest is properly perfected against third parties in the debtor's jurisdiction. Filing in the state where the collateral is located isn't the rule for this situation, and UCC filings aren't placed in federal court records. If the lessee were an individual, you would file in the individual's principal residence.

4. A debt-to-equity ratio around 7:1 for lessors indicates which of the following?

- A. High liquidity
- B. High leverage and risk**
- C. Low leverage
- D. High profitability

Debt-to-equity ratio shows how a company funds its assets with debt versus owner's equity. A ratio around 7:1 means for every dollar of equity there are seven dollars of debt, so the lessor is heavily financed with debt. That heavy use of debt creates higher fixed obligations—interest and principal payments—that must be met even if earnings dip, increasing financial risk. This ratio is not a measure of liquidity, which looks at short-term cash availability, nor does it inherently indicate low leverage or high profitability. High leverage can magnify profits when things go well, but it also raises the risk of financial distress if earnings decline or interest costs rise.

5. Where is a UCC-1 financing statement typically filed to perfect a security interest?

- A. In the state where the collateral is located
- B. In the state where the lessor is incorporated
- C. In the state where the lessee is incorporated**
- D. In the federal court system

A UCC-1 financing statement is filed to perfect a security interest by giving public notice of the lien. Per UCC rules, you file where the debtor is located; for a corporate lessee, that means the state where the lessee is incorporated (or organized). Filing in that state establishes perfection and priority against other creditors in the same jurisdiction. Filing in the lessor's state or in federal court, or filing based on where the collateral sits, would not properly perfect the security interest for a corporate debtor. So the appropriate filing location is the state of incorporation of the lessee.

6. What happens if a sale is not conducted commercially reasonable?

- A. Lessor forfeits rights to pursue lessee for deficiencies**
- B. Lessor must refund all payments
- C. Lessor takes full ownership automatically
- D. Lessor must sue the guarantor

When a lease defaults and the equipment is sold, the sale must be conducted in a commercially reasonable manner. That standard protects the lessee from a sham or undervalued disposal. If the sale fails to meet that standard, the remedy for the creditor changes: the lessor loses the right to pursue the lessee for any deficiency resulting from that improper sale. In other words, the lessee cannot be charged for the shortfall created by an unreasonably conducted sale, and the deficiency claim is blocked or limited. This mirrors the idea that the sale process itself bears responsibility for why the proceeds didn't cover the debt.

7. In the budget creation process, what step follows the initial department submission?

A. Reviewed by management

B. Repeat revisions

C. Submit by department

D. Approval by board

After a department submits its budget, the next step is management review. This internal check serves as a quality control to ensure the numbers align with organizational goals, available resources, and policy constraints. Management assesses the assumptions, validates revenue and expense projections, and identifies items needing clarification or adjustment. If issues are found, revisions are requested, which can lead to a cycle of refinement before moving on to board-level approval. So the immediate follow-up is the review by management, with revisions and board approval coming later in the process.

8. Which of the following options best reflects a stated benefit of securitization?

A. low cost of funds

B. potential off balance sheet

C. access to capital markets

D. add'l collateral

Securitization is about turning a pool of assets into securities that can be sold to investors in the capital markets. That creates a direct path for the originator to raise substantial funds from a broad investor base, often with different tenors and terms than traditional loans. That access to capital markets is the clearest, most consistent benefit, because it expands funding sources beyond banks and can improve liquidity and balance sheet flexibility. Other benefits can appear in certain structures—lower funding costs or the possibility of off-balance-sheet treatment—but these depend on specific deal terms, accounting rules, and market conditions, so they aren't as universal or reliable as the fundamental ability to tap the capital markets. Additional collateral isn't typically a stated benefit of securitization; the process is designed to monetize existing assets and reduce the need for new collateral.

9. The Quick Ratio is defined as which formula?

A. $[\text{Inventory} + \text{Cash}] / [\text{CURRENT LIABILITIES}]$

B. $[\text{CASH} + \text{A/R}] / [\text{CURRENT LIABILITIES}]$

C. $[\text{CASH} + \text{A/R} + \text{Inventory}] / [\text{CURRENT LIABILITIES}]$

D. $[\text{CASH}] / [\text{CURRENT LIABILITIES}]$

The Quick Ratio measures a company's ability to meet current obligations using assets that can be quickly turned into cash, so inventory is not included. The usual formula is cash plus marketable securities plus accounts receivable, all divided by current liabilities. If marketable securities aren't considered, it becomes (cash + accounts receivable) / current liabilities. Inventory is excluded precisely because it may not be readily converted to cash in the near term. Among the given options, the interpretation that aligns with this idea most closely is the one that includes cash and accounts receivable (and would also include marketable securities if present). The option with only cash in the numerator describes the cash ratio, which is a stricter liquidity measure and not the Quick Ratio. In standard practice, the Quick Ratio uses cash and receivables (and possibly marketable securities), not cash alone.

10. Within how many days may payments received around bankruptcy notice need to be returned to the bankruptcy court?

A. 90 days

B. 30 days

C. 60 days

D. 120 days

The idea being tested is the preference look-back period in bankruptcy, which decides how far back payments to creditors can be reclaimed by the estate. If the debtor pays a creditor within 90 days before the bankruptcy filing, those payments may be avoided and returned to the bankruptcy court to be distributed to all creditors. This 90-day window prevents creditors from getting special treatment as insolvency approaches; insiders get a longer window (one year), but for ordinary creditors the standard is 90 days. So, the correct period is 90 days.

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Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://clfpclass.examzify.com>

We wish you the very best on your exam journey. You've got this!

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