

Ontario PHBI Financial Planning & Management Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

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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

- 1. A break-even analysis is used to determine?**
 - A. The level of investment return**
 - B. The point at which revenues equal costs**
 - C. The total profit generated**
 - D. The company's market position**
- 2. What is the main purpose of an investment portfolio?**
 - A. To manage and reduce taxes**
 - B. To collect monetary liabilities**
 - C. To organize and diversify assets to meet financial goals**
 - D. To keep cash reserves high**
- 3. What is the primary function of budgets in financial management?**
 - A. To allocate funds only to marketing**
 - B. To serve as a financial plan and tool for performance management**
 - C. To assess employee performance**
 - D. To eliminate unnecessary expenses**
- 4. What is meant by "cash management"?**
 - A. The process of collecting, managing, and investing cash**
 - B. The development of new sales strategies**
 - C. The daily tracking of stock prices**
 - D. The evaluation of financial software**
- 5. What does "financial viability" refer to?**
 - A. The effectiveness of an advertising campaign**
 - B. The ability to sustain operations and meet financial obligations**
 - C. The potential for investment portfolio growth**
 - D. The market demand for services**

- 6. Which approach helps in structuring budget priorities based on comprehensive reviews?**
- A. Rolling budgeting**
 - B. Zero-based budgeting**
 - C. Fixed budgeting**
 - D. Historic budgeting**
- 7. What does an increase in employee turnover indicate about an organization?**
- A. Increased job satisfaction**
 - B. Potential challenges in workforce stability**
 - C. Improved operational efficiency**
 - D. Higher profitability**
- 8. What is a recommended action for senior management after creating a sales projection in response to an economic downturn?**
- A. Increase spending on advertising**
 - B. Review all relevant ratios to determine banking requirement compliance**
 - C. Expand product lines to stimulate sales**
 - D. Reduce employee hours**
- 9. Which term best describes a financial policy?**
- A. A legal contract for loans**
 - B. A set of guidelines for financial management**
 - C. A detailed investment plan**
 - D. A report on financial performance**
- 10. What does financial liquidity indicate?**
- A. The ability to secure loans quickly**
 - B. The ability to convert assets into cash**
 - C. The overall profitability of a company**
 - D. The growth rate of business investments**

Answers

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

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Explanations

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1. A break-even analysis is used to determine?

- A. The level of investment return
- B. The point at which revenues equal costs**
- C. The total profit generated
- D. The company's market position

A break-even analysis is a crucial financial tool that helps businesses understand the point at which their total revenues match their total costs. This point is known as the break-even point. When a company reaches this level of sales, it has effectively covered all its fixed and variable costs but has not yet made a profit or incurred a loss.

Understanding this threshold allows businesses to make informed decisions regarding pricing, budgeting, and overall financial strategy. It helps in planning the sales targets necessary to achieve profitability. The other options, although relevant to financial management, do not accurately represent the primary purpose of a break-even analysis. The analysis specifically focuses on identifying the revenue level required to cover costs, making "the point at which revenues equal costs" the most accurate and relevant description of its primary function.

2. What is the main purpose of an investment portfolio?

- A. To manage and reduce taxes
- B. To collect monetary liabilities
- C. To organize and diversify assets to meet financial goals**
- D. To keep cash reserves high

The primary purpose of an investment portfolio is to organize and diversify assets in a manner that aligns with an individual's or institution's financial goals. By constructing a portfolio with a variety of asset classes—such as stocks, bonds, real estate, and other investments—investors can mitigate risks and enhance the potential for returns. This diversification allows investors to achieve a balanced risk-return profile. For instance, if one asset class underperforms, others may compensate for that through better performance, thereby stabilizing overall returns. Moreover, a well-structured investment portfolio considers the investor's time horizon, risk tolerance, and specific financial objectives, ensuring that the investment strategy is tailored to meet those needs effectively. The other options do not capture the essence of an investment portfolio. While managing and reducing taxes can be a consideration in financial planning, it is not the primary purpose of constructing a portfolio. Collecting monetary liabilities does not reflect the role of investments, as portfolios typically consist of assets rather than liabilities. Keeping cash reserves high may be part of a broader financial strategy but does not embody the fundamental goal of an investment portfolio focused on achieving growth and diversifying assets.

3. What is the primary function of budgets in financial management?

- A. To allocate funds only to marketing
- B. To serve as a financial plan and tool for performance management**
- C. To assess employee performance
- D. To eliminate unnecessary expenses

Budgets play a crucial role in financial management by serving as both a financial plan and a tool for performance management. They provide a structured approach to managing financial resources, helping organizations outline their expected income and expenses over a specified period. This process allows businesses to set financial goals, establish priorities for resource allocation, and monitor progress towards achieving these goals. As a financial plan, budgets help organizations project future financial outcomes based on various scenarios and assumptions. They enable decision-makers to simulate the financial implications of different strategies, facilitating informed choices about investments and operational expenses. Additionally, budgets are vital tools for performance management. By comparing actual financial performance against budgeted amounts, organizations can assess how well they are meeting their financial targets. This analysis allows for timely interventions when performance deviates from the plan, ensuring that management can make necessary adjustments to stay on track. In summary, the primary function of budgets in financial management is not limited to specific areas like marketing or evaluating employee performance. Instead, they encompass a broader purpose of guiding financial decision-making and monitoring organizational performance, which is foundational to effective financial management.

4. What is meant by "cash management"?

- A. The process of collecting, managing, and investing cash**
- B. The development of new sales strategies
- C. The daily tracking of stock prices
- D. The evaluation of financial software

Cash management refers to the systematic process of collecting, managing, and investing cash to ensure that a business or individual has sufficient liquidity to meet its obligations and optimize the use of its cash resources. This includes monitoring cash flow, ensuring that there is enough cash available for day-to-day operations, and making decisions about how to invest surplus cash in the short term to earn returns while maintaining liquidity. By effectively managing cash, entities can avoid the pitfalls of cash shortages, reduce financing costs, and maximize the efficiency of capital management. In the context of the other options, sales strategies pertain to marketing and business development rather than the direct handling of cash. Tracking stock prices is focused on investment and market behaviors, and evaluating financial software relates more to the tools used for financial management rather than the actual management of cash itself. Thus, these alternatives do not align with the core concept of cash management, which is fundamentally about overseeing cash flow to maintain financial stability and operational efficiency.

5. What does "financial viability" refer to?

- A. The effectiveness of an advertising campaign
- B. The ability to sustain operations and meet financial obligations**
- C. The potential for investment portfolio growth
- D. The market demand for services

"Financial viability" refers to the ability of an organization to sustain its operations over time while effectively meeting its financial obligations. This concept encompasses an assessment of the financial health and stability of the organization, including its capacity to generate sufficient revenue to cover costs, manage debts, and invest in future growth. In practical terms, financial viability means that a business not only exists in the short term but also maintains its operations in a sustainable manner that ensures its long-term survival. This involves careful financial planning, effective budget management, and ensuring a consistent revenue stream that aligns with ongoing expenses. Understanding financial viability is crucial for stakeholders, including investors, management, and financial analysts, as it provides insight into the organization's ability to achieve its goals, make strategic decisions, and respond to economic changes. Other factors mentioned, such as the effectiveness of advertising campaigns, growth potential of investments, or market demand for services, while important in their respective contexts, do not encompass the broader and more essential aspect of sustaining operations and fulfilling financial obligations which defines financial viability.

6. Which approach helps in structuring budget priorities based on comprehensive reviews?

- A. Rolling budgeting
- B. Zero-based budgeting**
- C. Fixed budgeting
- D. Historic budgeting

Zero-based budgeting is a budgeting approach that requires all expenses to be justified and approved from scratch for each new period. This means that every budget cycle begins with a "zero base," and budget items are prioritized based on their needs and alignment with organizational goals rather than on historical spending patterns. This comprehensive review process allows organizations to focus on current and future needs rather than simply rolling over past budgets. As a result, it effectively identifies critical priorities, allocates resources efficiently, and encourages innovative ideas for cost savings and improved efficiency. By evaluating each department's functions and their associated costs, zero-based budgeting ensures that resources are used effectively in accordance with strategic objectives. In contrast, rolling budgeting, fixed budgeting, and historic budgeting all rely more heavily on previous budgets or fixed parameters that may not adequately reflect the changing needs of the organization. This makes zero-based budgeting a unique and effective method for establishing budget priorities.

7. What does an increase in employee turnover indicate about an organization?

- A. Increased job satisfaction**
- B. Potential challenges in workforce stability**
- C. Improved operational efficiency**
- D. Higher profitability**

An increase in employee turnover typically suggests potential challenges in workforce stability. High turnover rates can indicate that employees are leaving the organization at a rate that may disrupt operations, affect team dynamics, and lead to increased recruitment and training costs for new hires. This instability can create gaps in knowledge, decrease morale among remaining employees, and hinder the organization's overall performance. In contrast, options suggestive of increased job satisfaction, improved operational efficiency, or higher profitability would not align with the implications of high turnover. Job satisfaction usually correlates with employee retention rather than departures. Operational efficiency is generally enhanced by a stable and experienced workforce, while higher profitability often requires a well-trained and committed team to drive performance. Therefore, the correct interpretation of increased turnover is that it signals potential challenges to maintaining a consistent and effective workforce.

8. What is a recommended action for senior management after creating a sales projection in response to an economic downturn?

- A. Increase spending on advertising**
- B. Review all relevant ratios to determine banking requirement compliance**
- C. Expand product lines to stimulate sales**
- D. Reduce employee hours**

After creating a sales projection in response to an economic downturn, one of the most prudent actions for senior management is to review all relevant ratios to determine banking requirement compliance. This involves analyzing financial ratios like liquidity, solvency, and profitability to ensure that the organization can meet its financial obligations, especially in challenging economic times. When facing an economic downturn, it's crucial for senior management to understand the company's financial health in order to respond effectively. Reviewing these ratios helps management ascertain whether the company is in compliance with any banking covenants, which may include maintaining specific ratios such as debt-to-equity or current ratios. Non-compliance could lead to increased scrutiny from lenders or even default implications, which could exacerbate financial difficulties during a downturn. This assessment of ratios also enables strategic planning. For instance, if liquidity ratios indicate potential cash flow issues, management may need to make adjustments such as tightening credit terms or re-evaluating spending priorities. By focusing on these financial indicators, senior management can ensure that they maintain a solid foundation, allowing them to enact other measures—like potentially increasing advertising or expanding product lines—based on a clearer understanding of their financial position.

9. Which term best describes a financial policy?

- A. A legal contract for loans**
- B. A set of guidelines for financial management**
- C. A detailed investment plan**
- D. A report on financial performance**

A financial policy is best described as a set of guidelines for financial management because it encompasses the principles and rules that guide an organization's financial operations and decision-making processes. These guidelines help ensure consistency in managing finances, which is vital for achieving financial stability and supporting effective decision-making. A financial policy outlines the framework within which financial activities are conducted, providing direction on budgeting, spending, revenue generation, and risk management. It serves as a foundation for evaluating performance and establishing accountability in financial practices. In contrast, a legal contract for loans pertains specifically to agreements with lending institutions and does not represent a broader financial policy. A detailed investment plan focuses specifically on investment strategies rather than overall financial management, and a report on financial performance offers insights into past performance rather than guiding future financial conduct. This distinction highlights the importance of having a comprehensive approach to financial management that a financial policy provides.

10. What does financial liquidity indicate?

- A. The ability to secure loans quickly**
- B. The ability to convert assets into cash**
- C. The overall profitability of a company**
- D. The growth rate of business investments**

Financial liquidity primarily indicates the ability to convert assets into cash quickly and without significant loss of value. This concept is critical for businesses and individuals alike, as it affects their capability to meet short-term obligations, handle emergencies, and manage day-to-day operations. Having liquid assets means having cash or assets that can be swiftly turned into cash, like marketable securities or inventory. When evaluating liquidity, financial analysts often look at ratios such as the current ratio or quick ratio, which provide insights into how effectively a company can cover its immediate liabilities. A higher level of liquidity is generally seen as favorable because it gives a company greater flexibility and stability in financial management. The other choices relate to different aspects of financial health; for instance, securing loans is about creditworthiness, profitability indicates overall business performance, and growth rates focus on investment returns. While all these factors are important for a comprehensive financial analysis, they do not specifically describe liquidity.

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://phbifinplanningmgtont.examzify.com>

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