# RMA CREDIT RISK CERTIFICATION PRACTICE EXAM (SAMPLE)

## STUDY GUIDE

## SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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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. **What determines the repayment term of a long-term loan?**
   A. The useful life of the asset and cash flow available to service the debt
   B. The company's marketing plan
   C. The current year's tax rate
   D. The number of employees

2. **Using the provided figures, the DOL is calculated as (Sales - Variable costs) / Profit. If Sales 19,442, Variable costs 13,730, and Profit 2,579, what is the DOL?**
   A. 1.5
   B. 3.0
   C. 2.21
   D. 4.0

3. **Which item is the most typical investing cash outflow?**
   A. Issuance of new debt
   B. Purchase of fixed assets
   C. Payment of dividends
   D. Interest income

4. **On the income statement, how should 'other income & expense' be treated?**
   A. Consider the amount and its repeatability; assume zero unless it is repeatable from history
   B. Always include the full value as a recurring item
   C. Exclude it from the projection entirely
   D. Double it to be conservative

5. **In common sizing, which financial statement items are typically expressed as a percentage of total assets?**
   A. Marketable securities only
   B. Income statement items
   C. Cash flow items
   D. Balance sheet items

**6. Which components make up the cash cycle calculation?**

A. days payable - days receivable + days inventory

B. days sales in receivables + days COGS in inventory - days in accounts payable

C. net income - expenses

D. revenue days minus cost days

**7. Which category would include issuing stock?**

A. Cash From Finances

B. Cash From Operations

C. Cash From Investing

D. Cash From Financing

**8. What is the principal benefit of using cash flow-based coverage ratios?**

A. They are very accurate measures of cash available to service debt

B. They are easier to compute

C. They ignore working capital needs

D. They rely on accounting profits

**9. When reviewing a cash flow statement, what is a primary objective?**

A. Identify significant outflows for working capital for sales growth, capital expenditures, dividends, and debt service

B. Forecast future stock prices

C. Measure tax efficiency

D. Determine financing alternatives

**10. Which statement best describes financing cash flow?**

A. It reflects cash movements related to external financing, such as debt, equity, and dividends.

B. It reflects cash movements from customers.

C. It reflects cash flows from investing activities.

D. It reflects net income adjustments to cash flows.

# Answers

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

# Explanations

## 1. What determines the repayment term of a long-term loan?

- A. The useful life of the asset and cash flow available to service the debt
- B. The company's marketing plan
- C. The current year's tax rate
- D. The number of employees

*The repayment term is set by how long the asset will generate value for the business and how much cash flow is available to service the debt. If an asset has a useful life of ten years, the loan term should align with that horizon so payments are supported while the asset remains productive. The borrower's cash flow capability—often evaluated through debt-service coverage and other cash-flow metrics—must be enough to cover principal and interest throughout the term. The other factors—marketing plans, current tax rate, or the number of employees—affect profitability or operations but do not directly determine how long a loan should be repaid.*

## 2. Using the provided figures, the DOL is calculated as (Sales - Variable costs) / Profit. If Sales 19,442, Variable costs 13,730, and Profit 2,579, what is the DOL?

- A. 1.5
- B. 3.0
- C. 2.21
- D. 4.0

*The concept here is how responsive operating profit is to changes in sales, measured by the degree of operating leverage (DOL). DOL compares the contribution available to cover fixed costs and profit with the actual profit. It is calculated as Contribution Margin divided by Profit, where Contribution Margin equals Sales minus Variable Costs. Compute the contribution margin: 19,442 minus 13,730 equals 5,712. Then the DOL is 5,712 divided by 2,579, which is about 2.21. This tells you that, all else equal, a 1% change in sales would change operating profit by roughly 2.21%.*

## 3. Which item is the most typical investing cash outflow?

- A. Issuance of new debt
- B. Purchase of fixed assets
- C. Payment of dividends
- D. Interest income

*Cash flows are grouped into operating, investing, and financing activities. Investing activities show cash used for acquiring or disposing of long-term assets. The purchase of fixed assets is the classic investing outflow because it involves cash tied up in property, plant, and equipment to support future operations. The other items belong to different categories: issuing new debt is a financing activity that increases cash from financing; paying dividends is a financing outflow; interest income is typically reported in operating activities (though some frameworks classify interest differently). So the item that best represents an investing cash outflow is the purchase of fixed assets.*

## 4. On the income statement, how should 'other income & expense' be treated?

A. Consider the amount and its repeatability; assume zero unless it is repeatable from history

B. Always include the full value as a recurring item

C. Exclude it from the projection entirely

D. Double it to be conservative

*Non-operating items in other income and expense can be highly irregular, so the right approach is to separate what is likely to recur from what is not. When projecting the income statement, you should look at the amount and its repeatability. If there's no evidence that the item will continue, set it to zero. If there is a history showing it repeats, include that amount as a recurring item but only to the extent it has proven to recur. This keeps the forecast focused on ongoing performance and avoids overstating profits with irregular gains or losses. Excluding it entirely would ignore the possibility of recurring non-operating effects, while automatically doubling for conservatism isn't a standard practice for this line item.*

## 5. In common sizing, which financial statement items are typically expressed as a percentage of total assets?

A. Marketable securities only

B. Income statement items

C. Cash flow items

D. Balance sheet items

*Common sizing standardizes financial data so each line item is shown as a percentage of a single base. For the balance sheet, that base is total assets, so every balance sheet item—assets, liabilities, and equity—is expressed as a percentage of total assets. This lets you compare the composition of resources and obligations across firms and over time regardless of size. In contrast, income statement items are typically expressed as a percentage of sales to show profitability structure, and cash flow items are analyzed in absolute terms or as metrics tied to revenue or assets rather than a uniform percentage of total assets. Therefore, the items typically expressed as a percentage of total assets are balance sheet items.*

## 6. Which components make up the cash cycle calculation?

A. days payable - days receivable + days inventory

B. days sales in receivables + days COGS in inventory - days in accounts payable

C. net income - expenses

D. revenue days minus cost days

*The cash cycle is about how long cash is tied up in operating activities, from paying for inventory to collecting cash from customers, adjusted by how long you can delay paying suppliers. It combines three time components: days sales in receivables, which shows how long it takes to collect money owed by customers; days COGS in inventory, which shows how long inventory sits before it's sold; and days in accounts payable, which shows how long you can delay paying suppliers. To get the cash cycle, you add the receivables period and the inventory period, then subtract the payables period, because longer supplier credit reduces the cash tied up. So the correct formulation is days sales in receivables plus days COGS in inventory minus days in accounts payable. Other options don't reflect this standard combination of components or use unrelated measures.*

## 7. Which category would include issuing stock?

A. Cash From Finances

B. Cash From Operations

C. Cash From Investing

D. Cash From Financing

*Issuing stock is a financing activity because it deals with how a company raises capital and how its equity structure changes. The cash flow statement splits cash movements into three areas: operating activities (day-to-day business cash), investing activities (purchases and sales of long-term assets), and financing activities (sources and uses of capital from owners and lenders). When stock is issued for cash, the company receives cash and increases its equity, which is exactly what financing activities track. It isn't about running the business or acquiring assets, so it doesn't fit operating or investing. If stock were issued for non-cash consideration, it would still be financing, though reported as a non-cash financing activity.*

## 8. What is the principal benefit of using cash flow-based coverage ratios?

A. They are very accurate measures of cash available to service debt

B. They are easier to compute

C. They ignore working capital needs

D. They rely on accounting profits

*Cash flow-based coverage ratios focus on the actual cash available to meet debt payments, not on accounting profits. The big idea is that debt service relies on real cash inflows and outflows, so these measures show liquidity that can be used to cover interest and principal. They are especially reliable because profits can be distorted by non-cash items (like depreciation) and timing differences, whereas cash flow reflects the true cash generation after operating needs and capital expenditures. This direct link to the cash available for debt service makes them the best gauge of a borrower's ability to meet obligations. They aren't simply easier to compute, and cash flow calculations typically incorporate working capital effects rather than ignoring them.*

## 9. When reviewing a cash flow statement, what is a primary objective?

A. Identify significant outflows for working capital for sales growth, capital expenditures, dividends, and debt service

B. Forecast future stock prices

C. Measure tax efficiency

D. Determine financing alternatives

*The main idea is to understand how cash is being used to keep the business running and growing, and whether there is enough liquidity to meet obligations. A primary objective of reviewing a cash flow statement is to identify significant cash outflows tied to working capital needs—money needed to support day-to-day operations as sales grow—along with cash spent on capital expenditures, dividends, and debt service. These outflows reflect the ongoing funding needs of the firm and indicate whether the company must arrange external financing to sustain operations or growth. Other options miss the core focus of the cash flow statement. Forecasting future stock prices is about market valuation, not cash movements. Measuring tax efficiency relates to tax planning rather than the cash implications of operating, investing, and financing activities. Determining financing alternatives is a strategic decision influenced by cash needs, but the primary purpose of the cash flow statement is to show actual cash inflows and outflows, not to prescribe financing options.*

## 10. Which statement best describes financing cash flow?

A. It reflects cash movements related to external financing, such as debt, equity, and dividends.

B. It reflects cash movements from customers.

C. It reflects cash flows from investing activities.

D. It reflects net income adjustments to cash flows.

*Financing cash flows track the cash effects of transactions with lenders and investors, i.e., changes in a company's capital structure. This includes cash inflows from issuing debt or equity and cash outflows for repaying debt, buying back shares, or paying dividends. It is distinct from operating cash flows, which come from day-to-day business activities like cash collected from customers, and from investing cash flows, which involve the purchase and sale of long-term assets or investments. Adjustments to net income are part of the operating activities reconciliation used to convert accrual net income to cash. Therefore, financing cash flow is best described as reflecting cash movements related to external financing, such as debt, equity, and dividends.*

# 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://rmacreditrisk.examzify.com

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