

CFA® SAMPLE QUESTION - LEVEL I

Corporate Finance

Q: The use of secondary sources of liquidity most likely indicated that:

CORRECT ANSWER:

(a) a signal that a company's financial position is deteriorating

Secondary sources of liquidity include negotiating debt contracts, liquidity assets, and filing for bankruptcy protection and reorganization.

Usually the use of these sources of funds is typically a signal that a company's financial position is deteriorating.

Compared to the primary sources, the liquidity provided by these secondary sources usually comes at a substantially higher cost.



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