

CFC Practice Test Questions and Answers

1. What is the standard deduction?

- A) A percentage of gross income that can be deducted
- B) A fixed dollar amount that reduces taxable income
- C) An amount based on the number of dependents
- D) A deduction available only to business owners

2. Goodwill on a balance sheet arises when:

- A) A company's stock price exceeds book value
- B) A company acquires another for more than the fair value of its identifiable net assets
- C) A company writes down intangible assets
- D) A company records deferred tax assets

3. What is the primary goal of tax planning?

- A) To minimize tax liability
- B) To increase investment returns
- C) To manage daily expenses
- D) To reduce debt

4. Free cash flow to equity (FCFE) represents:

- A) Operating cash flow before interest and taxes
- B) Cash available to equity shareholders after capital expenditures and debt repayments
- C) Net income plus depreciation
- D) Total revenue minus operating expenses

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

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