

Quiz 2 – Nonprofit Financial Management

1. What type of account should cash reserves be placed in:

Checking

Savings

Diversified

Commodities

2. True or False: a cash flow budget is based on the projected budget amount divided by 12 months.

3. How should a nonprofit deal with a cash deficit?

4. Which are NOT departments for allocating costs?

Help Center

Program Center

Support Center

Advocacy Center

5. What is marginal cost?

6. What are the 4 benefits of having a cash flow budget?

7. What is NOT a recommendation to improve short-term liquidity needs?

Liquidity Policy

Cash Budget

Sell Assets

Cash Reserves

8. True or False: a nonprofit only choice for dealing with a cash surplus is to put it in a checking/savings account.

9. What is NOT a suitable option for cash reserves?

Treasury

Checking

Stocks

Money Market

10. True or False: working capital is current assets minus current liabilities.

11. True or False: 2/15 net 45 means the nonprofit will receive a 2% discount if it pays the invoice within 15 days of invoice date, otherwise the amount is due in 45 days.

12. What is the discount incentive for "2/15 net 45"?

13. An Opportunity cost is what type of decision-making tool?

Arbitrary

Economic

Financial

Structural

14.What is liquidity?

15.What is the formula for break-even analysis?

16. True or False: opportunity cost is the value/cost of not allocating resources to a project.

17.What is the difference between direct costs and indirect costs?

18.Explain why knowing the cost of an item is important.

19.What is the difference between variable cost and step cost?

20.True or False: break-even analysis determines a program/service's point of cost recovery.

21.Who determines an organization's liquidity target?