

CFA® SAMPLE QUESTION - LEVEL I

Corporate Finance

Q: An increase in Company XYZ's cash conversion cycle and a decrease in operating cycle could most likely result:

CORRECT ANSWER:

Cash conversion cycle (increase)

Operating Cycle (decrease)

(b) Decreased receivables turnover

Decrease in days of inventory

A decrease in receivables turnover would increase days of receivable and increase the cash conversion cycle.

A decrease in days of inventory would decrease the operating cycle.



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