

CFA® SAMPLE QUESTION - LEVEL I

Corporate Finance

Q: An analyst is constructing pro forma financial statements for Company ABC. He make the statement based on an expected 8% increase in sales next year. His first iteration results in a financial surplus of \$3.5 million.

Which of the following assumptions would result in no financial surplus or deficiency in the next iteration of the pro forma statement?

- a** The surplus will used to decrease Company ABC's outstanding long-term debt.
- b** Company ABC will use the surplus to repurchase its common stock.
- c** The surplus will be used to repurchase Company ABC's common share and retire long-term debt in amounts that preserve Company ABC's existing capital structure



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