

CFA® SAMPLE QUESTION - LEVEL I

Financial Reporting and Analysis

Q: Which of the following transactions affects owners' equity but does not affect net income?

CORRECT ANSWER:

(a) Foreign currency translation gain

Again this simple question tested you a lot for your accounting knowledge and understanding of the rules.

A foreign currency translation gain is "not" included in net income but the gain increases owners' equity.

The repayment of principal does not affect owner's equity.

Dividends received are reported in the income statement.



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