

CFA® SAMPLE QUESTION - LEVEL I

Financial Reporting and Analysis

Q: Firm ABC has created employee goodwill by reorganize its retirement benefit package. A 3rd party independent consultant estimated the value of the goodwill should be around \$3million.

In addition, Firm ABC recently purchased a patent that was developed by a competitor. The patent has an estimated useful life of 10 years.

You are the CFO of the company, should you report the goodwill and patent on the balance sheet?

CORRECT ANSWER:

	<u>Goodwill</u>	<u>Goodwill</u>
(b)	NO	YES

Goodwill developed internally is expensed as incurred. The purchased patent is reported on the balance sheet and then subject to the annual impairment test...



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