

## CFA® SAMPLE QUESTION - LEVEL I

# Financial Reporting and Analysis

**Q:** Firm XYZ's P&L statement shows sales of \$150,000, cost of goods sold of \$70,000 pre-interest operating expense of \$40,000, and interest expenses of \$15,000.

Firm XYZ's interest coverage ratio is equal to:

### CORRECT ANSWER:

**(a) 2.67 times**

Interest Coverage Ratios is equal to EBIT/ I

EBIT = (150,000 - 70,000 - 40,000) = \$40,000

Interest Expenses = \$15,000

So Firm's XYZ interest Coverage Ratio is =  $40,000 / 15,000 = 2.67$  times



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