

CFA® SAMPLE QUESTION - LEVEL I

Financial Reporting and Analysis

Q: Firm ABC receivable turnover is 10 times, the inventory turnover is 5 times, and the payable turnover is 8 times.

So the cash conversion cycle for Firm ABC should be:

CORRECT ANSWER:

(a) 63.88 days

Cash conversion cycle is equal to: days of inventory on hand + days of sales outstanding - number of days of payables

$$= (365/5 + 365/10 - 365/8)$$

$$= 63.88 \text{ days}$$



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