

CFA® SAMPLE QUESTION - LEVEL I

Financial Reporting and Analysis

Q: In preparing a common-size cash flow statement, each cash flow is expressed as a percentage of:

CORRECT ANSWER:

b) total revenues

The cash flow statement can be converted to common-size format by expressing each line item as a percentage of Revenue. Below is one example:

Cash Flow Statement (Percent of Revenue)				
	Items	2014	2013	2012
CFO	Net income	13,40%	13,40%	13,50%
	Depreciation	4%	3,90%	3,90%
	Account receivable	-0,60%	-0,60%	-0,50%
	Inventory	-10,30%	-9,20%	-8,80%
	Prepaid expenses	0,20%	-0,20%	0,10%
	Accrued liabilities	5,50%	5,50%	5,60%
	Operating Cash Flow	12,20%	12,80%	13,80%
CFI	Cash flow from sale of fixed assets	0,70%	0,70%	0,70%
	Purchase of plant & equipment	-12,30%	-12%	-11,70%
	Investing Cash Flow	-11,60%	-11,30%	-11,00%
CFF	Sale of bonds	2,60%	2,50%	2,60%
	Cash dividends	-2,10%	-2,10%	-2,10%
	Financing Cash Flow	0,50%	0,40%	0,50%
	Total Cash Flow	1,10%	1,90%	3,30%



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