

# CFA® SAMPLE QUESTION - LEVEL I

## Financial Reporting and Analysis

**Q:** An analyst want to study the trends in a firm's cost of goods sold (COGS), the analyst should standardize the cost of goods sold numbers to a common-size basis by dividing

**CORRECT ANSWER:**

**a) sales**

With a vertical common-size income statement, all P&L statement accounts are dividend by sales.

	Normal Income Statement		Common Size Income Statement	
	2013	2014	2013	2014
<b>Net Sales</b>	\$90,000	\$100,000	100%	100%
<b>Cost of Goods Sold</b>	\$63,000	\$66,000	70%	66%
<b>Gross Profit</b>	\$27,000	\$34,000	30%	34%
<b>Taxes</b>	\$15,000	\$17,000	16.6%	17%
<b>Total Profit</b>	\$12,000	\$17,000	13.3%	17%



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