

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
Net Sales	\$90,000	\$100,000	100%	100%
Cost of Goods Sold	\$63,000	\$66,000	70%	66%
Gross Profit	\$27,000	\$34,000	30%	34%
Taxes	\$15,000	\$17,000	16.6%	17%
Total Profit	\$12,000	\$17,000	13.3%	17%



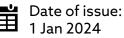
HARD

INTERMEDIATE

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