

CFA® SAMPLE QUESTION - LEVEL I

Corporate Finance

Q: Firm ABC has the below financial ratios for the past two financial years:

<u>Year</u>	<u>Net Profit Margin</u>	<u>Total Asset Turnover</u>	<u>Financial Leverage</u>
20X5	17%	1.3	1.6
20X6	15%	0.8	3

Based on the above figures, you can conclude that the ROE of firm ABC in year 20x6 compared to year 20x5 has:

- (a)** declined, in part due to lower profitability
- (b)** increased, because the company ABC has used more debt financing
- (c)** increased, because of the improvement in asset utilization



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