

# CFA® SAMPLE QUESTION - LEVEL I

## Financial Reporting and Analysis

Q: Given the following:

Sales	1,800
Increase in Inventory	\$100
Depreciation	\$150
Increase in accounts receivable	\$50
Decrease in accounts payable	\$75
After-tax profit margin	32%
Gain on sales of machinery	\$35

Cash flow from operations is therefore:

### CORRECT ANSWER:

**(a) \$466**

To answer this cash flow related question, we need to find out the Net Income first.

Given the that after-tax profit margin is 32%, so the net income is equal to  $\$1,800 \times 0.32 = \$576$

Then the CFO is equal to net income - gain on sales of machinery + depreciation - increase in accounts receivable - increase in inventory - decrease in accounts payable

$= 576 - 35 + 150 - 50 - 100 - 75 = \mathbf{\$466}$

Again a good question that test your understanding about the financial figures change and the impact on CFO



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