

CFA® SAMPLE QUESTION - LEVEL I

Financial Reporting and Analysis

Q: Firm ABC purchases during the year 20x6 were \$150,000. The balance sheet shows an average accounts payable balances of \$33,000.

Firm ABC's payables payment period is equal to:

CORRECT ANSWER:

Ⓒ 80.22 days

$$\text{Payables turnover} = \text{Purchases} / \text{Average AP} = \$150,000 / \$33,000 = 4.55$$

$$\text{Payables payment period} = 365 / \text{payables turnover} = 365 / 4.55 = 80.22 \text{ days}$$



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