

CFA® SAMPLE QUESTION – LEVEL I Financial Reporting and Analysis

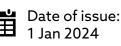
- **Q:** Which of the following statements BEST DESCRIBES the effects of inventory accounting on the financial statements?
- Reductions in inventory appear as reductions to net income in the operating activities section of the statement of cash flows when calculating cash flow from operations using the indirect method.
- (b) The FIFO cost flow assumption assigns the costs of the most recent purchases to ending inventory and the costs of the earliest units purchased to cost of goods sold.
- © During periods of rising prices, the unrealized holding gain recognized on the income statement under FIFO is greater than the amount recognized under LIFO.



HARD

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