EASY INTERMEDIATE HARD

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.

ⓑ 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.

CFA Society Hong Kong
Candidate Services

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Date of issue:
1 Jan 2024