EASY INTERMEDIATE HARD

# CFA® SAMPLE QUESTION – LEVEL I

## Financial Reporting and Analysis

**Q:** At the end of 20X6, Tyler Company had 200 widgets in inventory valued at $100 each. During 20X7, Tyler bought 100 more widgets at $80 each, and sold 80 widgets.

At year-end 20X7, a recession caused the wholesale widget price to drop to $60 each.

Based on FIFO cost flow assumptions, 20X7 year-end inventory for Tyler Company is CLOSEST to:

**CORRECT ANSWER:**

ⓐ **$13,200**

The answer was derived based on the following lower of cost-or-market calculation:
Ending Inventory quantity: 200 + 100 - 80 = 220 units
Lower of cost-or-market = $60/unit
Year end inventory valuation: 220 x $60 : $13,200
Choice "b" is incorrect. This answer incorrectly valued the ending inventory at $80/unit and did not recognize the current drop in widget values. (i.e. 220 * 80 = $17,600)
Choice "c" is incorrect. The LIFO method was applied. i.e. (=20*80+200*100) = $21,600

CFA Society Hong Kong Candidate Services



**Mr. Zap Cheng, CFA**
**Candidate Services Committee**

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1 Jan 2024