

Cfa Level 1 Exam Sample

CFA LEVEL I

MOCK TEST PAPER

Exam Date : 06-04-2020

Full Marks : 40

Time Allowed : 60 Minutes

This question paper comprises questions on Inventories

- Lincoln Corporation and Continental Incorporated are identical companies except that Lincoln complies with U.S. Generally Accepted Accounting Principles and Continental complies with International Financial Reporting Standards. Assuming an inflationary environment and stable inventory quantities, which permissible cost flow assumption will minimize each firm's pre-tax financial income?

Lincoln Corporation	Continental Incorporated
A. Last-in, first-out	Last-in, first-out
B. Last-in, first-out	Average cost
C. First-in, first-out	First-in, first-out
- Arlington, Inc. uses the first in, first out (FIFO) inventory cost flow assumption. Beginning inventory and purchases of refrigerated containers for Arlington were as follows:

	Units	Unit Cost	Total Cost
Beginning Inventory	20	\$10,000	\$200,000
Purchases, April	10	12,000	120,000
Purchases, July	10	12,500	125,000
Purchases, October	20	15,000	300,000

In November, Arlington sold 35 refrigerated containers to Johnson Company. What is the cost of goods sold assigned to the 35 sold containers?

 - \$382,500.
 - \$434,583.
 - \$485,000.
- Using the lower of cost or market principle under U.S. GAAP, if the market value of inventory falls below its historical cost, the minimum value at which the inventory can be reported in the financial statements is the:
 - market price minus selling costs minus normal profit margin.
 - net realizable value.
 - net realizable value minus selling costs.
- A U.S. GAAP reporting firm changes its inventory cost flow assumption from average cost to LIFO. The firm must apply this change:
 - retrospectively, because it is a change in accounting principle.
 - prospectively, with LIFO layers calculated from past purchases and sales.
 - prospectively, with the carrying value as the first LIFO layer.
- Given the following data for a firm:

	Units	Unit Price
Beginning Inventory	709	\$2.00
Purchases	556	\$6.00
Sales	959	\$13.00
SGA Expenses	\$2,649 per annum	

Cost of goods sold using the average cost method and using the first in first out (FIFO) method are closest to:

Average cost	FIFO
A. \$4,150	\$3,400
B. \$3,600	\$2,900
C. \$3,600	\$3,400
- If prices and inventory quantities are increasing, the last-in first-out (LIFO) inventory cost method results in:
 - lower gross profit compared to first-in first-out.
 - higher inventory compared to first-in first-out.
 - lower cost of goods sold compared to first-in first-out.
- McKay Company uses a periodic inventory system and the FIFO inventory cost method. In the most recent period, McKay had beginning inventory of \$4,200, purchases of \$1,400, cost of sales \$1,300, and ending inventory of \$4,300. If McKay had used a perpetual inventory system, its ending inventory would have been:

CFA Level 1 Exam Sample questions are crucial for candidates preparing for one of the most rigorous financial certification exams in the world. The Chartered Financial Analyst (CFA) program, administered by the CFA Institute, is designed to equip financial professionals with a deep understanding of investment analysis and portfolio management. The Level 1 exam, the first of three levels, focuses on fundamental knowledge and understanding of financial concepts, and it can be daunting without proper preparation. This article will provide a comprehensive overview of the CFA Level 1 exam, including sample questions, study tips, and essential resources.

Understanding the CFA Level 1 Exam

The CFA Level 1 exam is divided into two parts, each lasting 2 hours and 15 minutes. The exam features multiple-choice questions that assess a candidate's knowledge and comprehension of various topics in finance and investment.

Exam Format and Structure

The exam consists of:

- Total Questions: 240 multiple-choice questions
- Session Breakdown:
 - Morning Session: 120 questions
 - Afternoon Session: 120 questions
- Question Format: Each question has three answer choices, and candidates must select the best answer.

Topics Covered in the CFA Level 1 Exam

The exam tests candidates across a wide range of topics, which include:

1. Ethics and Professional Standards: Ethical responsibilities and professional standards in the finance industry.
2. Quantitative Methods: Basic statistical concepts, time value of money, and probability.
3. Economics: Micro and macroeconomic principles and their application to financial markets.
4. Financial Reporting and Analysis: Understanding financial statements, including balance sheets, income statements, and cash flow statements.
5. Corporate Finance: Basics of corporate governance, capital budgeting, and cost of capital.
6. Equity Investments: Valuation techniques and market analysis.
7. Fixed Income: Understanding bonds, yields, and interest rates.
8. Derivatives: Basics of options, futures, and swaps.
9. Alternative Investments: Real estate, hedge funds, and private equity.
10. Portfolio Management and Wealth Planning: Asset allocation, risk management, and investment strategies.

Importance of CFA Level 1 Exam Sample Questions

Practicing with CFA Level 1 exam sample questions is vital for candidates for several reasons:

- Familiarization: Sample questions help candidates become familiar with the exam format and question style.
- Knowledge Assessment: They allow candidates to assess their understanding of key concepts and identify areas needing improvement.
- Time Management: Practicing under timed conditions helps candidates learn how to manage their time effectively during the exam.
- Confidence Building: Regular practice can boost a candidate's confidence leading up to the exam day.

Sample Questions for CFA Level 1 Exam

Here are a few sample questions that illustrate the types of questions candidates may encounter on the CFA Level 1 exam:

1. Ethics Question:

- A financial analyst discovers that a company he covers has made a significant accounting error that could mislead investors. What should the analyst do?
- A) Ignore the error to maintain a good relationship with the company.
- B) Report the error to the appropriate regulatory body.
- C) Wait for the company to announce the error publicly before taking action.

Correct Answer: B) Report the error to the appropriate regulatory body.

2. Quantitative Methods Question:

- What is the future value of an investment of \$1,000 at an interest rate of 5% compounded annually after 3 years?
- A) \$1,150.75
- B) \$1,157.63
- C) \$1,125.00

Correct Answer: B) \$1,157.63

3. Financial Reporting Question:

- Which of the following is considered a non-cash expense?
- A) Depreciation
- B) Interest Expense
- C) Rent Expense

Correct Answer: A) Depreciation

4. Economics Question:

- If the price of oil increases significantly, what is the likely effect on the supply of gasoline?
- A) Supply will increase.
- B) Supply will decrease.
- C) Supply will remain unchanged.

Correct Answer: B) Supply will decrease.

Study Tips for CFA Level 1 Exam Preparation

Preparing for the CFA Level 1 exam requires a strategic approach. Here are some effective study tips:

Create a Study Plan

- Set a Timeline: Allocate sufficient time for study, typically ranging from 300 to 400 hours.
- Break Down Topics: Divide the content into manageable sections and set weekly goals.

Utilize CFA Institute Resources

- Curriculum Books: The CFA Institute provides an official curriculum that is the primary source of exam content.
- Practice Questions: Make use of the practice questions and mock exams offered by the CFA Institute.

Join Study Groups

- Peer Learning: Join a study group to collaborate with other candidates, share resources, and discuss complex topics.
- Networking: Networking can provide additional insights and motivation during the study process.

Take Regular Practice Exams

- Simulate Exam Conditions: Regularly take practice exams to build stamina and improve time management.
- Review Mistakes: Analyze incorrect answers to understand where your knowledge gaps lie.

Essential Resources for CFA Level 1 Exam Preparation

When preparing for the CFA Level 1 exam, consider the following resources:

- CFA Institute Official Website: Offers essential information about the exam, including sample questions and curriculum.
- Prep Courses: Many organizations offer online and in-person CFA prep courses.
- Study Guides: Numerous publishers provide CFA study guides that condense the curriculum into easier-to-digest formats.
- Mobile Apps: There are several mobile applications available for on-the-go studying, including flashcards and practice questions.

Conclusion

In conclusion, the **CFA Level 1 exam sample** questions play a crucial role in preparing for this challenging certification. Understanding the exam structure, practicing with sample questions, and implementing effective study strategies can significantly boost your chances of success. With dedication and the right resources, candidates can navigate this demanding exam and move one step closer to achieving their CFA designation.

Frequently Asked Questions

What topics are covered in the CFA Level 1 exam sample questions?

The CFA Level 1 exam sample questions cover a range of topics including ethics, quantitative methods, financial reporting and analysis, corporate finance, equity investments, fixed income, derivatives, alternative investments, portfolio management, and wealth planning.

How can I access CFA Level 1 exam sample questions for practice?

You can access CFA Level 1 exam sample questions through the official CFA Institute website, local CFA societies, or through various CFA prep courses and study materials offered by third-party providers.

Are CFA Level 1 exam sample questions representative of the actual exam format?

Yes, CFA Level 1 exam sample questions are designed to mimic the actual exam format, including the types of questions and the multiple-choice format, giving candidates a good idea of what to expect on test day.

How should I use CFA Level 1 exam sample questions in my study plan?

Incorporate CFA Level 1 exam sample questions into your study plan by using them to assess your understanding of key concepts, identify areas for improvement, and practice time management skills under exam conditions.

What is the benefit of taking CFA Level 1 practice exams?

Taking CFA Level 1 practice exams helps reinforce your knowledge, improves retention, builds confidence, and enhances your ability to apply concepts under timed conditions, ultimately increasing your chances of passing the actual exam.

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Ace your CFA Level 1 exam with our comprehensive sample questions and expert tips. Discover how to enhance your preparation and boost your confidence today!

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