Question #1 of 23

Question ID: 1577385

Pam Jones, CFA, creates pro forma financial statements for a company she is analyzing. In developing the income statements, she needs to forecast growth for the selling, general, and administrative (SG&A) line item. Her forecasted number will *most likely* be driven by:

A) inflation forecasts for fixed SG&A, and sales growth for variable SG&A.

B) sales growth for fixed SG&A, and inflation forecasts for variable SG&A.

C) sales growth for both fixed and variable SG&A.

Question #2 of 23

Question ID: 1577390

Which of the following measures will an analyst *most likely* use to develop a forecasted capital structure mix for a company he is reviewing?

A) Working capital.

B) Current ratio.

C) Debt-to-equity ratio.

Question #3 of 23

Question ID: 1577386

A company's days sales outstanding (DSO) is equal to 42 days. With current revenues of $20 million and 8% forecasted growth, accounts receivable on the pro forma balance sheet will be *closest* to:

A) $2,485,480.

B) $2,301,370.

C) $2,684,320.

Question #4 of 23

Question ID: 1577395

Which of the following scenarios may an analyst use to forecast sales growth for a company in the next fiscal year?

A) 20% chance of sales increasing, 50% chance of no growth, 20% chance of sales decreasing.

B) 40% chance of sales increasing, 30% chance of no growth, 30% chance of sales decreasing.

C) 30% chance of sales increasing, 40% chance of no growth, 40% chance of sales decreasing.

Question #5 of 23

Question ID: 1577387

Current year balances for working capital accounts are $8 million for accounts payable, $13 million for inventory, and $10 million for accounts receivable. If the former is forecasted to grow 3% and the latter two line items are forecasted to grow 4%, an analyst will estimate a working capital total *closest* to:

A) $15,450,000.

B) $15,600,000.

C) $15,680,000.

Question #6 of 23

Question ID: 1577383

In forecasting revenue for the next year, an analyst is *most likely* going to exclude which of the following situations from his forecasted number?

A) Significant gains due to the remeasurement of subsidiary financial statements.

B) Gains on the sales of aged fixed assets that were replaced by newer assets with longer useful lives.

C) Losses stemming from the launch of a new product that is not expected to be profitable for two years.

Question #7 of 23

Question ID: 1577969

A top-down revenue forecast is *most likely* to be based on expected:

A) GDP growth.

B) sales at existing and new outlets.

C) product prices and volumes.

Question #8 of 23

Question ID: 1577388

Based on growth strategies outlined by the company's CEO, an analyst forecasts overall growth of 5%. With inflation forecasted by economists at 3%, an analyst will likely forecast capital expenditures related to maintenance to grow by what percentage next year?

A) 5%.

B) 3%.

C) 8%.

Question #9 of 23

Question ID: 1577376

Sandra Page, CFA, is preparing a pro forma balance sheet for a company. Page is planning to incorporate several ad hoc additions into her forecast that are not currently accounted for on the company's recently published balance sheet from the prior year. Which of the following items will Page *most likely* need to add?

A) A potential gain stemming from a lawsuit in which the company was the plaintiff.

B) Unrealized gains on equity securities since the date of the previous balance sheet.

C) Forecasted losses due to exchange rate fluctuations over the course of the year.

Question #10 of 23

Question ID: 1577389

In creating a forecast for capital spending devoted to maintenance projects, an analyst will often start her analysis by looking at a company's:

A) prior-year asset sales.

B) historical depreciation expenses in prior years.

C) current year gross property, plant, and equipment balance.

Question #11 of 23

Question ID: 1577380

Revenue for ABC Company will close the year at $15 million. In projecting next year's revenue, the CFO assumes nominal GDP growth of 3% and company revenue growing 15% faster than GDP. Projected revenue next year will be *closest* to:

A) $15,517,500.

B) $15,472,500.

C) $15,450,000.

Question #12 of 23

Question ID: 1577392

Current-year sales for ABC Co. are $20 million. Although Annie Mann, CFA, forecasts overall growth of 5% heading into next year, she would like to further refine her estimates by assigning the following probabilities based on actions she thinks the competition may take.

Growth	Probability
6 percent	30%
5 percent	20%
4 percent	50%

Using these probabilities, what is Mann's forecasted sales total for next year?

A) $20,960,000.

B) $21,000,000.

C) $20,800,000.

Question #13 of 23

Question ID: 1577384

Using a baseline revenue amount of $6 million for A Co., an analyst estimates that next year's revenue will grow by 3%. If the forecasted gross margin is equal to 65%, forecasted cost of goods sold (COGS) will be *closest* to:

A) $4,017,000.

B) $2,163,000.

C) $1,920,000.

Question #14 of 23

Question ID: 1577391

A company's CFO plans to spend $45 million on capital expenditures in the next year. These expenditures will be funded through cash held in the company's bank accounts ($30 million) and $15 million coming from a planned debt issuance at the end of the current year. An analyst forecasting the capital structure of the firm will project which of the following?

A) An increase in cash flows from investing activities.

B) A decrease in financial leverage.

C) An increase in the debt-to-equity ratio.

Question #15 of 23

Question ID: 1577393

In estimating sales for future years, an analyst will *most likely* account for which of the following potential assumptions?

A) Tax rate changes.

B) Reductions in fixed costs due to new negotiations with warehouse landlords.

C) New product launches by the competition.

Question #16 of 23

Question ID: 1577382

An analyst forecasts average selling prices for each product and service a company provides, as well as expected sales volumes. Using these estimates is an example of which type of revenue forecasting?

A) Top down.

B) Economic driven.

C) Bottom up.

Question #17 of 23

Question ID: 1577394

Which of the following represents a benefit to an analyst incorporating scenario analysis into her forecasting?

A) Accounting for potential changes in the company's economic environment.

B) Adjusting past results for unidentified errors.

C) Solidifying a single forecasted number for bottom-line profits.

Question #18 of 23

Question ID: 1577968

An analyst is *most likely* to forecast summary measures for a company, rather than forecasting specific financial statement items, when:

A) users of the forecast require transparency.

B) ad hoc items affect the results.

C) summary measures are relatively stable over time.

Question #19 of 23

Question ID: 1577379

An analyst is using an historical base rate convergence approach to estimate the growth rate of a company in an established industry. If the analyst forecasts sales growth for this company of 4% next year, it is *most likely* because:

A) GDP growth is forecasted to remain stable.

B) sales have grown 6% over the last couple of years and are due to grow more next year.

C) the industry average is forecasted at 4%.

Question #20 of 23

Question ID: 1577377

An analyst would like to use historical results as a baseline to prepare his forecasted financial statements for the next year. Which of the following types of companies are appropriate for this type of approach?

A) Mature-stage companies.

B) Companies in cyclical industries.

C) Companies moving to a differentiation strategy.

Question #21 of 23

Question ID: 1577378

An analyst attends a management call where the CEO projects revenue and operating expense growth of 4%–6% next year, respectively. Understanding the natural tendency of management when communicating these numbers, an analyst will *most likely* project which of the following?

A) Revenue growth of 5%– 7%.

B) Operating expense growth of 4%–6%.

C) Operating expense growth of 5%–7%.

Question #22 of 23

Question ID: 1577970

Forecasting a fixed growth rate is *most* appropriate for estimating:

A) cost of goods sold.

B) selling expenses.

C) administrative expenses.

Question #23 of 23

Question ID: 1577381

A company has a market share of 5% and sales of $16 million. If overall industry sales are forecasted to grow 4% and the company's market share is expected to increase to 6%, expected sales for the company will be *closest* to:

A) $17,600,000.

B) $19,968,000.

C) $16,640,000.