Question #1 of 26

Question ID: 1577955

Items in an initial research report on a company that are *most likely* to also appear in subsequent reports include a(n):

A) industry overview and analysis of the company's competitive position.

B) description of the company's business model and strategy.

C) rationale for the investment recommendation.

Question #2 of 26

Question ID: 1577962

Which of the following ratios should an analyst use who wishes to evaluate the returns a company generates based on the amount of financial leverage?

A) Return on equity (ROE).

B) Return on invested capital (ROIC).

C) Return on assets (ROA).

Question #3 of 26

Question ID: 1577963

Joel Lettner, CFA, is an analyst studying the balance sheets of several companies within the same industry. His boss has asked him to do comparisons of capital structures between the companies. Which elements of the balance sheet will Lettner *most likely* focus on?

A) Noncurrent assets and liabilities.

B) Liabilities and stockholders' equity.

C) Noncurrent assets and stockholders' equity.

Question #4 of 26

Question ID: 1577960

Which of the following statements is *most accurate* regarding a company who is experiencing economies of scale as production output is increasing?

A) Total fixed costs are decreasing, with no change to variable costs.

B) Both fixed costs per unit and variable costs per unit may be decreasing.

C) Fixed costs are decreasing, but variable costs are increasing.

Question #5 of 26

Question ID: 1577338

Which of the following elements can be found in the "front matter" section of a company research report?

A) A description of the company’s business model.

B) A target buy price of $12 per share.

C) A competitive analysis of the industry in which the company operates.

Question #6 of 26

Question ID: 1577336

Jason Schmidt, CFA, is preparing his very first company research report. It will be distributed internally within his company, as well as to external advisors and investors. He can expect that, relative to his initial report, his subsequent reports will be:

A) less thorough.

B) more thorough.

C) equivalent in depth.

Question #7 of 26

Question ID: 1577344

An analyst assesses that the gross domestic product for a country is growing (on average) by 3% per year. He also determines that the market share for a company is approximately 6% of its overall industry. By using these statistics to forecast revenue growth, the analyst is taking a(n):

A) top-down approach.

B) economic approach.

C) bottom-up approach.

Question #8 of 26

Question ID: 1577961

If a company's operating income increases from $3 million to $3.3 million and its net income increases from $1.5 million to $1.8 million, its degree of financial leverage is *closest* to:

A) 1.0.

B) 2.0.

C) 0.5.

Question #9 of 26

Question ID: 1577966

In a given period, which of the following metrics is *most likely* to be the largest for a company?

A) Pretax earnings.

B) EBIT.

C) EBITDA.

Question #10 of 26

Question ID: 1577956

Publicly available third-party information that can be used to determine a company's business model *most likely* includes:

A) filings with regulatory agencies.

B) reports produced by well-known analysts.

C) social media commentary.

Question #11 of 26

Question ID: 1577342

An analyst assesses a company's business model primarily by using press releases and information from the company's investor relations department. These sources of information are *best* categorized as:

A) proprietary third-party information.

B) proprietary primary research.

C) direct information from the company.

Question #12 of 26

Question ID: 1577957

A company's main product sells for $20 per unit and has variable costs of $15 per unit. If fixed costs are $25,000 and the company is able to sell 8,000 units, the total contribution margin is equal to:

A) $40,000.

B) $15,000.

C) $25,000.

Question #13 of 26

Question ID: 1577345

Which of the following companies is *most likely* to benefit by raising their sale prices and exercising significant pricing power?

A) A company whose products have few substitutes.

B) A company in a price-taker market structure.

C) A company whose products are highly elastic.

Question #14 of 26

Question ID: 1577959

An analyst is reviewing an income statement that reflects two years of information. Over those two years, sales have risen from $10 million to $12 million. At the same time, operating profit has risen from $1.2 million to $1.5 million. The company's degree of operating leverage is *closest* to:

A) 0.15.

B) 1.25.

C) 0.80.

Question #15 of 26

Question ID: 1577347

A market has 10 companies and total revenue of $88 million in the last fiscal year. Company XYZ had revenue last year of $17.6 million. Which of the following statements is *most accurate* about this market and Company XYZ?

A) Company XYZ's market share is larger than the average company in this market.

B) The market size is $105.6 million.

C) Company XYZ's market share is $17.6 million.

Question #16 of 26

Question ID: 1577339

Which of the following items will *most likely* be found in both the initial company research report and any subsequent reports that are issued?

A) Recommendations and associated rationales.

B) An overview of the company's industry.

C) Environmental, social, and governance factors.

Question #17 of 26

Question ID: 1577965

During a period of increasing sales, compared to firms with lower operating leverage, earnings growth for firms with high operating leverage will be:

A) higher.

B) unaffected.

C) lower.

Question #18 of 26

Question ID: 1577346

A highly competitive market structure will reflect which of the following characteristics?

A) High levels of commoditization.

B) Relatively high switching costs.

C) Significant barriers to entry.

Question #19 of 26

Question ID: 1577337

An analyst will often include pro forma financial statements in a company research report because they are useful in helping investors understand:

A) the growth in sales numbers over the last several years.

B) how the company has changed its mix of debt and equity in its capital structure.

C) forecasted bottom-line profits over the next several years.

Question #20 of 26

Question ID: 1577340

In setting her expectations for a company she is analyzing, Lisa Kale, CFA, will use which company model as the foundation?

A) Risk based.

B) Business.

C) Financial.

Question #21 of 26

Question ID: 1577964

In assessing a company's uses of capital, an analyst may look at:

A) marketable security sales and dividend payments.

B) treasury stock purchases and principal payments on debt.

C) new stock issuances and intangible asset purchases.

Question #22 of 26

Question ID: 1577343

Laurie Palmer, CFA, is analyzing the business model for ABC Corp. Given that this is a new company for Palmer, what is one of the first questions she will need to answer?

A) "What is the company's customer retention ratio?"

B) "Has the company been able to meet its debt covenants related to its outstanding bond issuances?"

C) "What products and services does the company offer?"

Question #23 of 26

Question ID: 1577967

The percent change in a company's net income that results from a given percent change in its operating income is the company's degree of:

A) operating leverage.

B) total leverage.

C) financial leverage.

Question #24 of 26

Question ID: 1577958

A company's income statement for the previous year reflects the following amounts:

- Revenue: $1,500,000
- Cost of sales: $900,000
- Operating expenses: $250,000
- Depreciation and amortization: $50,000

The company's EBITDA is *closest* to:

A) $350,000.

B) $600,000.

C) $300,000.

Question #25 of 26

Question ID: 1577341

In reviewing whether a company requires fairly common materials and inputs in its production process or ones that are more specialized, an analyst is evaluating the bargaining power of which party?

A) Frontline workers.

B) Suppliers.

C) Customers.

Question #26 of 26

Question ID: 1576022

A firm is *most likely* to have pricing power if:

A) costs to exit the industry are high.

B) its market share is high.

C) its product is differentiated.