

## 2007 CFA December Level 1 – Sample Exam 1 Answers

Q27. C

2007 Modular Level I, Vol. 3, PP.362-363

Study Session9-41-b

All costs incurred to prepare the asset for use may be capitalized  $200,000+7,500+5,000+15,000=227,500$ . Property taxes would be a period expense and are therefore excluded.

Q33. A

2007 Modular Level I, Vol. 3, P.99

Study Session7-35-a

A company's monthly cash budget would be an internal management tool and would not be available to investors and creditors. The Statement of Cash Flows is not normally published on a monthly basis.

Q37. D

2007 Modular Level I, Vol. 4, PP.37-38

Study Session 11-47-b

The initial outlay would include the items at  $t=0$ :

Cost of equipment including freight and installation charges	\$83,000
Increase in NWC	\$5,500
Proceeds from sale of old machine	\$5,000
Tax liability from sale of old machine $(15,000-10,000) \times 0.4$	<u>\$2,000</u>
Initial investment outlay	\$75,500

Q39. D

2007 Modular Level I, Vol. 4, PP.134-135

Study Session 11-49-d

Breakeven number of units  $= (F+C)/(P-V) = (550,000+75,000)/(75-50) = 25,000$  units.