

FA Module 5 Accounts receivable inventory accounts payable practice exam questions

(The attached PDF file has better formatting.)

In 20XX, a firm pays 344 to suppliers for purchases of inventory, its gross profit margin is 68%, and 55% of its sales are on credit. The balance sheet figures for 20XX are

	<i>January 1, 20XX</i>	<i>December 31, 20XX</i>
Accounts receivable	134	120
Inventory	132	165
Accounts payable	167	178

Question 5.1: Inventory bought

How much inventory was bought during the year?

Answer 5.1:  $344 + (178 - 167) = 355$

(inventory bought = payments to suppliers +  $\Delta$ (accounts payable) )

Question 5.2: Cost of goods sold

What is the cost of goods sold during the year?

Answer 5.2:  $355 - (165 - 132) = 322$

(cost of goods sold = inventory bought during year –  $\Delta$ (inventory) )

Question 5.3: Inventory turnover

What is the inventory turnover for the year?

Answer 5.3:  $322 / ((165 + 132) / 2) = 2.168$

(inventory turnover = cost of goods sold / average inventory)

Question 5.4: Net revenue

What is the net revenue during the year?

Answer 5.4:  $322 / (1 - 68\%) = 1,006.25$

(net revenue = cost of goods sold / (1 – gross profit margin) )

Question 5.5: Receivables turnover

What is the receivables turnover for the year?

Answer 5.5:  $(1,006.25 \times 55\%) / ((134 + 120) / 2) = 4.358$

(receivables turnover = credit sales / average accounts receivable)

Question 5.6: Cash received from customers

What is the cash received from customers during the year?

Answer 5.6:  $1,006.25 - (120 - 134) = 1,020.25$

(cash received from customers = net revenue –  $\Delta$ (accounts receivable) )