

FA Module 5 Accounts receivable + inventory + accounts payable practice exam questions

covering inventory, profit margins, credit sales, accounts receivable,, accounts payable, payments to suppliers, cost of goods sold, inventory turnover, receivables turnover, cash received from customers, net revenue

(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 + (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 – (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 - (accounts receivable) )