

Questions 1~18 Relate to Ethics	2
Questions 19~32 Relate to Quantitative analysis.....	9
Questions 33~44 Relate to Economics	13
Questions 45~68 Relate to Financial Statement Analysis	17
Questions 69~76 Relate to Corporate finance.....	26
Questions 77~88 Relate to Equity investment	29
Questions 89~94 Relate to Derivatives	32
Questions 95~106 Relate to Fixed-income Analysis	34
Questions 107~110 Relate to Alternative Investments	38
Questions 111 ~120 Relate to Portfolio Management.....	39

MOCK EXAM 114

Last Name: _____ First Name: _____

No: _____ Date: _____

Questions 1~18 Relate to Ethics

1. Carolina Ochoa, CFA, is the chief financial officer at Pantagonia Computing. Ochoa is currently the subject of an inquiry by Pantagonia's corporate investigations department. The inquiry is the result of an anonymous complaint accusing Ochoa of falsifying travel expenses for senior management related to a government contract. According to the CFA Institute Code of Ethics and Standards of Professional Conduct, it is most appropriate for Ochoa to disclose the allegations:
 - A. on her Professional Conduct Statement.
 - B. to CFA Institute if the allegations are proven correct.
 - C. to CFA Institute when the investigation concludes.

2. Richard Cardinal, CFA, is the founder of Volcano Capital Research, an investment management firm whose sole activity is short selling. Cardinal seeks out companies whose stocks have had large price increases. Cardinal also pays several lobbying firms to update him immediately on any legislative or regulatory changes that may impact his target companies. Cardinal sells short those target companies he estimates are near the peak of their sales and earnings and that his sources identify as facing legal or regulatory challenges. Immediately after he sells a stock, Cardinal conducts a public relations campaign to disclose all of the negative information he has gathered on the company, even if the information is not yet public. Which of Cardinal's actions is least likely to be in violation of the CFA Institute Standards of Professional Conduct?
 - A. Disclosing information about target companies
 - B. Selling stock short
 - C. Trading on information from lobbyists

3. Beth Kozniak, a CFA candidate, is an independent licensed real estate broker and a well-known property investor. She is currently brokering the sale of a commercial property on

behalf of a client in financial distress. If the client's building is not sold within 30 days, he will lose the building to the bank. A year earlier, another client of Kozniak's had expressed interest in purchasing this same property. However, she is unable to contact this client, and she has not discovered any other potential buyers. Given her distressed client's limited time frame, Kozniak purchases the property herself and forgoes any sales commission. Six months later, she sells the property for a nice profit to the client who had earlier expressed interest in the property. Has Kozniak most likely violated the CFA Institute Standards of Professional Conduct?

- A. Yes, she did not disclose her potential conflicts of interest to either client
 - B. Yes, she profited on the real estate to the detriment of her financially stressed client
 - C. No
4. Jan Loots, CFA, quit his job as a portfolio manager at an investment firm with whom he had a non-solicitation agreement he signed several years ago. Loots received permission to take his investment performance history with him and also took a copy of the firm's software-trading platform. Subsequently, Loots sent out messages on social media sites announcing he was looking for clients for his new investment management firm. Access to Loots's social media sites is restricted to friends, family, and former clients. Loots least likely violated the CFA Institute Standards of Professional Conduct concerning his:
- A. non-solicitation agreement.
 - B. investment performance history.
 - C. trading software.
5. Zhao Xuan, CFA, is a sell-side investment analyst. While at a software industry conference, Zhao hears rumors that Green Run Software may have falsified its financial results. When she returns to her office, Zhao conducts a thorough analysis of Green Run. Based on her research, including discussions with some of Green Run's customers, Zhao is convinced that Green Run's reported 50% increase in net income during recent quarters is completely fictitious. But so far Zhao is the only analyst suspicious about Green Run's reported earnings. According to the CFA Institute Code of Ethics and Standards of Professional Conduct, the least appropriate

action for Zhao is to:

- A. recommend her clients sell their Green Run shares immediately.
- B. do nothing until other analysts support her analysis.
- C. report her suspicions to Green Run's management.

6. Belen Zapata, CFA, is the owner of Kawah Investments. Kawah promises investors returns of up to 12% per year and claims to achieve these returns by investing in non-investment-grade bonds and other fixed-income instruments. Over the next 12 months, bond market yields reach unprecedented lows and Zapata finds it impossible to achieve the returns she expected. No investments are ever made by Kawah, and clients are completely paid back all of their original investment. Zapata most likely violated the CFA Institute Standards of Professional Conduct because of the:

- A. investment mandate.
- B. promised returns.
- C. return of capital.

7. While at a bar in the financial district after work, Ellen Miffitt, CFA, overhears several employees of a competitor discuss how they will manipulate down the price of a thinly traded micro-cap stock's price over the next few days. Miffitt's clients have large positions of this stock, so when she arrives at work the next day, she immediately sells all of these holdings. Because she had determined the micro-cap stock was suitable for all of her accounts at its previously higher price, Miffitt buys back her client's original exposure at the end of the week at the new, lower price. Which CFA Institute Standards of Professional Conduct did Miffitt least likely violate?

- A. Preservation of Confidentiality
- B. Material Nonpublic Information
- C. Market Manipulation

8. Eileen Fisher, CFA, has been a supervisory analyst at SL Advisers for the past 10 years. Recently, one of her analysts was found to be in violation of the CFA Institute Standards of

Professional Conduct. Fisher has placed limits on the analyst's activities and is now monitoring all of his investment activities. Although SL did not have any compliance procedures up to this point, to avoid future violations, Fisher has put in place procedures industry standards. Did Fisher most likely violate any CFA Institute Standards of Professional Conduct?

- A. No, because she is taking steps to implement compliance procedures that are more than adequate
- B. Yes
- C. No, because she has taken steps to ensure the violations will not be repeated by the analyst

9. Firms claiming GIPS compliance must make every reasonable effort to provide a compliant presentation to which of the following?

- A. Both existing and prospective clients
- B. Existing clients
- C. Prospective clients

10. Molly Burnett, CFA, is a portfolio manager for a fund that only invests in environmentally friendly companies. A multinational utility company recently acquired one of the fund's best-performing investments, a wind power company. The wind power company's shareholders received utility company shares as part of the merger agreement. The utility has one of the worst environmental records in the industry, but its shares have been one of the top performers over the past 12 months. Because the utility pays a high dividend every three months, Burnett holds the utility shares until the remaining two dividends are paid for the year then sells the shares. Burnett most likely violated the CFA Institute Standard of Professional Conduct concerning:

- A. Suitability.
- B. Independence and Objectivity.
- C. Disclosure of Conflicts.

11. Johannes Meir, CFA, is a compliance officer for Family Estate Planning, LLC, a private

wealth consulting firm. Many of his colleagues have family members who have started their own retail businesses. Some of Meir's colleagues have been asked by relatives to serve as non-executive directors or advisers to their companies. Meir should most likely recommend which of the following policies to ensure compliance with the CFA Institute Standards of Professional Conduct?

- A. Prohibit employees from becoming directors or advisers
- B. Require employees to declare all outside business interests
- C. Require employees to declare all income sources annually

12. Gabrielle Gabbe, CFA has been accused of professional misconduct by one of her competitors.

The allegations concern Gabbe's personal bankruptcy filing 10 years ago when she was a college student and had a large amount of medical bills she could not pay. By not disclosing the bankruptcy filing to her clients, did Gabbe most likely violate any CFA Institute Standards of Professional Conduct?

- A. Yes, related to Misrepresentation
- B. No
- C. Yes, related to Misconduct

13. Which of the following statements is least likely correct with regard to the nine major sections of the Global Investment Performance Standards (GIPS)?

- A. All requirements must be met in order to be fully compliant with the GIPS standards.
- B. Firms are encouraged to adopt and implement the recommendations.
- C. To claim compliance, firms need to calculate only their performance according to GIPS requirements.

14. Ileana Inkster, CFA, was recently offered a senior management position within the trust department at a regional bank. The department is new, but the bank has plans to expand it significantly over the next few months. Inkster has been told she will be expected to help grow the client base of the trust department. She is informed that the trust department plans to conduct educational seminars and pursue the attendees as new clients. Inkster notices that

recent seminar advertisements prepared by the bank's marketing department do not mention investment products will be for sale at the seminar. The ads indicate attendees can "learn how to immediately add \$100,000 to their net worth." What should Inkster most likely do to avoid violating any CFA Institute Standards of Professional Conduct?

- A. Accept the position and revise the marketing material
- B. Accept the position and inform senior management of inadequate compliance procedures
- C. Decline to accept the new position

15. Mariam Musa, CFA, head of compliance at Dunfield Brokers, questions her colleague Omar Kassim, a CFA candidate and a research analyst, about his purchase of shares in a company for his own account immediately before he publishes a "buy" recommendation. He defends his actions by stating he has done nothing wrong because Dunfield does not have any personal trading policies in place. The CFA Institute Standards of Professional Conduct were most likely violated by:

- A. both Musa and Kassim.
- B. only Kassim.
- C. only Musa.

16. As a condition of his employment with an investment bank, Abasi Hasina, CFA, was required to sign an employment contract, including a non-compete clause restricting him from working for a competitor for three years after leaving the employer. After one year, Hasina quits his job for a comparable position with an investment bank in a country where non-compete clauses are illegal. Lawyers with whom he consulted prior to taking the new position determined the non-compete clause was a violation of human rights and thus illegal. Did Hasina most likely violate the CFA Institute Code of Ethics and Standards of Professional Conduct?

- A. Yes
- B. No, because the non-compete clause is illegal in the new country of employment
- C. No, because the non-compete clause violates his human rights

17. Teresa Staal, CFA, is an investment officer in a bank trust department. She manages money

for celebrities and public figures, including an influential local politician. She receives a request from the politician's political party headquarters to disclose his stock holdings. The request indicates local law requires the disclosure. What steps should Staal most likely take to ensure she does not violate any CFA Institute Standards of Professional Conduct?

- A. Provide the information and inform her client.
- B. Check with her firm's compliance department to determine her legal responsibilities.
- C. Send the requested documents and inform her supervisor.

18. Benefits of compliance with the CFA Institute Global Investment Performance Standards (GIPS) least likely include:

- A. elimination of in-depth due diligence for investors.
- B. participation in competitive bidding.
- C. strengthening of internal controls.

Questions 19~32 Relate to Quantitative analysis

19. The confidence interval is most likely to be:
- A. wider as the point estimate increases.
 - B. narrower as the reliability factor decreases.
 - C. wider as the sample size increases.
20. For a positively skewed unimodal distribution, which of the following measures is most accurately described as the largest?
- A. Mean
 - B. Median
 - C. Mode
21. A hypothesis test fails to reject a false null hypothesis. This result is best described as a:
- A. test with little power.
 - B. Type I error.
 - C. Type II error.
22. Consider a two-tailed test of the hypothesis that the population mean is zero. The sample has 50 observations. The population is normally distributed with a known variance.

t-Distribution			
Degrees of freedom	p = 0.10	p = 0.05	p = 0.025
49	1.299	1.677	2.010
50	1.299	1.676	2.009
z-Distribution	$\alpha = 0.10$	$\alpha = 0.05$	$\alpha = 0.025$
	1.645	1.960	2.330

At a 0.05 significance level, the rejection points are most likely at:

- A. - 2.010 and 2.010.
- B. - 2.009 and 2.009.
- C. - 1.960 and 1.960.

23. The variance of returns of Asset A is 625. The variance of returns of Asset B is 1,225. The covariance of returns between Asset A and Asset B is 600. The correlation of returns between Asset A and Asset B is closest to:
- A. 0.29.
 - B. 0.69.
 - C. 0.47.
24. If the distribution of the population from which samples of size n are drawn is positively skewed and given that the sample size, n , is large, the sampling distribution of the sample means is most likely to have a:
- A. variance equal to that of the entire population.
 - B. mean smaller than the mean of the entire population.
 - C. distribution that is approximately normal.
25. A price range in which selling is sufficient to stop the rise in price is best described as:
- A. change in polarity.
 - B. support.
 - C. resistance.
26. A two-tailed t-test of the hypothesis that the population mean differs from zero has a p-value of 0.0275. Using a significance level of 5%, the most appropriate conclusion is:
- A. to accept the null hypothesis.
 - B. that the chosen significance level is too high.
 - C. to reject the null hypothesis.
27. A one-tailed hypothesis testing has a p-value for a test statistic of 3%. An analyst would not reject the null hypothesis at a significance level of:
- A. 0.01.
 - B. 0.10.
 - C. 0.05.

28. Once an investor chooses a particular course of action, the value forgone from alternative actions is best described as a(n):

- A. opportunity cost.
- B. required return.
- C. sunk cost.

29. A portfolio manager estimates the probabilities of the following events for a mutual fund:

- Event A: the fund will earn a return of 5%.
- Event B: the fund will earn a return below 5%.

The least appropriate description of the events is that they are:

- A. mutually exclusive.
- B. exhaustive.
- C. dependent.

30. Independent samples drawn from normally distributed populations exhibit the following characteristics:

Sample	Size	Sample Mean	Sample Standard Deviation
A	25	200	45
B	18	185	60

Assuming that the variances of the underlying populations are equal, the pooled estimate of the common variance is 2,678.05. The t-test statistic appropriate to test the hypothesis that the two population means are equal is closest to:

- A. 0.94.
- B. 1.90.
- C. 0.29.

31. Use of a nonparametric test is most appropriate when the:

- A. population variance is unknown.

- B. data are given in ranks.
- C. distribution is symmetrical.

32. Samples of size (n_1, n_2) are drawn respectively from two populations (X_1, X_2) with associated sample means and standard deviations of (\bar{X}_1, \bar{X}_2) and (s_1, s_2) and associated population means and standard deviations of (μ_1, μ_2) and (σ_1, σ_2) where $\sigma_1 \neq \sigma_2$. In addition, \bar{d} is the sample mean of $X_1 - X_2$ with a standard error of $s_{\bar{d}}$ and a population mean of μ_{d_0} and s_p^2 is a pooled estimator of the common variance.

The most appropriate test statistic to determine the equality of the two population means assuming X_1 and X_2 are independent and normally distributed is:

- A. $t = \frac{\bar{d} - \mu_{d_0}}{s_{\bar{d}}}$
- B. $t = \frac{(\bar{X}_1 - \bar{X}_2) - (\mu_1 - \mu_2)}{\left(\frac{s_p^2}{n_1} + \frac{s_p^2}{n_2} \right)^{0.5}}$
- C. $t = \frac{(\bar{X}_1 - \bar{X}_2) - (\mu_1 - \mu_2)}{\left(\frac{s_1^2}{n_1} + \frac{s_2^2}{n_2} \right)^{0.5}}$

Questions 33~44 Relate to Economics

33. First-degree price discrimination is best described as pricing that allows producers to increase their economic profit while consumer surplus:

- A. increases.
- B. is eliminated.
- C. decreases.

34. The following data apply to a country in its domestic currency units:

Consumer spending on goods and services	875,060	Government spending on goods and services	305,600
Business gross fixed investment	286,400	Government gross fixed investment	84,120
Change in inventories	-68,500	Capital consumption allowance	8,540
Transfer payments	9,300	Statistical discrepancy	-2,850
Exports	219,800	Imports	250,980

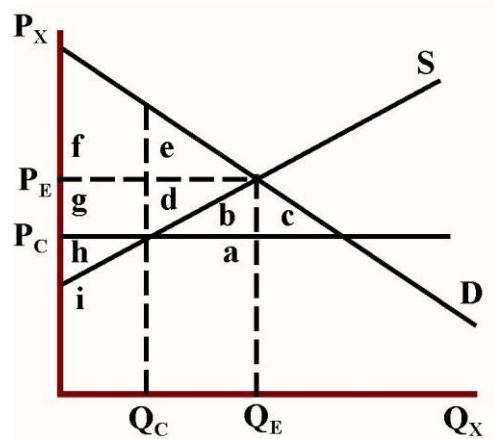
Using the expenditures approach, the country's GDP is closest to:

- A. 1,451,500.
- B. 1,466,490.
- C. 1,448,650.

35. Cost-push inflation is least likely to be affected by an increase in:

- A. finished goods prices.
- B. employee wages.
- C. commodity prices.

36. The following diagram illustrates a market that had been in equilibrium at (P_E, Q_E) prior to the imposition of a price ceiling, P_C . The deadweight loss that arises because of this market intervention is best described by the area defined by:



- A. $d + b$.
- B. $d + g$.
- C. $d + e$.

37. With its existing production facilities, a monopolist firm can produce up to 100 units. It faces the following demand and cost schedules:

Output (units)	Price (\$/unit)	Total Costs (\$)
0	3,000	600
20	2,800	10,600
40	2,600	32,600
60	2,400	66,600
80	2,200	112,600
100	2,000	170,600

The optimal output level for this producer (in units) is closest to:

- A. 20.
- B. 100.
- C. 60.

38. Which characteristic is a firm least likely to exhibit when it operates in a market with a downward sloping demand curve, many competitors, and zero economic profits in the long run?

- A. Differentiated product

- B. Low barriers to entry
- C. No pricing power

39. An increase in current prices will most likely:

- A. decrease real GDP.
- B. increase real GDP.
- C. increase the GDP deflator.

40. In order to reduce a trade deficit, the government of a country experiencing full employment moves to depreciate its currency. As a result, if the country's domestic spending declines relative to income, the most likely mechanism that causes this to occur is the:

- A. wealth effect.
- B. substitution effect.
- C. income effect.

41. Given the function $I = Q_X P_X + Q_Y P_Y$, where Q_X represents the quantity demanded of good X, P_X is the price per unit of good X, I is consumers' income, and P_Y is the price per unit of good Y, the most likely cause of a shift in the demand curve is a change in:

- A. P_X .
- B. P_Y .
- C. Q_X

42. The market structure in which a firm sells all of the product it produces at the market equilibrium price is best described as:

- A. oligopoly.
- B. perfect competition.
- C. monopolistic competition.

43. The two dominant supermarket chains in the area are attempting to increase their market share by moving to 24-hour service instead of closing at 9 p.m. every night. The strategic outcomes

and payoff matrix that arise from their actions are depicted in the diagram (with the shaded sections representing payoffs for Chain 2).

		Chain 2	
		Close at 9 pm	Open 24 hours
Chain 1	Close at 9 pm	<div>290</div> <div>180</div>	<div>592</div> <div>55</div>
	Open 24 hours	<div>75</div> <div>540</div>	<div>140</div> <div>108</div>

According to Nash equilibrium, the best strategy is for:

- A. both chains to open for 24 hours.
- B. only Chain 2 to open for 24 hours.
- C. both chains to close at 9 p.m.

44. The following equations have been developed for a company:

Demand curve	$P = 150 - 5 \times Q$
Total revenue curve	$TR = 150 \times Q - 5 \times Q^2$
Marginal revenue curve	$MR = 150 - 10 \times Q$
Total cost curve	$TC = Q^3 - 10 \times Q^2 + 73 \times Q + 120$
Average cost curve	$AC = Q^2 - 10 \times Q + 73 + 120 / Q$
Marginal cost curve	$MC = 3 \times Q^2 - 20 \times Q + 73$
P: price per unit Q: cost per unit	

The profit maximizing output for this firm (in units) is closest to:

- A. 7.
- B. 11.
- C. 8.

Questions 45~68 Relate to Financial Statement Analysis

45. If a company has a deferred tax asset reported on its statement of financial position and the tax authorities reduce the tax rate, which of the following statements is most accurate concerning the effect of the change? The existing deferred tax asset will:

- A. not be affected.
- B. increase in value.
- C. decrease in value.

46. A company is selling a long-lived asset with a carrying amount of \$70,000 for \$80,000. The original cost of this asset was \$120,000. In the year of sale, this event is most likely to be reported on the income statement as:

- A. revenues of \$80,000.
- B. a loss of \$40,000.
- C. a gain of \$10,000.

47. The following items are from a company's cash flow statement.

Classification of Cash Flow	Description	Amount (£ thousands)
Operating activities	Cash received from customers	55,000
Investing activities	Interest and dividends received	10,000
Financing activities	Net repayment of revolving credit loan	12,000

Which of the following standards and formats did the company most likely use in the preparation of its financial statements?

- A. IFRS, indirect format
- B. Either IFRS or US GAAP, direct format
- C. IFRS, direct format

48. Which of the following statements is most accurate regarding cash flow statements?

- A. Under IFRS, the indirect method of preparation is encouraged.
- B. Under IFRS, interest paid can be reported either as an operating or as an investing cash flow.

- C. Under US GAAP, bank overdrafts should be classified as a financing cash flow.

49. The following information is available about a company for its current fiscal year:

Accounting profit (earnings before taxes)	\$250,000
Taxable income	\$215,000
Tax rate	30%
Income taxes paid in year	\$61,200
Deferred tax liability, start of year	\$82,400
Deferred tax liability, end of year	\$90,650

The income tax expense reported on the current year's statement of earnings is closest to:

- A. \$69,450.
- B. \$64,500.
- C. \$72,750.

50. The SEC's approach to addressing the significant differences in financial reporting under International Financial Reporting Standards (IFRS) and US GAAP is best described as:

- A. publicly advocating for global accounting standards and convergence.
- B. mandating that non-US issuers provide a reconciliation to US GAAP.
- C. requiring issuers to provide disclosures describing key differences.

51. A company has a building with a net carrying amount of \$100,000 and a tax base of \$120,000

The tax rate was 20% when the asset was purchased, but it is scheduled to be reduced to 17% this year. Which of the following will the company most likely report related to this building?

- A. Deferred tax liability: \$600
- B. Deferred tax asset: \$3,400
- C. Deferred tax asset: \$4,000

52. The analytical tool that would be most appropriate for an analyst to use to identify the

percentage of a company's assets that are liquid is the:

- A. common-size balance sheet.
- B. cash ratio.
- C. current ratio.

53. Because of significant changes in the marketplace, the demand for a company's product has fallen and is not expected to recover to previous levels. The following information is related to the patent under which the product is produced:

Item Description	\$ Thousands
Carrying value amount	36,000
Undiscounted expected future cash flows	38,000
Present value of expected future cash flows	32,000
Fair value if sold	34,000
Costs to sell	4,000

Which of the following statements is most accurate? The patent is impaired under:

- A. IFRS only.
- B. both IFRS and US GAAP.
- C. US GAAP only.

54. One of the notable differences between IFRS and US GAAP when dealing with income tax is best illustrated by the fundamental treatment of:

- A. the revaluation of property, plant and equipment.
- B. non-deductible goodwill.
- C. temporary differences between the carrying amount and tax base of assets and liabilities.

55. The following information is available concerning a new showroom a company built. Construction started on 1 January 2012 and the grand opening was on 1 January 2014:

Loan: Funds borrowed on 1 January 2012 and put to use immediately	€30 million
Interest rate on loan	8%, payable annually
Repayment terms for loan	Balloon payment, due on 1 January 2017
Total construction costs incurred during 2012 and 2013	€38.5 million
Expected useful life of the showroom	40 years
Expected residual value of the showroom	€5 million
Depreciation method	Straight line

The depreciation expense (in millions) for the showroom in 2014 is closest to:

- A. € 1.0175.
- B. € 0.8375.
- C. € 0.9575.

56. The following data are available on a company:

Metric	Current Year (¥millions)
Cash	114
Inventory	462
Marketable securities (at fair value)	23
Property, plant, and equipment (net)	677
Receivables	231
Current liabilities	390
Liquidity ratios in prior year	
Cash ratio	0.37
Current ratio	2.19
Quick ratio	0.97

The value of the company's liquidity ratio that decreased the most in the current year, compared with the prior year, is the:

- A. cash ratio.
- B. quick ratio.
- C. current ratio.

57.

(£ millions)	2014	2013
Accounts receivable, gross	6,620	4,840
Allowance for doubtful accounts	92	56
Write-offs during the year	84	42

Based on the presented information about a company's trade receivables, the bad debt expense (in £millions) for 2014 is closest to:

- A. 84.
- B. 120.
- C. 36.

58. A company is purchasing a customer list that it expects will provide economic benefits for the next 5 years. The company chooses to use an accelerated amortisation method. The choice will most likely result in an amortisation expense that will be the:

- A. same in all five years.
- B. highest in the fifth year.
- C. highest in the first year.

59. The following data are available on a company:

Metric	Company
Stock price per share	\$60.75
Comprehensive income (millions)	\$193.0
Other comprehensive income (millions)	\$87.6

Common shares outstanding (millions)	46.5
--------------------------------------	------

On a net income basis, the company's P/E is closest to:

- A. 26.8.
- B. 14.6.
- C. 10.1.

60. Compared with the management discussion and analysis (MD&A), notes to the financial statements are the most appropriate source for:

- A. a comprehensive description of all of the entity's accounting policy choices.
- B. information on capital expenditures and how they support the entity's strategic direction.
- C. aspects of accounting policy choices most important to understanding the financial statements.

61. Which of the following is most likely a benefit of the direct method for reporting cash flow from operating activities? Compared with the indirect method, the direct method:

- A. provides insight on differences between net income and operating cash flows.
- B. mirrors the forecasting approach normally used by analysts.
- C. provides details on the specific sources of operating receipts and payments.

62. An e-commerce company sells hotel room nights on its website under agreement from a large number of major hotel chains. The hotel chains grant the company flexibility for the rooms they supply to the company's website and for the prices charged. These major chains bear the responsibility for providing all services once a customer books a room from the website. During the current year, the company received \$5 million in payments from the sale of hotel rooms. The cost of these rooms was \$4.5 million, which does not include \$250,000 in direct selling costs. Under US GAAP, the e-commerce company's cost of sales is closest to:

- A. \$4,750,000.
- B. \$4,500,000.
- C. \$250,000.

63. Assume a company has the following portfolio of marketable securities, which were acquired at the end of last year:

Category	Original Cost (in €) at the End of Last Year	Fair Market Value (in €) at the End of the Current Year
Held for trading	12,000,000	12,500,000
Available for sale	17,000,000	16,000,000

If the company reports under IFRS compared with US GAAP, its net income in the current year will most likely be:

- A. € 500,000 lower.
- B. € 500,000 higher.
- C. the same.

64. Which of the following is least likely to be an acceptable approach for accounting standard setting bodies to use when developing accounting standards?

- A. Objectives-oriented
- B. Rules-based
- C. Revenue/expense-based

65. The following data are available for a company's first year of operations:

Metric	£Thousands
Earnings before tax reported on the income statement	2,640
Depreciation expense included in earnings before tax	4,500
Accounting expenses that are not deductible for tax purposes	2,130
Depreciation expense deductible for tax purposes in first year of operations	6,340
Corporate tax rate	25%

The company's end-of-year balance sheet will most likely include (in thousands) a deferred tax

- A. asset of £73.
- B. liability of £733.
- C. liability of £460.

66. Operating segments are most likely reportable if they constitute 10% or more of the total for all operating segments of which financial metrics?
- A. Assets, profit/loss, or revenue
 - B. Amortization expense, assets, or revenue
 - C. Capital expenditures, liabilities, or profit/loss
67. A company has recently revalued one of its depreciable properties and estimates that its remaining useful life will be another 20 years. The applicable tax rate for all years is 30%, and the revaluation of the property is not recognized for tax purposes. Details related to this asset are provided in the following table:

(millions)	Accounting Purposes	Tax Purposes
Original Values and Estimates		
Acquisition cost in 2011	£8,000	£8,000
Depreciation, straight line	20 years	8 years
Accumulated depreciation, end of 2013	£1,200	£3,000
Net balance, end of 2013	£6,800	£5,000
Re-estimated Values and Estimates, Start of 2014		
Revaluation balance, start of 2014	£10,000	Not applicable
New estimated life	20 years	

The deferred tax liability related to this asset (in millions) as at the end of 2014 is closest to:

- A. £690.
- B. £1,650.
- C. £960.

68. Data for a firm are presented in the following table:

As of 31 December	£ thousands
Cash	200
Accounts receivable	350
Inventory	1,250
Accounts payable	300
Taxes payable	200
Installment loan payable, due in three equal annual payments on 30 June.	600

The current ratio for the firm's industry is 3.2. Based on the current ratio, the firm's liquidity compared with the industry is best described as being:

- A. higher.
- B. equivalent.
- C. lower.

Questions 69~76 Relate to Corporate finance

69. The per unit contribution margin for a product is \$12. Assuming fixed costs of \$12,000, interest costs of \$3,000, and taxes of \$2,000, the operating breakeven point (in units) is closest to:

- A. 1,417.
- B. 1,000.
- C. 1,250.

70. The following information is available for a firm:

Sales price per unit	€85
Variable cost per unit	€65
Fixed operating costs	€50 million
Fixed financial costs	€30 million

The firm's breakeven quantity of sales (in million units) is closest to:

- A. 4.0.
- B. 2.5.
- C. 1.0.

71. The annual cost of trade credit assuming a 365-day year for terms 3/10 net 40 is closest to:

- A. 44.9%.
- B. 43.3%
- C. 32.0%

72. An inventory system that reduces average inventory without affecting sales will most likely reduce the:

- A. cash conversion cycle.
- B. inventory turnover.
- C. quick ratio.

73. A company has decided to switch to using accelerated depreciation from straight-line

depreciation. Holding other factors constant, the degree of total leverage (DTL) will most likely:

- A. decrease.
- B. not change.
- C. increase.

74. A firm is uncertain about both the number of units the market will demand and the price it will receive for them. This type of risk is best described as:

- A. business risk.
- B. operating risk.
- C. sales risk.

75.

Income Statement	Millions (\$)
Revenues	10.2
Variable operating costs	4.6
Fixed operating costs	2.0
Operating income	3.6
Interest	1.2
Taxable income	2.4
Tax	1.0
Net income	1.4

The degree of financial leverage (DFL) is closest to:

- A. 2.6.
- B. 1.7.
- C. 1.5.

76. A share repurchase method that requires existing shareholders to indicate the number of shares they will tender over a range of prices is most likely an example of a:

- A. Dutch auction.
- B. purchase of shares on the open market.
- C. repurchase by direct negotiation.

Questions 77~88 Relate to Equity investment

77. Companies pursuing cost leadership will most likely:

- A. invest in productivity-improving capital equipment.
- B. establish strong market research teams to match customer needs with product development.
- C. engage in defensive pricing when the competitive environment is one of high rivalry.

78. The following information is available about a company:

Next year's sales revenue	\$180 million
Next year's net profit margin	15%
Dividend payout ratio	60%
Dividend growth rate expected during Years 2 and 3	25%
Dividend growth rate expected after Year 3	5%
Investors' required rate of return	12%
Number of outstanding shares	8.1 million

The current value per share of the company's common stock according to the two-stage dividend discount model is closest to:

- A. \$52.86.
- B. \$39.36.
- C. \$49.20.

79. A company has initiated the process of selling unproductive land, representing 5% of its total assets, and using the proceeds to buy back its common shares. Holding other factors constant, these actions by the company will most likely result in a:

- A. lower sustainable growth.
- B. higher return on equity.
- C. higher operating margin.

80. The financial systems that are operationally efficient are most likely characterized by:

- A. security prices that reflect fundamental values.
- B. liquid markets with low commissions and order price impacts.

C. the use of resources where they are most valuable.

81. Which of the following statements is most accurate?

- A. Investors owning a small number of common shares would prefer statutory voting to cumulative voting.
- B. Convertible preference shares are more volatile and riskier than the underlying common shares.
- C. Puttable common shares provide benefits to both the issuing company and investors.

82. Which of the following statements is most accurate in an efficient market?

- A. Securities market prices respond over time to changes in economic information.
- B. Securities market prices fully reflect their fundamental values.
- C. Active strategies will lead to excess risk adjusted portfolio returns.

83. For portfolio managers of active funds, market indices are least useful as:

- A. benchmarks.
- B. proxies to measure risk-adjusted performance.
- C. model portfolios.

84. Compared with unregulated markets, regulated markets are best characterized by:

- A. reduced arbitrage opportunities.
- B. higher transaction costs.
- C. lower trading volumes.

85. The type of voting in board elections that is most beneficial to shareholders with a small number of shares is best described as:

- A. cumulative voting.
- B. statutory voting.
- C. voting by proxy.

86. If securities markets are semi-strong-form efficient, the most appropriate role of a portfolio manager is to:
- A. invest by analyzing publicly available information to consistently generate abnormal returns.
 - B. manage portfolios with appropriate diversification and asset allocation, taking into consideration investor preferences.
 - C. exploit appropriate trading rules and serial correlations for achieving excess returns.
87. A company has issued only one class of common shares, and it does not pay dividends on them. It has also issued two types of non-cumulative preference shares: one that is puttable and the other callable. Which of these securities will most likely offer the lowest expected return to the investor?
- A. Common shares
 - B. Callable preference shares
 - C. Puttable preference shares
88. Firms with which of the following characteristics are most likely candidates for a management buyout (MBO)?
- A. Firms with large amounts of undervalued assets
 - B. Firms with low levels of cash flow
 - C. Firms with high dividend payout ratios

Questions 89~94 Relate to Derivatives

89. The pricing of forwards and futures will most likely differ if:
- A. futures prices and interest rates are negatively correlated.
 - B. futures prices and interest rates are uncorrelated.
 - C. interest rates exhibit zero volatility.
90. For a stock that pays no dividends, the value of an American call option is most likely:
- A. the same as the value of a European call option with otherwise identical features.
 - B. greater than the value of a European call option with otherwise identical features.
 - C. less than the value of a European call option with otherwise identical features.
91. A corporation issues five-year fixed-rate bonds. Its treasurer expects interest rates to decline for all maturities for at least the next year. She enters into a one-year agreement with a bank to receive quarterly fixed-rate payments and to make payments based on floating rates benchmarked on three-month LIBOR. This agreement is best described as a:
- A. forward contract.
 - B. swap.
 - C. futures contract.
92. Which of the following statements is least accurate concerning differences in the pricing of forwards and futures?
- A. Differences in the pattern of cash flows of forwards and futures can explain pricing differences.
 - B. Pricing differences can arise if futures prices and interest rates are uncorrelated.
 - C. Interest rate volatility can explain pricing differences.
93. Which of the following is least likely one of the main benefits of derivative markets?
- Derivative markets:
- A. reveal prices and volatility of the underlying assets.
 - B. enable companies to more easily practice risk management.

C. exhibit lower volatility compared with the spot market.

94. Which statement best describes the early exercise of non-dividend paying American options?

Early exercise may be advantageous for:

- A. deep-in-the-money calls.
- B. both deep-in-the-money calls and deep-in-the-money puts.
- C. deep-in-the-money puts.

Questions 95~106 Relate to Fixed-income Analysis

95. A credit analyst observes the following information for Alpha Co. at fiscal years ending 20X1 and 20X2.

Excerpt from the Consolidated Income Statement of Alpha Co. for the fiscal years ending 31 December 20X1 and 20X2 (in millions)

	20X1	20X2
Gross profit	\$550.0	\$505.0
Operating expenses	450.0	370.0
Operating profit	100.0	135.0
Interest expense	30.0	38.0
Income before taxes	70.0	100.0
Income taxes (at 30%)	21.0	30.0
Net income	49.0	70.0
Additional information		
Depreciation and amortization	25.0	35.0

Based on this information, over this period Alpha's interest coverage ratio has:

- A. remained unchanged.
- B. improved.
- C. deteriorated.

96. Centro Corp. recently issued a floating-rate note (FRN) that includes a feature that prevents its coupon rate from falling below a prespecified minimum rate. This feature in an FRN is most likely referred to as a:

- A. floor.
- B. collar.
- C. cap.

97. Which of the following contingency provisions in a bond most likely benefits the issuer?

- A. Put provision

- B. Conversion to common shares
- C. Call provision

98. Consider a \$100 par value bond, with an 8% coupon paid annually, maturing in 20 years. If the bond currently sells for \$96.47, the yield to maturity is closest to:

- A. 8.37%.
- B. 8.29%.
- C. 7.41%.

99. Consider a \$100 par value bond with a 7% coupon paid annually and 5 years to maturity. At a discount rate of 6.5%, the value of the bond today is \$102.08. One day later, the discount rate increases to 7.5%. Assuming the discount rate remains at 7.5% over the remaining life of the bond, what is most likely to occur to the price of the bond between today and maturity?

- A. Decreases then remains unchanged
- B. Increases then decreases
- C. Decreases then increases

100. A 90-day commercial paper issue is quoted at a discount rate of 4.75% for a 360-day year.

The bond equivalent yield for this instrument is closest to:

- A. 4.81%.
- B. 4.87%.
- C. 4.75%.

101. Which of the following terms in a bond issue most likely helps to reduce credit risk?

- A. Sinking fund arrangement
- B. Floating rate note
- C. Term maturity structure

102. Stellar Corp. recently issued \$100 par value deferred coupon bonds, which will make no coupon payments in the next four years. Regular annual coupon payments at a rate of 8% will

then be made until the bonds mature at the end of 10 years. If the bonds are currently priced at \$87.00, their yield to maturity is closest to:

- A. 10.1%.
- B. 8.0%.
- C. 6.0%.

103. Investors in commercial mortgage backed securities (CMBS) face balloon risk which is most likely a type of:

- A. extension risk.
- B. contraction risk.
- C. call risk.

104. In a mortgage pass-through security the pass-through rate:

- A. is adjusted as market rates rise or fall.
- B. is equal to the mortgage rate on the underlying pool of mortgages.
- C. adjusts the rate on the underlying pool of mortgages by a servicing fee.

105. Using the following US Treasury forward rates, the value of a 2½-year \$100 par value Treasury bond with a 5% coupon rate is closest to:

Period	Years	Forward Rate
1	0.5	1.20%
2	1	1.80%
3	1.5	2.30%
4	2	2.70%
5	2.5	3.00%

- A. \$106.83.
- B. \$101.52.
- C. \$104.87.

106. The following table provides information about a portfolio of three bonds.

Bond	Maturity	Price	Par Amount	Duration
1	17-year	\$109.2461	\$16 million	8.56
2	20-year	\$100.4732	\$4 million	9.19
3	25-year	\$84.6427	\$8 million	11.48

Based on this information, the duration of the portfolio is closest to:

- A. 9.48.
- B. 9.74.
- C. 9.35.

www.CFAFRM.cn

CFA-FRM VIP 长线班培训招生说明

一、VIP 长线班资料包括以下内容：（所有课程都有配套课件讲义）

知识框架：知识脉络图通篇概览 CFAFRM 考试，建立 CFAFRM 考试框架，打牢基础；

前导课程：考试介绍、数量基础、金融英语、金融市场与产品的介绍，强化基础；

基础课程：紧扣考纲要求，对考点全面解析，对原版书知识点全面覆盖，帮助学员根据进度系统性学习；

强化课程：突出重点，化繁为简。强化对重要知识点的掌握，让学员完全把握知识点与掌握解题技巧；

直播串讲：以习题串讲的形式，针对每门课程进行对应的重点难点讲解，帮助考生更好的掌握对应知识；

冲刺模考：分析历年考试的重点和难点，通过 2 次模考与讲解，强化对重点的知识的把握，提高应试技巧；

百题押题：考点精准预测 85% 以上。以题带点，掌握出题思路与解题方法，最终通过考试取得证书。

辅导课程：计算器的使用+微观金融大串讲 28 课时+金融英语 32 课时+金融数学 32 课时

二、VIP 长线班价格说明：（一次收费到当期课程完结。绝无二次收费）

最新一期考试的课程价格：**600** 元。上一期课程价格：**288** 元。

购买最新课程会赠送前两次考试完整的长线班课程

比如：购买 2020 年 CFA 二级赠送 2019 年和 2018 年 CFA 二级

限时优惠：凭此海报可优惠 20 元/科，具体请联系网站客服

备注：此价格为一个级别全套课程价格，无其他任何隐形收费。

三、联系方式&付款方式：

访问 www.CFAFRM.cn 首页置顶帖有联系方式

支持支付宝、微信、淘宝网付款

四、资料发放形式： www.CFAFRM.cn 网站上有往期课程详细更新动态

通过百度网盘下载、课程更新同样在百度网盘

课程资料不可外传，仅供学员自己考试使用。禁止外传

所有课程**全部加密**、每位 VIP 学员提供**两个设备**授权观看

课程支持 windows/mac/ios/安卓等系统，支持手机/平板/电脑

五、质量保证：承诺以下两点： 质量最好！ 更新最快！

学员可以对比任何同行，有比我们优秀的，任何时候，无条件

全额退款并奖励 **1000** 元现金。网站上有详细的课程更新

时间。课程提供免费试听。欢迎各位对比品鉴。

www.CFAFRM.cn

Questions 107~110 Relate to Alternative Investments

107. When the futures price of a commodity exceeds the spot price, the commodity market is most likely in:

- A. contango.
- B. backwardation.
- C. carry.

108. A measure that is most likely well-suited to analyzing the performance of alternative investments that may exhibit negative skewness in returns is the:

- A. safety-first measure.
- B. Sortino ratio.
- C. Sharpe ratio.

109. Which of the following statements concerning the historical record of alternative investments is most likely correct?

- A. The inclusion of previous return data for funds that enter the index leads to a downward bias in index performance.
- B. The exclusion of returns of funds that have been liquidated leads to an upward bias in index performance.
- C. The use of appraised values instead of market prices leads to an upward bias in volatility.

110. With regard to venture capital, which of the following statements is most likely true regarding venture capital?

- A. Investors require a higher return than investors in publicly traded equity.
- B. Investments typically are in later stage and more established companies.
- C. Investors tend to have short time horizons.

Questions 111 ~120 Relate to Portfolio Management

111. You are preparing an investment policy statement for a client who manages her own successful marketing consultancy. Her annual income is approximately \$500,000. She describes herself as a finance novice. Most of her savings are invested in bank term deposits and short-term government securities. In her responses to the standard risk assessment questionnaire, she strongly agrees with the statements that she "feels more comfortable putting money in a bank account than in the stock market." Also, she "thinks of the word 'risk' as being a 'loss'". Based on this information, your client's ability and willingness to take risk can best be described as:

- A. high ability and willingness.
- B. high ability and low willingness.
- C. low ability and high willingness.

112. Which of the following is least likely an assumption of the capital asset pricing model (CAPM)?

- A. Investors are different only with respect to their unique holding periods.
- B. Security prices are not affected by investor trades.
- C. An investor can invest as much as he or she desires in any asset.

113. Last year, a portfolio manager earned a return of 12%. The portfolio's beta was 1.5. For the same period, the market return was 7.5%, and the average risk-free rate was 2.7%. Jensen's alpha for this portfolio is closest to:

- A. 2.10%.
- B. 4.50%.
- C. 0.75%.

114. Security analysis is most likely a part of which step in the portfolio management process?

- A. The execution step
- B. The planning step
- C. The feedback step

115. When constructing the optimal portfolios for investors with different risk preferences, the investor with the higher risk aversion is most likely to have a:

- A. steeper capital allocation line.
- B. flatter indifference curve.
- C. lower expected return.

116. As one moves to the right along an investor's efficient frontier, a set increase in risk is most likely to lead to:

- A. sequentially larger increases in expected return.
- B. consistent increases in expected return.
- C. sequentially smaller increases in expected return.

117. Which of the following factors is least likely to affect an individual's ability to take risk?

- A. Personality type
- B. Expected income
- C. Time horizon

118. The covariance of the assets in the following portfolio is closest to:

	Asset 1	Asset 2	Asset 1 vs. Asset 2
Correlation			0.8
Portfolio weight	0.6	0.4	
Variance	3.5%	1.5%	

- A. 0.4%
- B. 1.8%
- C. 2.3%

119. The following table shows data for the stock of JKU and a market index.

Expected return of JKU	15%
Expected return of market index	12%
Risk-free rate	5%
Standard deviation of JKU returns	20%
Standard deviation of market index returns	15%
Correlation of JKU and market index returns	0.75

Based on the capital asset pricing model (CAPM), JKU is most likely:

- A. overvalued.
- B. fairly valued.
- C. undervalued.

120. Based on the following historical data, which is closest to the standard deviation for the two-asset portfolio shown in the table?

	Asset A	Asset B	Asset A and B
Standard deviation	4.7%	7.7%	
Portfolio weight	0.4	0.6	
Correlation			0.3

- A. 5.5%
- B. 5.0%
- C. 6.5%