

CFA 模考一 (1)

1. Which of the following is a recommended procedure for compliance with the Standard relating to responsibilities of supervisors? Members should encourage their firms to:
 - A. adopt a code of ethics that addresses general fiduciary concepts.
 - B. provide the firm's clients with a copy of detailed compliance procedures.
 - C. commingle the firm's code of ethics with its detailed compliance procedures.

2. According to the guidance provided by the Standards, which of the following is not among the recommended procedures for compliance with the Standard relating to independence and objectivity?
 - A. Create a restricted list
 - B. Prohibit the acceptance of gifts
 - C. Appoint a senior compliance officer with oversight responsibilities

3. In the CFA Institute Standards of Professional Conduct, Standard II-Duties to Clients most likely includes which of the following subsections?
 - A. Knowledge of the Law
 - B. Performance Presentation
 - C. Independence and Objectivity

4. Akash Gupta has just finished taking the Level II CFA exam for the second time. To protect the integrity of the exam, Gupta is careful not to discuss the exam questions with other candidates. Gupta calls his friend, a member, and contrasts his two attempts by highlighting that there were many calculation questions on derivatives in the first instance and none in the second. Later, in a public blog on investment education, Gupta shares his strong disagreement regarding CFA Institute shifting to computer-based testing. Has Gupta violated the Standards?
 - A. No
 - B. Yes, by highlighting that there were no calculation questions on derivatives in the recent exam
 - C. Yes, by expressing his disagreement in a public blog regarding CFA Institute shifting to computer-based testing

5. A portfolio manager is hired by an executive manager of a trust. The duty of loyalty is owed to the:
 - A. trustee
 - B. executive manager.
 - C. beneficiaries of the trust.

6. Melissa Kon, CFA, is an equity analyst. She recently left her job at Hamm Capital (HC) to join Eagle Investments (EI). Kon obtains the express consent of HC to take one of her historical research reports with her. At EI, she diligently updates the report and publishes it. Afterwards, she re-creates supporting records from sources obtained at HC. Has Kon violated the Standards?
- A. No
 - B. Yes, by publishing the updated research report
 - C. Yes, by re-creating the supporting records from sources obtained at Hamm Capital
7. Anisha Joshi, CFA, develops a product that selects mutual funds based on historical data. Joshi tests her methodology and produces simulated performance results. The promotional material for the product does not indicate that the results are simulated. Joshi has most likely violated the Standards relating:
- A. only to fair dealing.
 - B. only to performance presentation.
 - C. both to fair dealing and to performance presentation.
8. A member receives referral fees for recommending third-party services to clients. Before entering into an agreement with a new client, which of the following must the member disclose to the new client?
- A. Flat fees only
 - B. In kind benefits only
 - C. Both flat fees and in kind benefits
9. Maria Perez, CFA, is a portfolio manager for an advisory firm that utilizes external mutual funds. The firm has a committee that selects external funds, using an analytical model to determine their choices. Although Perez has no reason to question the committee's research process, she does not like the committee's choice for a bond fund because it is not appropriate for all her clients. She researches and selects a different bond fund that better meets her clients' needs, but her manager tells her that she is not permitted to make independent fund purchase decisions. She then invests in the fund chosen by the committee for all of her clients. Has Perez most likely violated the Standards?
- A. No
 - B. Yes, the Standard relating to suitability
 - C. Yes, the Standard relating to diligence and reasonable basis

10. Suzanna Bermi, CFA, manages portfolios for retail clients. A friend asks her if Bermi can provide investment advice in Bermi's spare time. The friend offers a donation to Bermi's favorite charity in exchange for Bermi's advice. Bermi accepts the offer and starts providing investment advice to her friend immediately after sending an email to her firm's compliance department about the arrangement, including the fact that she receives no cash payments from her friend. Has Bermi most likely violated the Standards?
- A. No
 - B. Yes, the Standard relating to additional compensation arrangements
 - C. Yes, the Standard relating to communication with clients and prospective clients
11. Which of the following is a violation according to the Standard relating to preservation of confidentiality?
- A. Members share details relating to former clients with third party service providers.
 - B. Members convey to clients that not all firm-sponsored resources may be appropriate for communicating confidential information.
 - C. When allowed under the law, members share confidential client information to defend themselves in an investigation by the CFA Institute Professional Conduct Program.
12. Adira Badawi, CFA, who owns a research and consulting company, is an independent board member of a leading cement manufacturer in a small local market. Because of Badawi's expertise in the cement industry, a foreign cement manufacturer looking to enter the local market has hired him to undertake a feasibility study. Under what circumstances can Badawi most likely undertake the assignment without violating the Standards?
- A. By making full disclosure to both companies
 - B. By receiving written permission from the local company
 - C. By signing confidentiality agreements with both companies
13. David Kertz, CFA, a portfolio manager, is considering investing in a small cap firm he stopped following three years ago due to poor trading liquidity. Based on published stock exchange data, the company's trading liquidity has improved considerably. Kertz arranges to obtain some third-party research reports on the firm. He assesses the assumptions used, determines the rigor of the analysis, and the reports' published dates. Which of the following additional actions should Kertz most likely undertake next to meet the Standards?
- A. Consider the validity of the published trading liquidity data
 - B. Evaluate the independence of the third-party recommendations
 - C. Determine if each third party analyst's opinion reflects their firm's recommendation

14. While waiting in the business class lounge before boarding an airplane, Becca Msafari, CFA, an equity analyst, overhears a conversation by a group of senior managers, including members of the Board, from a large publicly listed bank. The managers discuss staff changes necessary to accommodate their regional expansion plans. Msafari hears several staff names mentioned. Under what circumstances could Msafari most likely use this information when making an investment recommendation to her clients?
- A. Under no circumstances
 - B. If she does not breach the confidentiality of names of staff
 - C. If the discussed changes are unlikely to affect investor perception of the bank
15. A member is developing allocation procedures for block trades and new issues. According to the recommended procedures for compliance with the Standard relating to fair dealing, the member's allocation procedures should involve:
- A. prohibiting consideration of advanced interest when allocating trades for new issues.
 - B. bundling orders on a first-in, first-out basis for efficiency as appropriate for the asset class.
 - C. giving client accounts participating in a block trade execution prices corresponding to order arrival time.
16. Which of the following is most accurate according to the Standard relating to knowledge of the law? Members are required to
- A. dissociate from client activities they believe are unethical.
 - B. have detailed knowledge of all the laws that could potentially govern their activities.
 - C. report potential violations of the Code and Standards committed by fellow members to the CFA Institute Professional Conduct Program.
17. Ekta Prakash, CFA, works as an investment advisor for TXM Investments (TXM). Prakash advises a client to transfer \$150,000 from a tax-deferred investment account to TXM's multi-cap fund. Prakash discloses to her client that withdrawals from the tax-deferred account will attract a penalty of \$15,000 but assures the client that the cost can be recovered through better investment returns from TXM's fund. Prakash has violated the Standard(s) relating to:
- A. only misrepresentation.
 - B. only loyalty, prudence, and care.
 - C. both misrepresentation and loyalty, prudence, and care.

18. Pia Nilsson is a sole proprietor investment advisor. An economic recession has reduced the number of clients she advises and caused revenues to decline. As a result, Nilsson has not paid her CFA Institute membership dues for the past two years. When a national financial publication recently interviewed Nilsson, she indicated that up until two years ago she had been a CFA charterholder and a CFA Institute member in good standing. In addition, she stated the completion of the CFA Program enhanced her portfolio management skills and enabled her to achieve superior returns on behalf of her clients. Which of Nilsson's following actions most likely violated the CFA Institute Standards of Professional Conduct?
- Nonpayment of CFA Institute membership dues
 - Attributing her superior returns to participation in the CFA Program
 - Indicating that being a CFA charterholder has enhanced her portfolio management skills
19. According to the Standard related to communication with clients and prospective clients, members must:
- only distinguish between fact and opinion in the presentation of investment analyses.
 - only promptly disclose material and nonmaterial changes in the investment processes they use to select securities.
 - both distinguish between fact and opinion in the presentation of investment analyses and promptly disclose material and nonmaterial changes in the investment processes they use to select securities.
20. According to the Standards, transaction-based manipulation includes:
- acquiring a dominant position in a derivative to exploit the price of a related underlying.
 - taking an aggressive investment position in a security with an intent to exploit market inefficiencies.
 - issuing an overly optimistic projection of a security's value to induce trading by other market participants.
21. Which of the following statements is accurate according to the GIPS standards?

Statement 1	A firm must perform verification to claim compliance with the GIPS standards.
Statement 2	Verification ensures accuracy of specific composite presentations.
Statement 3	Verification is performed with respect to an entire firm.

- Statement 1
- Statement 2
- Statement 3

22. According to the GIPS standards, a firm's definition of discretion establishes criteria to judge which of the following?
- A. Investment strategy the firm must implement
 - B. Portfolios the firm must include in a composite
 - C. Accounts the firm may exclude based on performance criteria
23. Yip Wai Yin, a CFA candidate, is an independent mutual fund sales agent. For every front-end load product she promotes, Yip receives a portion of the front-end fee as commission at the time of sale. For every back-end load fund she sells, Yip receives a smaller commission paid at the end of the year. Yip always informs her clients that she is paid a commission as an agent, but does not provide details of the compensation structure. When pitching her favored front-end load product line she tells clients 20% of her commission is always invested in the same fund as proof of her confidence in the fund she recommends. Which Standard does Yip least likely violate?
- A. Referral Fees
 - B. Disclosure of Conflicts.
 - C. Priority of Transactions.
24. For a retail client's account to be included in a GIPS-compliant firm's composite, it will most likely be in a composite:
- A. restricted to retail accounts.
 - B. composed of discretionary accounts.
 - C. with both fee-paying and non-fee-paying accounts.
25. The Standard relating to misconduct addresses:
- A. only all conduct that reflects poorly on members' professional integrity.
 - B. only all actions violating trust in members' professional and private lives.
 - C. both all conduct that reflects poorly on members' professional integrity and all actions violating trust in members' professional and private lives.
26. Thomas Turkman recently hired Georgia Vigen, CFA, as a portfolio manager for North South Bank. Although Vigen worked many years for a competitor, West Star Bank, the move was straightforward since she did not have a non-compete agreement with her previous employer. Once Vigen starts working for Turkman, the first thing she does is to bring a trading software package she developed and used at West Star to her new employer. Using public information, Vigen contacts all of her former clients to convince them to move with her to North South. Vigen also convinces one of the analysts she worked with at West Star to join her at her new employer. Vigen most likely violated the CFA Institute Code of Ethics and Standards of Professional Conduct concerning her actions involving:
- A. clients.
 - B. the analyst.
 - C. trading software

27. Which of the following claims can an asset management firm most likely make regarding the GIPS standards?
- A. Claim GIPS compliance using the GIPS Compliance Statement
 - B. State that the firm will achieve GIPS compliance by a future date
 - C. Claim partial GIPS compliance with details on areas of non-compliance

28. Countries who are global leaders and use their economic influence to control resources are best described as:
- A. autarkic
 - B. hegemonic.
 - C. multilateral.

29. An analyst gathers the following information for a company's fiscal year beginning 1 January:

Net income	\$1,800,000
Dividends declared and paid on convertible preferred	\$600,000
Weighted average common shares outstanding during the year	200,000
Convertible preferred shares outstanding during the year	50,000

If one preferred share can be converted into four common shares and there are no other potentially dilutive securities outstanding, reported diluted EPS for the year is:

- A. \$3.00
 - B. \$4.50.
 - C. \$6.00.
30. Normalized earnings are best defined as the:
- A. average level of achieved earnings over a long-term historical period.
 - B. estimated going-concern value of the company after the explicit forecast period.
 - C. expected level of mid-cycle earnings in the absence of any unusual or temporary factors.
31. All else being equal, an increase in the central bank's policy rate most likely puts downward pressure on domestic inflation by:
- A. increasing consumption growth.
 - B. improving investors' confidence.
 - C. strengthening the country's currency.

32. A technology company, reporting under US GAAP, has three classes of intangible assets. The table below shows information on each of the three classes (in USD thousands):

	Goodwill	Licenses	Computer Software
31 December of Year 1	65,321	8,243	5,257
Exchange movements in Year 2	7,324	821	334
Amortization charge for Year 2	—	1,244	2,102
Net additions (disposals) in Year 2	—	(25)	—
31 December of Year 2	73,194	10,856	8,214

Based on the data provided, the intangible asset that has the largest absolute impairment charge for the period ended 31 December of Year 2 is:

- A. goodwill.
 - B. licenses
 - C. computer software.
33. All else being equal, a decrease in which of the following financial metrics would most likely result in a lower return on equity (ROE)?
- A. Leverage
 - B. The tax rate
 - C. Days of sales outstanding
34. An analyst regresses net profit margin (NPM) on research and development expenditure scaled by revenues (RDR) and gathers the following information:

	Estimate
Intercept	17.38%
Slope coefficient	-0.6000

The predicted value of NPM for a forecasted RDR of 7% is closest to:

- A. 4.20%.
 - B. 13.18%
 - C. 21.58%.
35. For a company with taxable income, if interest expense becomes tax deductible, the effective marginal cost of debt.
- A. decreases
 - B. remains the same.
 - C. increases.

36. The supply curve for a specific good shows the highest:
- quantity sellers are willing to offer at each price.
 - price buyers are willing to pay for each quantity.
 - price sellers are willing to accept for each quantity.
37. Which of the following expense recognition choices is least consistent with conservative accounting of reported net income?
- Recognizing expenses later rather than earlier
 - Reflecting lower warranty expenses due to improved product quality
 - Estimating lower uncollectible accounts due to stricter credit policies
38. Which of the following ratios will most likely increase as a result of an inventory write-down?
- Current ratio
 - Total asset turnover ratio
 - Receivables turnover ratio
39. Which of the following statements about evaluating a project with a real option is most accurate?
- The cost of the real option should be ignored as it represents a sunk cost
 - The value of the real option less the incremental cost should be included in the project NPV
 - If the project NPV is negative before considering the real option, management should not undertake the project
40. In a simple linear regression model, the residual for an observation of Y is computed as:
- the observed value of Y divided by the expected value of Y .
 - the unexplained variation in Y divided by the explained variation in Y
 - the difference between the observed value of Y and the estimated value of Y
41. An analyst gathers the following information about two projects with the same discount rate:

Year	Project 1 Cash Flows	Project 2 Cash Flows
0	-\$1,000	-\$1,300
1	\$400	\$500
2	\$400	\$500
3	\$400	\$500

If the NPV of Project 1 is \$0, the NPV of Project 2 is:

- negative
- zero
- positive.

42. In machine learning, overfitting can most likely be mitigated by using
- A. higher computing power.
 - B. a simpler machine-learning model.
 - C. an unsupervised machine-learning model.
43. Under the revaluation model, an initial revaluation that increases the carrying value of an asset most likely results in a:
- A. higher net profit margin.
 - B. lower financial leverage ratio.
 - C. higher total asset turnover ratio.
44. With respect to fiscal policy, which of the following is an automatic stabilizer?
- A. Tax rate changes
 - B. Infrastructure spending
 - C. Payment of unemployment benefits
45. The regulation of economic activity over time is associated with:
- A. fiscal policy only.
 - B. monetary policy only.
 - C. both fiscal policy and monetary policy.
46. Ignoring income taxes, an impairment loss on equipment will most likely decrease:
- A. net profit margin.
 - B. total asset turnover.
 - C. working capital turnover.
47. If an auditor is experiencing some scope limitation, but can still issue an opinion, the auditor most likely issues a(n):
- A. adverse opinion.
 - B. qualified opinion.
 - C. disclaimer of opinion.

48. An analyst gathers the following annual information on three companies:

	Company A	Company B	Company C
Sales	\$40,000	\$200,000	\$450,000
Cost of sales	\$21,000	\$110,000	\$240,000
Selling, general and administrative	\$6,000	\$24,000	\$48,000
All other operating expenses	\$1,000	\$2,000	\$5,000
Operating income	\$12,000	\$64,000	\$157,000
Interest and other expense	\$2,000	\$0	\$14,000
Taxes	\$4,000	\$26,000	\$58,000
Net income	\$6,000	\$38,000	\$85,000

The company with the highest gross profit margin is:

- A. Company A.
- B. Company B.
- C. Company C.

49. The primary responsibility of a corporation's directors is to act in the best interest of the:

- A. creditors.
- B. managers.
- C. shareholders.

50. Debt as a proportion of total capital is most likely greatest in which of the following life-cycle stages of a company?

- A. Start-up
- B. Growth
- C. Mature

51. Real exchange rates:

- A. reflect changes in relative purchasing power.
- B. are quoted in global foreign exchange markets.
- C. have a strong track record as a predictor of future nominal exchange rates.

52. Under a franchise model, the franchisee:

- A. earns a royalty on sales.
- B. is responsible for product development and advertising.
- C. operates under a specific brand with proprietary products and processes.

53. Accounting goodwill is created when an acquisition's purchase price:
- A. results in a "bargain purchase."
 - B. exceeds the value of acquired net identifiable assets.
 - C. is attributed solely to separately identifiable assets and liabilities.

54. An analyst gathers the following closing prices of a stock:

Date	Closing Price(\$)
1 January	30
15 January	38

The continuously compounded return for the period 1 January to 15 January is closest to:

- A. 7.0%.
 - B. 23.6%.
 - C. 26.7%.
55. A positive movement in a lagging indicator would least likely be used to:
- A. identify a past condition of the economy.
 - B. identify an expected future economic upturn.
 - C. confirm that an expansion is currently underway.
56. A fund initially has \$50 million under management and earns 17% in Year 1. The fund receives additional investments of \$125 million at the beginning of Year 2 and earns 12% in Year 2. The annualized money-weighted rate of return over the 2-year period is closest to:
- A. 13.2%.
 - B. 14.5%.
 - C. 15.5%
57. A central bank is least likely to:
- A. implement fiscal policy.
 - B. oversee the payments system.
 - C. manage foreign currency reserves.

58. An analyst gathers the following data on the Sharpe ratios of seven portfolios:

Portfolio	Sharpe Ratio
1	0.2
2	0.6
3	0.7
4	0.9
5	1.0
6	1.4
7	1.6

The interquartile range of the Sharpe ratios is closest to:

- A. 0.6.
- B. 0.8.
- C. 1.4.

59. An analyst gathers the following information about a company:

Before-tax cost of debt	5%
Marginal tax rate	30%
Cost of equity	8%
Target debt-to-equity ratio	50%

The company's WACC is equal to:

- A. 5.75%.
- B. 6.50%.
- C. 7.00%

60. Based on good corporate governance practices, it is most appropriate for a company's compensation committee to:
- A. include some company executives.
 - B. develop director remuneration policies.
 - C. recommend remuneration for the external auditors.
61. If differences between accounting profit and taxable income are recoverable, deferred tax assets are created when:
- A. accounting profit is less than taxable income.
 - B. accounting profit is greater than taxable income.
 - C. income taxes payable is less than income tax expense.

62. An analyst gathers the following exchange rate information:

Spot rate	4.6895
1-year forward points	-12.7

The 1-year forward rate is closest to:

- A. 4.67680.
 - B. 4.68823.
 - C. 469077.
63. An investor plans to contribute \$10,000 each year into an account that earns an annual interest rate of 5%. If the first contribution is made one year from today, the value of the account immediately after the 10th contribution is closest to:
- A. \$125,779.
 - B. \$132,068.
 - C. \$142,068.
64. According to Modigliani and Miller's Proposition without taxes, a higher proportion of debt in the capital structure of a company results in:
- A. the same WACC
 - B. a lower cost of equity.
 - C. a greater company value.
65. In a small country, an export subsidy for a good most likely results in a decrease in the good's domestic:
- A. price.
 - B. production.
 - C. consumption.
66. In the statement of cash flows, interest paid by a company is most likely included in:
- A. either the operating or financing section under IFRS.
 - B. either the operating or financing section under US GAAP.
 - C. only the financing section under both IFRS and US GAAP.

67. An analyst is comparing the solvency of a company over the past two years using the information below:

Year 2	¥ Millions
Total debt	2,300
Total shareholders' equity	17,000
Total assets	20,000
Net income	375
Interest payments/interest expense	200
Taxes paid	125
Ratios in Year 1	
Debt to capital	12.7%
Interest coverage	2.9

the analyst can make about Year 2 is that compared with Year solvency has:

The best conclusion 1, the company's

- A. remained the same.
- B. deteriorated because both ratios have weakened.
- C. improved because both ratios have strengthened.

68. Which action is most likely considered a secondary source of liquidity?

- A. Increasing the availability of bank lines of credit
- B. Increasing the efficiency of cash flow management
- C. Renegotiating current debt contracts to lower interest payments

69. The returns of a fund are as follows:

Year	Return (%)
1	-20.60
2	15.00
3	0.50
4	9.80
5	4.60

The mean absolute deviation (MAD) of returns for the fund is closest to:

- A. 9.53%.
- B. 11.91%.
- C. 13.69%.

70. The time-weighted rate of return:
- A. is affected by the amount and timing of cash flows to and from a portfolio.
 - B. calculates multi-period cash flows mirroring a portfolio's compound growth rate.
 - C. results in a lower return when compared with the money-weighted rate of return.

71. An analyst gathers the following information about a company:

	Year 2	Year 1
Revenue	€725,000	€720,000
EBIT	€93,500	€91,500
Net income	€57,500	€58,000
Weighted average common shares outstanding during the year	650,000	635,000

Which of the following increased from Year 1 to Year 2?

- A. Basic FPS
 - B. EBIT margin
 - C. Net profit margin
72. All else being equal, in an environment of rising inventory unit costs and constant inventory quantities, the LIFO inventory valuation method most likely results in a higher.
- A. ending inventory than under the FIFO method.
 - B. gross profit margin than under the FIFO method.
 - C. inventory turnover ratio than under the FIFO method.
73. For a company reporting under IFRS, which of the following events most likely represents low financial reporting quality? The company:
- A. reported an increase in EPS as a result of the sale of a subsidiary.
 - B. included gains from foreign exchange rate changes in its cost of goods sold.
 - C. entered a long-term lease for a customized piece of equipment and classified it as a finance lease.

74. An analyst gathers the following information (in \$ millions) about a company reporting under US GAAP:

Cash flow from operations	500
Capital expenditures	40
Interest expensed and paid	20
Net borrowing	10

If the tax rate is 25%, free cash flow to the firm (in \$ millions) is:

- A. 460.
 - B. 470.
 - C. 475.
75. For a hypothesis test concerning the correlation between two normally distributed variables with sample size n each, the number of degrees of freedom is
- A. $n-2$.
 - B. $n-1$.
 - C. $2n-2$.
76. A portfolio has two stocks with equal weighting. The variance of returns for each stock is 100 percent squared, and the covariance is 50 percent squared. The portfolio standard deviation of returns is closest to:
- A. 7.9%.
 - B. 8.7%.
 - C. 75.0%.
77. A researcher wants to measure the level of consumer confidence in a country by interviewing a simple random sample of ten consumers from three randomly selected cities. This method is an example of:
- A. cluster sampling.
 - B. systematic sampling.
 - C. stratified random sampling.

78. The following data apply to a firm operating in perfect competition.

Quantity Total	Revenue Total	Cost
21	\$210	\$138
22	\$220	\$145
23	\$230	\$154
24	\$240	\$165

The firm's profit maximizing output (in units) is most likely:

- A. 21.
- B. 23.
- C. 24.

79. The money supply most likely increases when a central bank:
- purchases bonds.
 - increases the policy rate.
 - raises the reserve requirement.
80. Under IFRS, which component of the change in the net pension asset or liability each period is recognized in other comprehensive income?
- Employees' service costs
 - Actuarial gains and losses and other remeasurements
 - The net interest expense or income accrued on the beginning net pension plan asset or liability
81. The following information is available for a company:

	Year 2 (in E Millions)
EBIT(earnings before interest and taxes)	1,015.0
Interest expense	73.4
Tax expense	201.4
Total assets	5,305.0
Average total assets	5,421.0
Total debt	1,048.0

	Year 1
Interest coverage	15.3×
Debt to total assets	18.2%
Operating return on assets (ROA)	17.3%

Compared with Year 1, which of the following ratios most likely indicates an improvement in the creditworthiness of the company? The change in the company's:

- operating ROA.
 - interest coverage
 - debt-to-total assets.
82. When considering ESG factors, energy efficiency is best described as a(n):
- environmental factor.
 - social factor.
 - governance factor.

83. An analyst gathers the following information about a company:

Target D/E	0.80
Current D/E	0.65
Yield to maturity	4%
Cost of equity	9%
Tax rate	30%

The WACC to be used in financial analysis is closest to:

- A. 6.24%.
- B. 6.56%.
- C. 6.78%.

84. In the event that the value of inventory declines below the carrying amount on the balance sheet, the inventory carrying amount must be written down and the reduction in value recognized as a(n):

- A. expense on the income statement.
- B. decrease in the revaluation surplus account.
- C. decrease in the inventory valuation allowance account.

85. The international organization most likely to provide funds to create basic economic infrastructure in developing countries is the:

- A. World Bank.
- B. World Trade Organization.
- C. International Monetary Fund.

86. If a paired comparison test of mean differences supports rejecting the null hypothesis, then the:

- A. difference in means is not statistically significant.
- B. independence of the samples is statistically significant.
- C. standard error of the mean differences is low relative to the sample mean difference.

87. The possibility of new entrants into an industry is considered in the calculation of

- A. the concentration ratio.
- B. the Herfindahl-Hirschman index.
- C. neither the concentration ratio nor the Herfindahl-Hirschman index.

88. Under the indirect method, which of the following should be subtracted from net income to arrive at cash flow from operating activities?

- A. Purchase of equipment
- B. Decrease in accounts payable
- C. Amortization expense of intangible assets

89. An analyst gathers the following probabilities concerning Event X and some new information:

Prior probability of X	0.70
Probability of the new information given X	0.50
Unconditional probability of the new information	0.60

Using Bayes' formula, the updated probability of X given the new information is closest to:

- A. 0.43.
 - B. 0.58.
 - C. 0.84.
90. Conflicts of interest between shareholders and management most likely occur when:
- A. executive remuneration plans include deferred shares.
 - B. shareholders do not influence the design of executive compensation packages.
 - C. risky projects that match shareholders' risk tolerance are pursued by the company.