

财务报表

1. Which of the following companies would most likely be considered to have the lowest financial reporting quality, other things equal?
 - A. A company that provides high quality, decision-useful information under GAAP but delays its reports.
 - B. A company that reports significant profits due to a favorable exchange rate movement.
 - C. A company that reports the results from two different segments as a combined entity.

2. Which of the following is lowest in quality on the spectrum of GAAP conforming financial reports?
 - A. Aggressive accounting choices
 - B. Earnings management
 - C. Conservative accounting choices

3. An analyst would most likely conduct additional analysis when faced with which of the following financial presentations?
 - A. A non-GAAP financial measure that excludes an expense that is likely to recur
 - B. Reporting a non-GAAP financial measure in an SEC filing
 - C. A change from LIFO inventory accounting to FIFO

4. Under International Financial Reporting Standards (IFRS), reported operating cash flows are most likely to be increased by the classification choice made for.
 - A. impairment losses on fixed assets.
 - B. dividends paid.
 - C. interest expense.

5. In the Porter's five forces framework, a company is most likely to have the greatest profitability if:
 - A. the threat of substitutes is low and the bargaining power of buyers is low.
 - B. the threat of substitutes is low and the bargaining power of buyers is high.
 - C. the threat of substitutes is high and the bargaining power of buyers is low.

6. Which of the following conditions conducive to issuing low-quality financial reports is most likely a result of poor internal controls?
- Rationalization
 - Opportunity
 - Motivation
7. Maintaining prior views or forecasts by inadequately incorporating new information best describes:
- conservatism bias.
 - overconfidence bias.
 - representativeness bias.
8. For a company in a cyclical industry, normalized earnings are best described as:
- current earnings that include the impact of acquisitions.
 - mid-cycle earnings in the absence of temporary factors.
 - earnings from the peak years excluding temporary factors.
9. Porter's five forces analysis is used to estimate a company's future profit margin relative to:
- only its competitors.
 - only its historic margins.
 - both its competitors and its historic margins.
10. An analyst uses the following information to forecast a company's gross profit margin:
- | | Current Amount (in \$ millions) | Forecasted Growth |
|---------------|---------------------------------|-------------------|
| Sales | 1,200 | 8% |
| Cost of sales | 300 | 4% |
- The analyst's forecasted gross profit margin should be closest to a(n):
- decrease of 1%.
 - increase of 1%.
 - increase of 4%.
11. If the price elasticity of demand for a product is 0.8 and its unit cost remains constant, a 10% increase in its selling price will most likely result in:
- no change in cost of sales.
 - a decrease in volume of 8%.
 - an increase in revenue of 8%.

12. All else being equal, forecasting an increase in which of the following will most likely increase forecasted EPS for a company?

- A. Share repurchases
- B. Secondary stock issuances
- C. Equity-based compensation of employees

13. An analyst gathers the following information (in € millions) relating to a company's merchandise inventory as of 31 December of Year 1:

Cost	65
Net realizable value	60
Current replacement cost	58

On 31 December of Year 2, the net realizable value of the inventory is € 7 million higher than its carrying value. Under US GAAP, the amount (in € millions) of the reversal of the prior write-down is:

- A. 0.
- B. 5.
- C. 7.

14. An analyst gathers the following year-end information from a company's financial statements:

	Year 2	Year 1
Accounts receivable	£ 3 million	£ 1 million
Accounts payable	£ 2 million	£ 5 million

Based only on this information, if Year 2 net income is £ 3 million and the Year 1 ending cash balance is £ 10 million, the Year 2 ending cash balance is:

- A. £ 8 million.
- B. £ 12 million.
- C. £ 18 million.

15. A company incurred the following expenditures (in € millions) to internally develop intangible asset:

Costs incurred during the research phase	900
Costs incurred during the development phase	600

If the recognition criteria for an intangible asset have been met, the maximum amount of capitalized costs (in € millions) is:

- A. 600.
- B. 900.
- C. 1,500.

16. Compared to the industry average, which of the following financial ratios most likely indicates a company has a highly efficient credit and collection process? A relatively low:
- A. receivables turnover ratio
 - B. number of days sales outstanding
 - C. number of days of inventory on hand
17. Under the indirect method of reporting cash flow from operating activities, a decrease in deferred income tax liabilities is:
- A. ignored.
 - B. added back to net income.
 - C. subtracted from net income.
18. With respect to company analysis, measures of inventory management are best described as:
- A. activity ratios
 - B. solvency ratios
 - C. profitability ratios
19. A disclaimer of opinion is issued when an auditor:
- A. is unable to issue an opinion.
 - B. notes an exception to accounting standards.
 - C. finds a material departure from accounting standards.
20. Which of the following most likely indicates improved efficiency of a company's credit and collection policy? An increase in:
- A. receivables turnover ratio
 - B. days of sales outstanding
 - C. number of days of payables

21. An analyst gathers the following information (in \$ millions) about a manufacturing company:

Cost of sales	150
Gross profit	100
Selling, general, and administrative expenses	30

Based only on this information, applying vertical common-size analysis to the income statement, selling, general, and administrative expenses are:

- A. 12%.
 - B. 20%.
 - C. 30%.
22. Which of the following is most likely added back to net income when preparing a cash flow statement under the indirect method?
- A. Gain on sale of assets
 - B. Amortization of bond discount
 - C. Decrease in deferred tax liability
23. With respect to the statement of cash flows under the indirect method, which of the following will increase net cash provided by operating activities compared to net income? An increase in:
- A. inventory
 - B. accounts payable
 - C. accounts receivable
24. Ignoring income taxes, acquiring an intangible asset would most likely result in:
- A. a lower net operating cash flow than internally developing the intangible asset.
 - B. the same net operating cash flow than internally developing the intangible asset.
 - C. a higher net operating cash flow than internally developing the intangible asset.
25. Which of the following is most accurate with respect to inherent limitations of audits?
- A. An audit opinion is based on a review of information only prepared by the auditor
 - B. An audit is based on an exhaustive review of all transactions during a financial year
 - C. An expectations gap may exist between the auditor's role and the public's expectation of auditors

26. An analyst gathers the following information about a company for its fiscal year ended 31 December.

Net income	€80,000
Common dividends declared and paid	€16,000
Preferred dividends declared and paid	€10,000
Weighted average common shares outstanding	150,000
Common shares outstanding at year end	130,000

Basic EPS is closest to

- A. €0.36.
 - B. €0.47.
 - C. €0.54.
27. Which of the following opinions is the best indication that the auditor believes that the financial statements depart materially from accounting standards and are not fairly presented?
- A. Adverse opinion
 - B. Qualified opinion
 - C. Disclaimer of opinion

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

Payables turnover	8
Inventory turnover	2
Receivables turnover	10

If all purchases and sales were made on credit, the cash conversion cycle (based on a 360-day year) is:

- A. 99 days
 - B. 171 days
 - C. 261 days
29. An analyst gathers the following information (in \$ thousands) about a company.

Net income	10,000
Gain on debt retirement	500
Decrease in working capital	2,000

Cash flow from operating activities (in \$ thousands) is:

- A. 8,500.
- B. 11,500.
- C. 12,500.

30. Which of the following may be reported using the modified retrospective method?
- A. Corrections of prior period errors
 - B. Changes in estimated useful life of PP&E
 - C. Changes in accounting policies based on the new revenue recognition standard

31. An analyst gathers the following information (in € millions) about a company before any revaluations:

Average total assets	20
Average total liabilities	8
Average total equity	12

An initial revaluation increases the carrying value of the asset valued under the revaluation model ignoring taxes, the financial leverage ratio most likely.

- A. decreases.
- B. remains the same.
- C. increases.

32. An analyst gathers the following information (in € thousands) about a company:

Net income	143
Gain on sale of equipment	20
Decrease in accounts receivable	38

Cash flow from operating activities (in € thousands) is.

- A. 85
- B. 161
- C. 201.

33. Under US GAAP and all else being equal, in a period of stable inventory quantities and rising inventory unit costs, which inventory valuation method is least likely to incur inventory write-downs?
- A. FIFO
 - B. LIFO
 - C. Weighted average cost

34. Which of the following analyses can be used to compare a company's financial ratios with those of its major competitors?
- A. Trend only
 - B. Cross-sectional only
 - C. Both trend and cross-sectional

35. An analyst gathers the following information about a company's fiscal year ended 31 December.

Net income	\$210,000
Common shares outstanding on 1 January	50,000
Common shares repurchased on 1 April	20,000

If a 2-for-1 stock split took effect on 1 July, basic EPS for the year is:

- A. \$3.00.
- B. \$3.50.
- C. \$4.20.

36. An analyst gathers the following information about two companies (in ¥ thousands):

	Company 1	Company 2
Revenue	7,586,000	9,445,000
Cost of goods sold	3,413,700	4,533,600
Research and development expense	1,800,000	1,800,000
Advertising expense	531,020	755,600

Based only on the companies' common-size income statements, it appears that.

- A. Company 1 spent more on advertising than Company 2.
 - B. both companies spent equally on research and development.
 - C. Company 1 has a higher gross profit margin than Company 2.
37. A deferred tax liability could arise when:
- A. the tax base of an asset is greater than its carrying amount.
 - B. the carrying amount of a liability is greater than its tax base.
 - C. financial accounting income tax expense exceeds income taxes payable.
38. An analyst gathers the following information (in £ millions) about a company's fiscal year.

Cost of goods sold	6,000
Increase in inventory	3,000
Increase in accounts payable	2,500

Cash paid to suppliers (in £ millions) is:

- A. 6,500.
- B. 9,000.
- C. 11,500.

39. An analyst gathers the following information about a company for its fiscal year ended 31 December.

Net income	€3,000,000
Common shares outstanding, 1 January	3,500,000
Common shares issued, 1 April	1,000,000
Common shares outstanding, 31 December	4,500,000
Convertible preferred shares outstanding	400,000
Convertible preferred dividend per share	€1.00

Each convertible preferred share is convertible into two common shares. If there are no other potentially dilutive securities outstanding, reported diluted EPS is closest to:

- A. €0.51.
- B. €0.57.
- C. €0.59.

40. An analyst gathers the following information (in € thousands) about a company:

Cash flow from operating activities	80
Capital expenditures	15
Interest paid and expensed	10

If interest paid is classified as a cash flow from operating activities and the income tax rate is 20%, FCFE (in € thousands) is

- A. 57.
- B. 65.
- C. 73.

41. A qualified audit opinion is most likely issued when financial statements are prepared:

- A. in compliance with accounting standards.
- B. with material departures from accounting standards.
- C. with some limitation or exception to accounting standards.

42. Common-size statements are most likely the output of which of the following phases of the financial statement analysis framework?

- A. Process data
- B. Analyze/interpret the processed data
- C. Develop and communicate conclusions and recommendations

43. An analyst gathers the following information about a company's fiscal year ended 31 December.

Interest payable on 1 January	£ 45,000
Cash interest paid during the year	£ 15,000
Interest expense during the year	£ 50,000

Interest payable on 31 December is:

- A. £ 30,000.
 - B. £ 80,000.
 - C. £ 95,000
44. An analyst gathers the following information (in £ thousands) about a company.

FCFF	2,500
FCFE	1,300
Interest paid	260

If interest paid is classified as a cash flow from operating activities and the income tax rate is 40%, net debt repayment (in £ thousands) is closest to:

- A. 940.
 - B. 1,044.
 - C. 1,200.
45. Deferred tax assets could arise when:
- A. Taxable income exceeds accounting profit.
 - B. the carrying amount of assets exceeds their tax base.
 - C. Accounting income tax expense exceeds income taxes payable.
46. Under US GAAP, in the second year of a multi-year lease, a lessee with an operating lease most likely reports a:
- A. higher interest expense than it would if the lease were a finance lease.
 - B. lower depreciation expense than it would if the lease were a finance lease.
 - C. greater financing cash outflow than it would if the lease were a finance lease.
47. In a common-size analysis of the cash flow statement, each line item of cash inflow may be stated as a percentage of:
- A. total assets.
 - B. net revenue.
 - C. net cash flow.

48. Under US GAAP, which of the following is a required financial statement disclosure concerning inventory?
- Only the material amount of income resulting from the liquidation of LIFO inventory
 - Only the amount of any reversal of any write-down that is recognized as a reduction in cost of goods sold in the period
 - Both the material amount of income resulting from the liquidation of LIFO inventory, and the amount of any reversal of any write-down that is recognized as a reduction in cost of goods sold in the period
49. An analyst gathers the following information about a company's non-depreciable asset reported under the revaluation model

Original cost	€25,000
Reported value after initial revaluation	€27,50
Reported value after second revaluation	€22,50

The revaluation surplus after the second revaluation is:

- €2,500.
 - €0.
 - €2,500.
50. An analyst gathers the following information about an electronics manufacturing company's inventory:

	Year 2	Year 1
Cost	€100,000	€100,000
Net realizable value	€105,000	€97,000

As a result of the reversal of the write-down, the company's Year 2 financial statements should report a decrease in cost of sales of:

- €0.
 - €3,000.
 - €8,000.
51. An analyst gathers the following information about a company:

ROE	10%
Financial leverage	2.0
Net profit margin	4%
EBIT margin	5%
Interest burden	85%

The total asset turnover ratio is closest to:

- 1.0.
- 1.3.
- 1.5.

52. All else being equal, in a period of stable inventory quantities and declining inventory unit costs, using the LIFO inventory valuation method will result in a lower.
- A. gross profit than if the FIFO inventory valuation method had been used.
 - B. current ratio than if the FIFO inventory valuation method had been used.
 - C. inventory turnover ratio than if the FIFO inventory valuation method had been used.

53. An analyst collects the following information (in € millions) about a manufacturing company's inventory.

Original cost	22,000
Net realizable value at end of Year 1	1,700
Net realizable value at end of Year 2	2,500

At the end of Year 2, the balance sheet should reflect inventory (in € millions) of.

- A. 1,700.
 - B. 2,000.
 - C. 2,500.
54. In an environment of steadily increasing prices and quantities, reported ending inventory most closely reflects current replacement value under the:
- A. FIFO method using a periodic inventory system.
 - B. LIFO method using a periodic inventory system.
 - C. LIFO method using a perpetual inventory system.

55. An analyst gathers the following information (in € thousands) about a company's non-depreciable asset.

Historical cost	50
Carrying value after impairment, 31 December of Year 1	40
Recoverable amount, 31 December of Year 2	60

The maximum allowable carrying amount (in € thousands) on the Year 2 balance sheet is:

- A. 40
 - B. 50.
 - C. 60.
56. All else being equal, a write-down of inventory by a manufacturing company most likely results in a:
- A. lower total asset turnover ratio and a lower current ratio.
 - B. higher total asset turnover ratio and a lower current ratio.
 - C. lower total asset turnover ratio and a higher current ratio.

57. On the statement of cash flows, interest paid should be classified as:
- a financing cash flow only.
 - an operating cash flow only.
 - either a financing or an operating cash flow.
58. An analyst gathers the following information (in € millions) about an automobile manufacturer's inventory:

	Year 2	Year 1
Cost of goods sold	600	700
Cost of inventory	100	90
Net realizable value of inventory	120	80

The inventory turnover (calculated using average inventory) in Year 2 is closest to:

- 6.0.
 - 6.3.
 - 6.7.
59. An analyst gathers the following information (in € thousands) about an electronics manufacturing company's inventory:

Cost of ending inventory	3,600
Net realizable value	3,300
Current replacement cost	3,200
Net realizable value less a normal profit margin	3,100

The inventory (in € thousands) is carried on the balance sheet at:

- 3,100.
 - 3,200.
 - 3,300.
60. For leases with a term of twelve months or less, the lessee:
- may recognize lease payments on a straight-line basis.
 - must report at lease inception a "right-of-use" asset and a lease liability, which are both equal to the present value of future lease payments.
 - must report at lease inception a right-of-use" asset and a lease liability, which are both equal to the undiscounted value of future lease payments.
61. According to the converged standards for revenue recognition, a receivable is recognized on the seller's balance sheet when:
- a contract is signed.
 - all performance obligations have been met except for payment.
 - consideration is received in advance of transferring goods or services.

62. An analyst gathers the following information about a company's equipment:

Carrying value prior to impairment	€20,000
Undiscounted expected future cash flows	€22,000
Value in use	€17,400
Fair value if sold	€19,100
Costs to sell	€1,900

The carrying value of the equipment should be:

- A. €17,200.
 - B. €17,400.
 - C. €20,000.
63. Which of the following ratios would most likely be positively affected by an inventory write-down compared to its value absent the write-down?
- A. Activity
 - B. Liquidity
 - C. Solvency
64. A deferred tax asset has been previously recognized. At the current balance sheet date, the criteria for economic benefits are not met but the tax differences are still expected to be temporary. As a result:
- A. the existing deferred tax asset should be reversed.
 - B. a valuation allowance account should be established.
 - C. the existing deferred tax asset should be reclassified as equity.
65. An analyst gathers the following information (in € thousands) about a company.

Revenue	5,000
Cash balance, beginning of year	2,000
Cash balance, end of year	2,000
Increase in accounts receivable	1,200

Cash received from customers (in € thousands) is:

- A. 3,800.
- B. 5,000
- C. 6,200.

66. Which of the following is an inventory-related financial statement disclosure required under US GAAP?
- The carrying amount of inventories carried at fair value less costs to sell.
 - The circumstances or events that led to the reversal of a prior-year write-down of inventories.
 - The amount of reversal of any prior-year write-down of inventories that is recognized as a reduction in cost of sales in the current period.
67. All else being equal, in a period of declining inventory unit costs and constant inventory quantities, which of the following inventory valuation methods most likely allocates a higher amount of the total cost of goods available for sale to cost of sales on the income statement?
- FIFO
 - LIFO
 - Weighted average cost
68. The adjustments related to changes in the estimated residual value of a long-lived asset should be:
- handled prospectively.
 - shown separately on the income statement.
 - handled retrospectively unless impractical to do so.
69. Which of the following might indicate that a company uses aggressive accounting choices to increase its reported performance and financial position in the current period?
- Increasing the estimated salvage values of PP&E
 - Changing the depreciation method from straight-line to double-declining balance
 - Changing from weighted average to FIFO inventory valuation method in a period of declining inventory prices and constant inventory quantities

70. An analyst gathers the following information about a company's equipment base:

Beginning balance accumulated depreciation	€7,000,000
Ending balance accumulated depreciation	€8,000,000
Depreciation expense of equipment	€4,000,000

The company sold equipment having a historical cost of €5,000,000 and reported a loss on sale of €250,000. The cash received from the sale of equipment is:

- €750,000.
- €1,750,000.
- €4,750,000.

71. An analyst gathers the following information (in € millions) about a company:

EBIT	150
Earnings before taxes	130
Net income	110
Total average assets	1,000

ROA is:

- A. 11%.
 - B. 13%.
 - C. 15%
72. In calculating basic and diluted EPS, if the numerators are the same but the denominators are different, the company.
- A. split its stock during the year.
 - B. had stock options outstanding at year end.
 - C. had convertible debt outstanding at year end.
73. An analyst gathers the following information about a company's given fiscal year ended 31 December.

Net income	\$1,200,000
Number of common shares outstanding on 1 January	1,000,000
Number of common shares issued on 1 April	100,000
Number of common shares outstanding on 31 December	1,100,000
Face value of convertible bonds outstanding for the year	\$2,000,000
Coupon rate on convertible bonds	8%
Tax rate	30%

If the bonds are convertible into 200,000 common shares and there are no other potentially dilutive securities outstanding, the company's reported diluted EPS is closest to:

- A. \$1.01.
 - B. \$1.03.
 - C. \$1.07.
74. An analyst gathers the following information about a company:

Net profit margin	3.0%
Total asset turnover	1.8
Financial leverage	1.5
Tax burden	0.85

ROE is closest to:

- A. 5.4%.
- B. 6.9%.
- C. 8.1%.

75. An analyst gathers the following information (in € thousands) about equipment

Carrying amount prior to testing for impairment	10,000
Fair value	9,000
Present value of expected future cash flows	7,000
Costs to sell	200

The equipment's carrying amount (in € thousands) after impairment is:

- A. 7,000.
 - B. 8,800.
 - C. 9,000.
76. Which of the following ratios is most appropriate in measuring a company's ability to cover its debt payments?
- A. Return on equity
 - B. Fixed asset turnover
 - C. Fixed charge coverage
77. Under which of the following classifications of leases will a lessor derecognize the leased asset and recognize a lease receivable on the balance sheet at lease inception?
- A. Only a finance lease under IFRS
 - B. Only an operating lease under US GAAP
 - C. Both a finance lease under IFRS and an operating lease under US GAAP
78. Ignoring income taxes, which of the following ratios decreases as a result of an impairment charge?
- A. Net profit margin
 - B. Debt-to-equity ratio
 - C. Working capital turnover

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

Short-term interest bearing debt	700
Current portion of long-term interest bearing debt	500
Non-current portion of long-term interest bearing debt	800
Total shareholders' equity	7,500

Based only on this information, the company's debt-to-capital ratio is closest to:

- A. 17%.
- B. 21%.
- C. 27%.

80. According to the converged standards for revenue recognition, which of the following might indicate that a seller has transferred control of an asset to a buyer at a point in time? The seller has:
- legal title of the asset.
 - a present right to payment for the asset.
 - significant risks and rewards of ownership related to the asset.
81. A company incurred research costs which were all expensed in the current fiscal year for financial reporting purposes. Applicable tax laws require research costs to be expensed over a 5-year period. If taxable profit will be available against which the deductible temporary differences can be utilized, in the current fiscal year the company will most likely record:
- a deferred tax asset.
 - a deferred tax liability.
 - neither a deferred tax asset nor a deferred tax liability.
82. All else being equal, the cash conversion cycle most likely shortens if:
- payables turnover decreases.
 - inventory turnover decreases.
 - days of sales outstanding increases.
83. On the statement of cash flows, interest payments may be classified as a financing cash flow under
- IFRS only
 - US GAAP only
 - both IFRS and US GAAP.
84. An analyst gathers the following information (in € thousands) about a company whose fiscal year ends on 31 December:

Earnings for the six months ended 30 June of Year 1	2,000
Earnings for the year ended 31 December of Year 1	1,500
Earnings for the six months ended 30 June of Year 2	2,200

The company's trailing 12 month earnings (in € thousands) for the period ended 30 June of Year 2 is:

- 1,700.
- 3,700.
- 4,200.

85. An analyst gathers the following information about three companies (in \$ millions):

	Company 1	Company 2	Company 3
Total assets	100	200	400
Total debt	20	50	80
Total equity	80	150	320
Earnings before interest and taxes (EBIT)	8	10	12
Interest payments	4	4	4

Based on this information, which company is most solvent?

- A. Company 1
 - B. Company 2
 - C. Company 3
86. The carrying amount of an asset being higher than its tax base may be considered a:
- A. temporary difference resulting in a deferred tax asset.
 - B. permanent difference resulting in a deferred tax asset.
 - C. temporary difference resulting in a deferred tax liability
87. A debt-to-equity ratio of 1.0 most likely results in a debt-to-capital ratio of.
- A. 0.5.
 - B. 1.0.
 - C. 2.0.
88. Which of the following financial statement disclosures concerning PP&E is required under US GAAP?
- A. The balances of major classes of depreciable assets
 - B. The date of revaluation under the revaluation model
 - C. A reconciliation of carrying amount at the beginning and end of the period
89. All else being equal, a company with older assets has a fixed asset turnover ratio that is:
- A. lower compared to a company with newer assets.
 - B. the same compared to a company with newer assets.
 - C. higher compared to a company with newer assets.

90. An analyst gathers the following information (in € thousands) about a manufacturing company:

	Year 2	Year 1
Average total assets	500	450
Average total liabilities	400	330
Average total shareholders' equity	100	120
EBIT	35	40
Interest payments	5	8

Based only on this information, which of the following ratio (s) may indicate improved solvency from Year 1 to Year 2?

- A. Interest coverage ratio only
 - B. Financial leverage ratio only
 - C. Both interest coverage ratio and financial leverage ratio
91. If a company sold PP&E with a carrying amount of £ 75,000 and reported a gain of £ 2,000, cash flow from investing activities is:
- A. £ 0.
 - B. £ 73,000.
 - C. £ 77,000.
92. A company acquires a 5-year license for a product it plans to continue selling for the foreseeable future. The license can be renewed at minimal cost. The license should be:
- A. carried on the balance sheet at historical cost.
 - B. amortised using the straight-line method over its estimated useful life.
 - C. amortised using the units-of-production method over its estimated useful life.
93. An analyst gathers the following information (in € thousands) about a company's sale of equipment.

Selling price	58
Historical cost	50
Accumulated depreciation	5

The gain on the sale (in € thousands) is:

- A. 3.
- B. 8.
- C. 13.

94. An analyst gathers the following information (in € thousands) about a manufacturing company's inventory:

Cost of ending inventory	750
Estimated selling price in the ordinary course of business	1,100
Estimated costs necessary to sell the inventory	50
Estimated costs to get the inventory in condition for sale	50

The net realizable value of the inventory (in € thousands) is:

- A. 750.
 - B. 850.
 - C. 1,000.
95. Which of the following is most likely a measure of a company's ability to meet its short-term obligations?
- A. Quick ratio
 - B. Operating profit margin
 - C. Days of payables outstanding

96. An analyst gathers the following information (in £ thousands) about a company's current assets and liabilities:

Cash and equivalents	800
Short-term marketable securities	500
Inventory	700
Accounts receivable	2,000
Current liabilities	10,000

The company's quick ratio is:

- A. 0.13.
 - B. 0.33.
 - C. 0.40
97. An analyst gathers the following information (in £ millions) about a company:

Total assets	400
Total liabilities	200
Total debt	100
Total equity	200

The total debt ratio is:

- A. 0.25.
- B. 0.50.
- C. 2.00.

98. For a mature company, the primary source of cash flows is most likely from
- operating activities.
 - investing activities.
 - financing activities.
99. A company entered into a 5-year construction contract with a total sales price of £ 3,000,000. The estimated total costs are £ 2,000,000 and the company incurred £ 500,000 actual costs in the first year. The company has extensive experience with similar types of contracts. Costs incurred provide an appropriate measure of progress toward completing the contract. Assuming it is highly probable that revenue will not be subsequently reversed, revenue recognized under the contract in Year 1 is most likely:
- £ 500,000.
 - £ 600,000.
 - £ 750,000.
100. Which of the following could motivate a lessee to lease a high-value, long-lived asset rather than to purchase it? Lease contracts:
- usually require little, if any, down payment.
 - are reported as off-balance sheet financing structures.
 - do not require the recognition of a liability on the balance sheet.
101. An analyst gathers the following information (in \$ millions) about a company:

Other operating expenses	4,500
Decrease in prepaid expenses	200
Increase in other accrued liabilities	300

Cash paid for other operating expenses (in \$ millions) is:

- 4,000.
 - 4,400.
 - 4,600.
102. An analyst gathers the following information (in € thousands) about a company's equipment:

Purchase price of the equipment	1,000
Accumulated depreciation	250
Gain on sale of the equipment	400

Ignoring taxes, proceeds from sale of the equipment (in € thousands) is:

- 750
- 1,150.
- 1,400.

103. For a company reporting on a calendar year basis, the receipt of a payment from a client in Year 1 for the delivery of services in Year 2 most likely increases:

- A. net income for Year 1.
- B. liabilities as of 31 December of Year 1.
- C. cash flow from operating activities for Year 2.

104. An analyst gathers the following information (in € millions) about a manufacturing company's land reported under the revaluation model:

Purchase price and fair value on 1 January Year 1	20
Fair value at initial revaluation on 31 December Year 1	26

All else being equal and ignoring taxes, the revaluation at 31 December Year 1 leads to a:

- A. higher quick ratio.
- B. higher total asset turnover.
- C. lower debt-to-assets ratio.

105. On the statement of cash flows, cash dividends paid may be classified as an operating activity under.

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

106. According to the converged accounting standards for revenue recognition, which of the following is the first of five steps in recognizing revenue?

- A. Determine the transaction price
- B. Identify the contract with the customer
- C. Identify the distinct performance obligations in the contract

107. The financial leverage ratio may be calculated as:

- A. EBIT divided by interest payments.
- B. total debt divided by total shareholders' equity.
- C. average total assets divided by average shareholders' equity.

108. Which of the following is defined as how long a company can continue to pay its daily cash expenditures from its existing liquid assets without receiving additional cash inflow?

- A. Cash conversion cycle
- B. Defensive interval ratio
- C. Fixed charge coverage

109. Accounting goodwill arising from acquisitions is:

- A. expensed in the period it arises.
- B. capitalized and amortized over a finite period.
- C. capitalized and tested for impairment annually.

110. An analyst gathers the following information (in € millions) about a company:

Net cash flow from operating activities	(750)
Total cash inflows	1,500
Total cash outflows	2,500
Net increase (decrease) in cash	(1,000)

On a common-size statement of cash flows presented using the indirect method, net operating cash flow is:

- A. 30%.
- B. 50%.
- C. 75%.

111. A company establishes a plan to dispose of one of its material lines of business and will have no further involvement in its operation. The income statement most likely reports the results of this line of business as:

- A. discontinued operations.
- B. unusual or infrequent items.
- C. continuing operations until the actual sale is performed.

112. An analyst gathers the following information (in € thousands) about a company's equipment reported under the cost model:

Carrying amount before impairment	2,000
Undiscounted expected future cash flows	1,800
Fair value	1,700
Value in use	1,500
Costs to sell	50

The impairment loss (in € thousands) is:

- A. 300.
- B. 350.
- C. 500

113. An analyst gathers the following information about PP&E that is abandoned and accounted for using the cost model:

Carrying value	£ 10 million
Fair value at time of abandonment	£ 1 million

Assuming no impairment, the abandonment of PP&E on the financial statements will result in a:

- A. decrease of £ 10 million in PP&E.
- B. loss of £ 1 million on the income statement.
- C. decrease of £ 1 million on the cash flow statement.

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

ROE	15%
Interest burden	0.85
EBIT margin	30%
Total asset turnover	1.1
Financial leverage	1.25

The average tax rate is closest to:

- A. 43%.
- B. 47%.
- C. 57%.

115. Which of the following disclosures is required for each class of PP&E carried under the cost model?

- A. Remaining useful life
- B. Gross carrying amount
- C. Fair value and details of how it was obtained

116. Which of the following components of change in the net pension asset or liability of a defined-benefit pension plan is recognized in other comprehensive income?

- A. Employees' service costs
- B. Actuarial gains and losses
- C. Net interest expense or income accrued on the beginning net pension asset or liability

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

Interest payments	\$30,000
Capital expenditures	\$82,000
Net borrowing	\$18,000
Income tax rate	40%

Under U.S. GAAP, free cash flow to equity is most likely.

- A. less than free cash flow to the firm.
- B. equal to free cash flow to the firm.
- C. greater than free cash flow to the firm.

118. A manufacturing company reporting under US GAAP using the FIFO inventory valuation method should measure its finished goods' inventory at the lower of.

- A. cost and market value.
- B. cost and net realizable value.
- C. market value and net realizable value.

119. A company reporting under US GAAP purchases an equity security issued by another company. If the equity security represents less than 1% of the outstanding equity of the issuing company and the acquiring company owns no other equity stake in the issuing company, the investment is most likely carried on the acquiring company's balance sheet at

- A. amortized cost.
- B. fair value with any unrealized holding gains/losses recognized in the income statement.
- C. fair value with any unrealized holding gains/losses recognized in other comprehensive income.

120. An analyst gathers the following information about a company's fiscal year ended 31 December.

Net income	€2,500,000
Weighted average common shares outstanding during the year	2,000,000
Convertible preferred shares outstanding	1,000,000
Dividend per convertible preferred share	€1

One convertible preferred share is convertible into two common shares. If the tax rate is 40% and there are no other potentially dilutive securities outstanding, reported diluted EPS is closest to:

- A. €0.38.
- B. €0.48.
- C. €0.63.

121. An analyst gathers the following information about a company's fiscal year ended 31 December.

Net income	€5,000,000
Common dividends declared and paid	€500,000
Weighted average common shares outstanding during the year	2,000,000
Convertible preferred shares outstanding	400,000
Dividend per convertible preferred share	€2

One convertible preferred share is convertible into six common shares. If there are no other potentially dilutive securities outstanding, reported diluted EPS should be closest to:

- A. €0.95
- B. €1.02.
- C. €1.14.

122. An analyst gathers the following information (in € millions) about a company:

Cash and cash equivalents	40
Total current assets	125
Total non-current assets	35
Revenue	200

Applying vertical common-size analysis to the company's balance sheet, cash and cash equivalents are:

- A. 20%.
- B. 25%.
- C. 32%.

123. An analyst gathers the following information (in € thousands) about a company:

	Year 2	Year 1
Revenue	2,400	2,000
Cost of sales	1,800	1,400
Ending accounts payable	180	220

Based only on this information, the payables turnover ratio for Year 2 is:

- A. 9.
- B. 10.
- C. 12

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

	Year 2	Year 1
Days of inventory on hand	11	13
Days of sales outstanding	24	22
Payables turnover	36	18

Based only on the cash conversion cycle, the company's liquidity position from Year 1 to Year 2 has:

- A. deteriorated.
- B. remained the same.
- C. improved.

125. The role of financial reporting is best described as:

- A. making operating, investing, and financial decisions.
- B. providing information about a company's performance, financial position, and change in financial position.
- C. evaluating a company's past, current, and potential performance for the purpose of making economic decisions.

126. An analyst gathers the following information (in \$ millions) about a company:

EBIT	16
Net income	8
Interest payments	6
Lease payments	4

The fixed charge coverage ratio is closest to:

- A. 1.2.
- B. 1.6.
- C. 2.0.

127. Under US GAAP, the recognition of a valuation allowance for deferred tax assets impacts

- A. the effective tax rate only.
- B. the statutory tax rate only.
- C. both the effective tax rate and statutory tax rate.

128. A copyright, for which an active market exists, has a set finite life and is used in a company's operations over more than one fiscal period. Under U.S. GAAP, this copyright is reported using:

- A. only the cost model.
- B. only the revaluation model.
- C. either the cost or the revaluation model.

129. Compared to purchasing an asset using debt, leasing an asset is most likely to:

- A. have a higher financing cost.
- B. require a greater down payment.
- C. reduce lessee's exposure to obsolescence.

130. An analyst gathers the following information (in \$ millions) about a company:

	Year 2	Year 1
Revenues	2,100	2,000
Accounts receivable	230	200
Cash	70	50

Cash received from customers (in \$ millions) in Year 2 is:

- A. 2,070.
- B. 2,120.
- C. 2,130.

公司发行人

1. If a corporation is financed with both debt and equity, which of the following must the corporation pay?
 - A. Interest only
 - B. Dividends only
 - C. Both interest and dividends

2. A company that produces goods to be marketed by other firms is best described as having a:
 - A. value added reseller business model.
 - B. licensing arrangement business model.
 - C. contract manufacturer business model.

3. "Economic" profit is best described as the return to a firm's owners:
 - A. in the form of retained earnings and distributions to the owners.
 - B. after corporate taxes and taxes on distributions have been paid.
 - C. in excess of what they could have earned elsewhere on different investments.

4. The purchase of which of the following shares most likely requires investors to be accredited?
 - A. Public company shares only
 - B. Private company shares only
 - C. Both public company shares and private company shares

5. Which best describes business growth that attracts more customers and merchants, contributing to further growth in the business?
 - A. Crowdsourcing
 - B. A one-sided network
 - C. A multi-sided network

6. Private companies most likely have:
 - A. less share price transparency compared to public companies.
 - B. similar share price transparency as public companies.
 - C. Greater share price transparency compared to public companies.

7. The business model of a knowledge aggregation company that allows its users to contribute directly to online content is best referred to as a:
 - A. platform business model.
 - B. marketplace business model.
 - C. crowdsourcing business model.

8. Which of the following would most likely be included on a company's "financial" balance sheet?
- A. Short-term debt obligations
 - B. Relationships with customers
 - C. Relationships with key suppliers

9. Which of the following is a recommended procedure for complying with the Standard relating to preservation of confidentiality?

Procedure 1	Disclose to authorized fellow employees only information that will improve service to the client
Procedure 2	Encourage the adoption of standard confidentiality procedures utilized by leading firms in the industry

- A. tiered pricing.
 - B. dynamic pricing.
 - C. value-based pricing.
10. Which of the following is a pull on a company's liquidity?
- A. Obsolete inventory
 - B. Reduced credit limits
 - C. Uncollected receivables
11. Which of the following pricing models is most likely used when a firm willingly sacrifices margins to build market share?
- A. Dynamic pricing
 - B. Freemium pricing
 - C. Penetration pricing
12. The sequence of processes involved in the creation of a product, both within and external to a firm, is best referred to as a:
- A. value chain.
 - B. supply chain.
 - C. business model.
13. A company manufacturing and selling a product using someone else's brand name in return for a royalty most likely operates:
- A. under a franchise model.
 - B. as a contract manufacturer.
 - C. under a licensing arrangement.
14. When analyzing a company, analysts should
- A. ignore the company's business model.
 - B. develop their own understanding of the company's business model.
 - C. rely on management's description of the company's business model.

15. Which of the following is best categorized as a drag on liquidity?
- A. Insufficient credit lines
 - B. Uncollected receivables
 - C. Early payments to vendors
16. Which of the following combination of factors most likely increases a company's ability to support debt in its capital structure?
- A. High revenue, low cash flow volatility, and a low level of fungible assets
 - B. High revenue, low operating leverage, and a high level of fungible assets
 - C. Low cash flow volatility, operating leverage, and a low level of fungible assets
17. According to the Modigliani-Miller propositions, if a company's debt-to-equity ratio increases, which of the following costs is most likely to exhibit the largest increase?
- A. WACC
 - B. Cost of debt
 - C. Cost of equity
18. At which stage in its life cycle would a typical company most likely have more debt than equity in its capital structure?
- A. Start-up stage
 - B. Growth stage
 - C. Mature stage
19. With respect to a publicly listed company, a conflict of interest due to information asymmetry is most likely to occur between shareholders and:
- A. creditors.
 - B. managers.
 - C. customers.
20. Compared to going concern projects, expansion projects most likely involve:
- A. greater uncertainty only.
 - B. greater amounts of capital only.
 - C. both greater uncertainty and greater amounts of capital.
21. From the perspective of a corporate issuer, which of the following is a benefit of issuing debt rather than equity as a source of capital? Debt is most likely:
- A. cheaper
 - B. less risky
 - C. more permanent.

22. An improvement in corporate governance structure most likely results in:
- A. lower cost of debt borrowing.
 - B. less control by management.
 - C. reduced operational efficiency.

23. An analyst gathers the following information about a company's capital investment:

Initial cash outlay	\$90million
Annual before-tax cash flows (year-end) for Year 1 through Year 6	\$50 million
Marginal tax rate	15%
Required rate of return	12%

The net present value of the investment is closest to:

- A. \$85 million.
 - B. \$116 million.
 - C. \$175 million.
24. Which of the following is most likely a feature of sole proprietorships?
- A. Existence of a legal identity
 - B. Operational simplicity and flexibility
 - C. Taxation of business profits as corporate income
25. The source of capital that most likely benefits from a tax shield is:
- A. debt.
 - B. equity
 - C. preferred equity
26. Which of the following mature companies is most likely to use the greatest amount of leverage in its capital structure?
- A. Mining company
 - B. Software company
 - C. Shipping company
27. A company should exercise the abandonment option on an investment if the present value of the cash flows from continuing the investment is:
- A. lower than the cash flow from abandoning the investment.
 - B. the same as the cash flow from abandoning the investment.
 - C. greater than the cash flow from abandoning the investment.

28. Consider the following information about a company:

Market value of debt outstanding	£15,000
Market value of company	£ 40,000
Cost of debt	4.0%
Unlevered WACC	9.0%
Tax rate	25%

Based on the Modigliani-Miller propositions, the company's cost of equity is closest to:

- A. 10.4%.
 - B. 11.3%.
 - C. 12.0%.
29. All else being equal, a company most likely has a reduced debt capacity when its:
- A. current ratio increases.
 - B. leverage ratio decreases.
 - C. interest coverage ratio decreases.
30. According to the Modigliani-Miller Proposition I without taxes, when a firm increases the proportion of debt in its capital structure, the firm value:
- A. decreases.
 - B. remains unchanged.
 - C. increases.
31. With respect to liquidity management, which of the following activities most likely provides access to a primary source of liquidity?
- A. Liquidating obsolete assets
 - B. Creating an effective cash management system
 - C. Negotiating new debt contracts that delay principal repayment
32. Which of the following company stakeholders is most likely exposed to the greatest information asymmetry when compared to the company's management?
- A. A bank lender
 - B. A public debtholder
 - C. A member of the board
33. According to Modigliani and Miller's Proposition II without taxes:
- A. the cost of bankruptcy is high.
 - B. a company's cost of equity is a linear function of its debt-to-assets ratio.
 - C. substituting equity with lower-cost debt capital results in an unchanged overall WACC.

34. According to the Modigliani and Miller Proposition I with taxes, the value of a levered company is greater than the value of the unlevered company by an amount equal to the:
- A. value of the debt.
 - B. after-tax interest paid.
 - C. tax rate multiplied by the value of the debt.
35. In a limited partnership, business operations are the responsibility of:
- A. the general partner only.
 - B. the limited partners only.
 - C. both the general partner and the limited partners.
36. Which of the following is considered a capital allocation pitfall? Basing investment decisions on:
- A. opportunity costs.
 - B. after-tax cash flows.
 - C. short-run accounting numbers.
37. Which of the following is defined as the sensitivity of a firm's operating profit to a change in its revenues?
- A. Total leverage
 - B. Financial leverage
 - C. Operating leverage
38. Proxy voting is best described as permitting:
- A. different voting rights for multiple share classes.
 - B. shareholders to cast all of their votes for one board nominee.
 - C. shareholders to vote their shares when absent from meetings.
39. Owners have limited liability in a:
- A. corporation.
 - B. sole proprietorship.
 - C. general partnership.
40. Which of the following statements about sources of liquidity is most accurate?
- A. Filing for bankruptcy is considered a secondary source of liquidity.
 - B. Secondary sources of liquidity have a lower cost than primary sources of liquidity.
 - C. Using a primary source of liquidity impacts the financial and operating positions of a company.

41. Subsequent to making a capital investment, a company reacts to poor financial results from the project by abandoning it. This action alone best exemplifies the exercise of a:
- A. sizing option.
 - B. timing option
 - C. flexibility option.
42. A measure of how effectively capital is converted into after-tax operating profits is the:
- A. hurdle rate.
 - B. cost of capital.
 - C. return on invested capital.
43. Which of the following statements about corporations is most accurate?
- A. Upside return potential is unlimited for both equity holders and debtholders
 - B. Equity is riskier than debt from the perspective of both investors and issuers
 - C. Losses for both equity holders and debtholders are limited to their initial investment
44. With respect to ESG implementation, which of the following is most likely a social factor?
- A. Board composition
 - B. Pollution prevention
 - C. Management of human capital
45. Double taxation of profits is most likely a concern for owners in:
- A. corporations.
 - B. limited partnerships.
 - C. general partnerships.
46. Which of the following is an example of a secondary source of liquidity for a company?
- A. Short-term funds
 - B. Liquidating assets
 - C. Effective cash management
47. Which of the following committees of a board of directors oversees the development of the company's conflict of interest policy?
- A. Risk committee
 - B. Governance committee
 - C. Remuneration committee

48. A company with a required rate of return of 12% is considering a capital project with the following cash flows (in millions):

	Initial Outlay	Year 1	Year 2
Cash flow	-£150	£8	£175

The expected IRR for this project is most likely.

- A. less than 12%.
 - B. equal to 12%.
 - C. greater than 12%.
49. All else being equal, if interest on debt is tax deductible, an increase in the company's marginal tax rate will:
- A. decrease the company's WACC.
 - B. not affect the company's WACC.
 - C. increase the company's WACC.
50. A company increases its debt from 20% to 60% of its capital structure. Based on the Modigliani and Miller proposition (without taxes) regarding capital structure, the WACC of the company:
- A. decreases.
 - B. remains the same.
 - C. increases.
51. The NPV of a new project is expected to be-\$0.20 million. An incremental investment of \$0.40 million would give management the flexibility to switch to a lower cost input in the future. If this option has an estimated value of \$0.80 million, the value of the project including the option is:
- A. \$0.20 million.
 - B. \$0.40 million.
 - C. \$1.00 million.
52. According to the pecking order theory, company managers most likely prefer to:
- A. issue debt as the last resort.
 - B. raise equity first to preserve cash-flow.
 - C. rely on internal financing over new equity.
53. Which of the following is most accurate?
- A. Risk appetites are similar among private lenders
 - B. Staggered boards provide continuous implementation of strategy and oversight
 - C. A company's CEO is responsible for implementing the company's strategy under the oversight of the company's shareholders

54. The potential for conflict between debtholders and shareholders is:
- A. lower for long-term debt than for short-term debt
 - B. the same for long-term debt and short-term debt.
 - C. higher for long-term debt than for short-term debt.
55. A corporation's stakeholders most likely include:
- A. shareholders only.
 - B. controlling shareholders only.
 - C. all shareholders and all employees.
56. In a corporation, which of the following stakeholder groups is the principal in a principal-agent relationship?
- A. Shareholders
 - B. Board of directors
 - C. Senior management

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

Capital Source	Market Value (Millions) Before-tax	Cost of Capital
Bonds	€ 60	6%
Preferred stock	€ 20	8%
Common stock	€ 120	15%

- If the company's marginal tax rate is 40%, its weighted average cost of capital is closest to:
- A. 9.7%.
 - B. 10.9%.
 - C. 11.6%.
58. Covenants are most likely to exist between a company and its:
- A. creditors
 - B. management.
 - C. board of directors.
59. If a company's debt-to-equity ratio is 0.5, the weight of equity applied in estimating the company's WACC is closest to:
- A. 0.33.
 - B. 0.50.
 - C. 0.67.
60. Compared to those of public companies, share issuances of private companies most likely.
- A. raise larger amounts of capital.
 - B. include a larger number of investors.
 - C. include investors with longer holding periods.

61. Tiered pricing is best described as:
- A. charging different prices at different times.
 - B. charging different prices to different buyers.
 - C. combining a low price on a piece of equipment with high-margin pricing on repeat-purchase consumables.
62. A company is deciding whether to invest in one of two mutually exclusive projects with positive NPVs. If Project 1 has a higher NPV but a lower IRR than Project 2, the company should:
- A. prefer Project 1.
 - B. prefer Project 2.
 - C. be indifferent between Project 1 and Project 2.
63. Compared to private corporations, which of the following is a typical characteristic of public corporations?
- A. A government is a shareholder
 - B. Shares are listed on a stock exchange
 - C. Transfer of ownership between investors is more difficult
64. When choosing between mutually exclusive projects, an analyst should:
- A. accept the project with the highest IRR.
 - B. use the opportunity cost of funds as the discount rate.
 - C. accept the projects for which the IRR is greater than the opportunity cost of funds.
65. An electric vehicle manufacturer invests in a new technology to meet new safety standards. This project is best classified as a(n):
- A. expansion project.
 - B. compliance project.
 - C. going concern project.
66. The flow of finished goods from manufacturer to wholesaler, retailer, and finally to the end customer best describes a(n):
- A. direct sales strategy.
 - B. omnichannel strategy.
 - C. traditional channel strategy.

67. A company is evaluating the following mutually exclusive capital projects:

	Project 1	Project 2
NPV	\$180,000	\$100,000
IRR	10%	15%

If the hurdle rate is 8%, the company should invest in:

- A. Project 1 only.
- B. Project 2 only.
- C. both Project 1 and Project 2.

股权投资

1. A firm reports negative earnings for the year just ended. The price multiple of the firm's stock that is least likely to be meaningful is:
 - A. trailing price to earnings.
 - B. price to cash flow.
 - C. leading price to earnings.
2. Which of the following dates in the dividend chronology can fall on a weekend?
 - A. The payment date.
 - B. The record date.
 - C. The ex-date.
3. An investor writes a put option on FTSE 100 Index futures. Which of the following best describes the investor's position with respect to the put contract and her exposure to the underlying index future, respectively?
 - A. Long, short
 - B. Short, long
 - C. Short, short
4. Which of the following financial intermediaries is most likely to provide liquidity service to its clients?
 - A. Brokers
 - B. Dealers
 - C. Exchanges
5. The value effect market-pricing anomaly most likely occurs when stocks that have below-average price-to-earnings and market-to-book ratios, as well as above-average dividend yields, consistently outperform:
 - A. large-cap stocks.
 - B. growth stocks.
 - C. stocks that have had negative earnings surprises.
6. Depreciation expense is best used in forecasting:
 - A. growth capital expenditure only.
 - B. maintenance capital expenditure only.
 - C. both growth capital expenditure and maintenance capital expenditure.

7. Which of the following forecast objects for a bank's revenue is best classified as a top-down driver?
- A. Net interest income
 - B. Growth in market share
 - C. Growth in the number of branches
8. Which of the following statements about scenario analysis is most accurate?
- A. Scenario analysis provides a point estimate forecast
 - B. Forecast scenarios can be compared to forecasts implied by current valuations
 - C. Generic risk factors in scenario analysis are assumed to affect all companies in the same way
9. Which financial statement forecasting approach is best suited for companies in highly cyclical industries?
- A. Historical results
 - B. Management guidance
 - C. Analyst's discretionary forecasts
10. Downside and upside risk factors are most likely included in:
- A. an initial company research report only.
 - B. a subsequent company research report only.
 - C. both initial and subsequent research reports.
11. A natural resources company having access to cheap energy most likely will be able to sell its output:
- A. at market price.
 - B. above market price.
 - C. at a price unilaterally set by management.

12. An investor considers the following certificates of deposit (CDs) available for purchase at face value:

CD	Interest Rate
1	2.2%
2	3.3%
3	4.4%

If each CD has the same maturity and default risk, the opportunity cost of investing in CD 1 is closest to:

- A. Debt issuances
 - B. Share repurchases
 - C. Positive net working capital
13. Clearing instructions for an order most likely indicate:
- A. how to fill the order.
 - B. when the order may be filled.
 - C. how to arrange the settlement of the trade.
14. Which of the following statements about forecasting selling, general and administrative (SG&A) expenses is most accurate?
- A. General corporate costs are mostly variable costs
 - B. Selling and distribution expenses can be modeled as a percentage of sales
 - C. Overall SG&A expenses have a more direct relationship with revenues than cost of goods sold
15. Preference shares most likely rank above common shares with respect to:
- A. voting rights
 - B. sharing in the operating performance of the company.
 - C. the distribution of the company's net assets upon liquidation.
16. A free-cash-flow-to-equity model is a(n):
- A. multiplier model.
 - B. present value model.
 - C. asset-based valuation model.

17. An analyst gathers the following information about an equal-weighted index composed of three securities:

Security	Beginning of Period Price (€)	End of Period Price (€)	Total Dividends (€)
1	20	18	1
2	10	15	3
3	15	0	

The price return of the index is closest to:

- A. 20%
- B. 27%.
- C. 38%.

18. A limit order book (in € per share) has the following order prices:

Bids	Asks
-	48.20
-	48.00
47.85	-
47.70	-

A sell order is behind the market at a price of.

- A. €47.70.
- B. €48.00.
- C. €48.20.

19. All else being equal, the preference share with the lowest certainty of future cash flows and the greatest potential risk for investors is most likely.

- A. putable with non-cumulative dividends.
- B. non-callable with cumulative dividends.
- C. callable with non-cumulative dividends.

20. The index weighting method that under represents securities that constitute the largest fraction of the target market value is most likely the:

- A. price-weighting method.
- B. equal-weighting method.
- C. market-capitalization-weighting method.

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

Estimated forward P/E ratio	8
Retention rate	45%

If the investor's required rate of return is 10%, the company's ROE is closest to:

- A. 6.9%.
 - B. 8.0%.
 - C. 9.7%.
22. Which of the following is least likely to directly affect a company's book value?
- A. Changes in the company's net income
 - B. Purchases by the company of its own shares
 - C. Investor estimates of the company's future cash flows
23. With respect to behavioral biases, when investors tend to be slow to react to new information and continue to maintain their prior views, this is best described as:
- A. conservatism.
 - B. herding behavior.
 - C. representativeness.
24. If a stock index's constituents make no distributions to their shareholders, the total return of the index is:
- A. less than its price return.
 - B. equal to its price return.
 - C. greater than its price return.

25. A trader gathers the following limit order information about a stock:

Bid Size (number of shares)	Share Price (\$)	Offer Size (number of shares)
10	75.70	--
20	75.80	--
--	75.90	5
--	76.00	10
--	76.10	15

If the trader submits a fill or kill buy order for 20 shares at a limit price of \$76.00, the trader's average price per share for this trade will be closest to:

- A. \$75.80.
- B. \$75.97.
- C. \$76.00.

26. An instruction that indicates when an order may be filled is most likely a(n):
- A. validity instruction.
 - B. clearing instruction.
 - C. execution instruction.
27. A stock dividend:
- A. is relevant for valuation of a company.
 - B. involves a reduction in the number of shares outstanding.
 - C. does not affect the shareholders' proportional ownership in the company.
28. Common shares that are tradeable on different stock exchanges in different currencies are best described as:
- A. global registered shares.
 - B. global depository receipts.
 - C. a basket of listed depository receipts.
29. A sell order that instructs the broker to obtain the best price immediately available without specifying a minimum price is a:
- A. stop order
 - B. limit order.
 - C. market order.
30. All else being equal, a reverse stock split results in:
- A. a decrease in the number of shares and an increase in the share price.
 - B. an increase in the number of shares and a decrease in the share price.
 - C. an increase in the number of shares and an increase in the share price.
31. All else being equal, which of the following has the same effect on shareholders' wealth as a cash dividend?
- A. A stock split
 - B. A stock dividend
 - C. A share repurchase
32. Sponsored depository receipts most likely differ from unsponsored ones in terms of whether
- A. investors have voting rights.
 - B. they are traded on exchanges.
 - C. their prices are affected by exchange rate movements.

33. All else being equal, which of the following are equivalent to stock dividends in terms of the economic effect on the company and shareholders?
- A. Stock splits
 - B. Cash dividends
 - C. Share repurchases

34. Asset-based valuation most likely uses estimates of the company's:
- A. assets only.
 - B. assets and liabilities only.
 - C. assets, liabilities and projected cash flow.

35. The dividend discount model assumes that dividends are paid:
- A. quarterly.
 - B. half yearly.
 - C. at the end of each year.

36. An analyst gathers the following information about a company and its common stock:

Forward P/E	8
Required rate of return	12%
Dividend growth rate	4%

Using the Gordon growth model, the company's dividend payout ratio is closest to:

- A. 8%.
 - B. 33%.
 - C. 64%.
37. Asset-based valuation models are most appropriate for companies with a high proportion of.
- A. illiquid assets.
 - B. current assets.
 - C. intangible assets.
38. Both equity and fixed income indexes can be categorized according to the:
- A. currency of payments.
 - B. issuer's economic sector.
 - C. degree of inflation protection.

39. Trading by arbitrageurs most likely.
- A. reduces liquidity.
 - B. increases pricing discrepancies.
 - C. contributes to market efficiency.
40. A feature of an efficient market is that:
- A. the market reflects all past and present information.
 - B. asset prices react to information that is fully anticipated.
 - C. an investor can earn consistent, superior, risk-adjusted returns.
41. Decreased market efficiency is most likely associated with an increase in:
- A. transaction costs.
 - B. financial disclosure.
 - C. the number of market participants.
42. Which of the following is most likely a demographic influence on industry growth?
- A. Lifestyle
 - B. Distribution of age
 - C. Spending behavior
43. Fixed-income indexes most likely.
- A. are more easily replicated than equity indexes.
 - B. require the provider to estimate the prices of some constituent securities.
 - C. are created from a smaller universe of possible constituent securities than the universe of equity securities.
44. As time passes after inception, the value of the price version of an index is:
- A. less than the value of the total return version.
 - B. equal to the value of the total return version.
 - C. greater than the value of the total return version.
45. With respect to behavioral finance, which of the following is least likely a behavioral bias used to explain pricing anomalies?
- A. Risk aversion
 - B. Loss aversion
 - C. Overconfidence

46. Companies issue equity securities for which of the following purpose(s)?
- A. Making acquisitions only
 - B. Ensuring that debt covenants are met only
 - C. Both making acquisitions and ensuring that debt covenants are met
47. The voting method that allows shareholders to cast all their votes for a single candidate is best described as:
- A. proxy voting.
 - B. statutory voting.
 - C. cumulative voting.
48. Convertible preference shares most likely.
- A. are riskier than the underlying common shares for investors.
 - B. allow investors to benefit from a rise in the price of the common shares.
 - C. are issued primarily by companies of lower risk and used as a financing option.
49. Industries whose revenues and profits are least affected by fluctuations in the overall economy are most likely:
- A. growth industries.
 - B. cyclical industries.
 - C. defensive industries.
50. If it is difficult to find a buyer or a seller for an asset, the asset most likely trades on:
- A. brokered markets.
 - B. order-driven markets.
 - C. quote-driven markets.
51. A disadvantage of using price multiples to value stocks is that:
- A. multiples are not easily calculated.
 - B. cross-sectional comparisons are not possible.
 - C. accounting methods produce different results that are not easily comparable across companies.

52. All else being equal, an increase in which of the following most likely increases a company's enterprise value?
- A. Book value of debt
 - B. Market value of investments
 - C. Market value of preferred stock
53. The Global Industry Classification Standard (GICS) classifies industries based on:
- A. statistical similarities.
 - B. business-cycle sensitivities.
 - C. products and/or services supplied.
54. Which of the following indexes is composed of futures contracts?
- A. Commodity index
 - B. Hedge fund index
 - C. Broad equity market index
55. External factors affecting an industry's growth most likely include:
- A. cost structures.
 - B. economies of scale.
 - C. technological influences.
56. Which of the following is most likely used to raise funds for a capital project?
- A. Equity issuance only
 - B. A stock dividend only
 - C. Both equity issuance and a stock dividend
57. In dividend payment chronology, the ex-dividend date most likely comes after the:
- A. record date.
 - B. payment date.
 - C. declaration date.

58. An analyst gathers the following information about an industry and three comparable companies within the industry:

	Company 1	Company 2	Company 3	Industry Average
Price/sales	8.9	3.2	5.7	6.2
Price/book	5.7	2.6	2.3	4.7

Based only on this information, the most overvalued company is

- A. Company 1.
 - B. Company 2
 - C. Company 3.
59. Which of the following industries or sectors is most likely classified as cyclical?
- A. Utilities
 - B. Industrials
 - C. Health care
60. An increase in shares held by controlling shareholders most likely impacts the constituent weightings of a(n):
- A. price-weighted index.
 - B. equal-weighted index.
 - C. float-adjusted market-capitalization-weighted index.
61. Free-cash-flow-to-equity is equal to cash flow from operations:
- A. less fixed capital investment less net borrowing.
 - B. less fixed capital investment plus net borrowing.
 - C. plus fixed capital investment less net borrowing.
62. Over time, which of the following indexes most likely has portfolio weights that shift away from securities that have increased in relative value and toward securities that have fallen in relative value? A:
- A. price-weighted index
 - B. fundamentally weighted index
 - C. market-capitalization-weighted index

63. An analyst gathers the following data for three companies in the same industry (in millions):

Company	Enterprise Value (EV)	Earnings Before Interest, Taxes, Depreciation, & Amortization (EBITDA)
1	\$100	\$8
2	\$150	\$10
3	\$200	\$15

Based on enterprise value multiples, which of the three companies is likely the most undervalued?

- A. Company 1
 - B. Company 2
 - C. Company 3
64. Which of the following statements best describes hedge fund indexes?
- A. Index constituents are regulated entities
 - B. Potential survivorship bias is reduced by voluntary performance reporting
 - C. There may be little overlap in index constituents between different indexes offered by different index providers
65. A market where security prices fully reflect all publicly known and available information, but not private information, is:
- A. weak-form efficient.
 - B. semi-strong-form efficient.
 - C. strong-form efficient.
66. In a highly efficient market, a passive investment strategy most likely has:
- A. higher transaction costs than an active strategy.
 - B. lower information-seeking costs than an active strategy.
 - C. higher risk-adjusted returns before all expenses than an active strategy.
67. Fundamental analysis most likely.
- A. uses stock price patterns to trade.
 - B. is an input for passive portfolio management.
 - C. helps participants understand the value implications of information.
68. Which of the following is considered an external influence on industry growth?
- A. Social trends
 - B. Barriers to entry
 - C. Industry concentration

69. In a weak-form efficient market, which of the following information is reflected in security prices?
- A. Historical prices only
 - B. Historical prices and historical trading volumes only
 - C. Historical prices, historical trading volumes, and current earnings
70. Security market indices most likely serve as proxies for.
- A. nonsystematic risk
 - B. asset classes in asset allocation models.
 - C. the fair value of assets in asset-based valuation models.
71. When constructing an equity index, each company's weight in the index is dependent on its number of shares outstanding if the index is:
- A. price weighted.
 - B. equal weighted.
 - C. market-capitalization weighted
72. All else being equal, which of the following preference shares pays the lowest dividend?
- A. Putable
 - B. Callable
 - C. Non-callable
73. When an investment bank guarantees the sale of an entire issue at a negotiated offering price, this best describes a(n):
- A. rights offering.
 - B. best effort offering.
 - C. underwritten offering.
74. Management is more likely to focus on short-term results instead of long-term earnings growth if a company raises equity through:
- A. venture capital.
 - B. a leveraged buyout.
 - C. an initial public offering.

75. An analyst gathers the following information about a security index:

Period	Return (%)
1	12
2	-8
3	2

If the index's value is 100 at the beginning of Period 1, the index's value at the end of Period 3 is closest to:

- A. 103
 - B. 105.
 - C. 106.
76. If the cost to fill trades increases, the market's informational efficiency most likely.
- A. decreases.
 - B. remains the same.
 - C. increases.
77. An analyst gathers the following information about a company and the economy:

Current share price	€36
P/E ratio	22
Nominal risk-free rate	2.5%
Risk premium	6.0%
Expected retention rate	60%

The best estimate of the company's dividend growth rate is:

- A. 5.8%.
 - B. 6.7%.
 - C. 7.4%.
78. Financial intermediaries that help their clients arrange seasoned securities offerings are best known as:
- A. investment banks.
 - B. commercial banks.
 - C. multi-lateral trading facilities.
79. Over the long run, if a market is semi-strong-form efficient, which of the following investment strategies should result in the highest return to investors?
A(n):
- A. passive investment strategy
 - B. active trading strategy seeking to exploit price patterns
 - C. active trading strategy seeking to exploit public information

80. A multi-market index is most appropriately used as a benchmark:

- A. for a single country ETF.
- B. for a small-capitalization growth stock manager.
- C. to calculate beta for the portfolio of a global stock manager.

81. Industry classification systems are developed and used by:

- A. commercial entities only.
- B. governmental agencies only.
- C. both commercial entities and governmental agencies.

82. An investor gathers the following information about a company and its common stock:

Current dividend per share (D_0)	\$1.00
Dividend payout ratio	60%
ROE	12%

If the required rate of return is 10%, using the Gordon growth model, the intrinsic value per share of the stock is closest to:

- A. \$14.56.
- B. \$19.23.
- C. \$20.15.

83. According to the efficient market hypothesis, if market prices reflect private information, the market is most likely

- A. strong-form efficient.
- B. weak-form efficient only.
- C. semi-strong-form efficient, but not strong-form efficient.

84. The Global Industry Classification Standard's broadest level of classification is a(n):

- A. sector.
- B. industry.
- C. industry group.

85. In which of the following forms of market efficiency are investors able to consistently outperform the market using fundamental analysis?

- A. Weak-form market efficiency
- B. Semi-strong-form market efficiency
- C. Strong-form market efficiency

86. Which of the following indexes are regularly rebalanced by the index provider?
- A. Price-weighted indexes only
 - B. Equal-weighted indexes only
 - C. Both price-weighted indexes and equal-weighted indexes

87. Which of the following best describes an industry-level force in a thorough industry analysis?
- A. Threat of new entrants
 - B. Demographic influences
 - C. Technological influences

88. An analyst gathers the following information about a price-weighted index composed of three stocks:

Stock	Outstanding Shares	Beginning of Period Price	Dividends per Share	End of Period Price
1	10,000	\$25.00	\$2.00	\$20.00
2	40,000	\$10.00	\$0.50	\$13.50
3	50,000	\$10.00	\$0.00	\$14.00

The index's price return is closest to:

- A. 5.6%.
 - B. 11.1%.
 - C. 25.2%.
89. Commercial industry classification systems are most likely updated:
- A. less frequently than government classification systems.
 - B. as frequently as government classification systems.
 - C. more frequently than government classification systems.
90. A company's net income available to ordinary shareholders divided by the average total book value of equity is best described the:
- A. company's intrinsic value.
 - B. company's return on equity.
 - C. minimum required rate of return of investors in the company's equity.
91. A world equity index is most likely considered a:
- A. style index
 - B. sector index.
 - C. multi-market index.

92. All else being equal, which of the following preference share characteristics may contain provisions that entitle shareholders to an additional distribution of the company's assets upon liquidation, above the par value?
- A. Callable
 - B. Cumulative
 - C. Participating
93. A three-stage dividend discount model is most appropriate for valuing a company that is:
- A. mature.
 - B. transitioning to maturity.
 - C. young and entering the growth phase.
94. A company's management is most likely able to directly influence the company's:
- A. book value.
 - B. market value.
 - C. intrinsic value.
95. In contrast to the market value of an equity security, intrinsic value is most likely.
- A. not known with certainty.
 - B. constant throughout the life of the security.
 - C. determined by the intersection of supply and demand.
96. Short sellers are most likely exposed to:
- A. unlimited gains and limited losses.
 - B. limited gains and unlimited losses.
 - C. unlimited gains and unlimited losses.
97. In which markets are government bills most likely traded?
- A. Money markets
 - B. Capital markets
 - C. Alternative investment markets
98. Enterprise value is most likely associated with:
- A. multiplier models.
 - B. present value models.
 - C. asset-based valuation models.

99. A characteristic of real assets is that they most likely:
- A. trade in liquid markets.
 - B. are inexpensive to manage.
 - C. are unique assets with different attributes.
100. If a European investor believes the US equity market will decline in the next three months, the transaction most likely to allow the investor to profit from this view is the purchase of a:
- A. put option.
 - B. call option.
 - C. currency swap
101. If the ability of clients to identify competent agents increases, the need for regulation most likely.
- A. Decreases
 - B. remains the same.
 - C. increases.

102. An analyst gathers the following book value information about a company and its common shares:

Inventories	€20 million
Net fixed assets	€80 million
Total assets	€150 million
Total liabilities	€90 million
Shares outstanding	4 million

The analyst estimates the market value of net fixed assets to be 125% of book value and the market value of inventories to be 90% of book value. If the stock is currently trading at €19.50 per share, the asset-based value per share is most likely.

- A. less than the market price.
 - B. equal to the market price.
 - C. greater than the market price.
103. The book value of a company's equity is:
- A. the present value of its future cash flows.
 - B. the difference between its total assets and total liabilities.
 - C. its share price multiplied by the number of outstanding shares.

104. A company's ROE most likely decreases if shareholders' equity increases at:

- A. a lower rate than net income.
- B. the same rate as net income.
- C. a higher rate than net income.

105. An equity index representing groups of securities classified on the basis of market capitalization is most likely a:

- A. style index
- B. sector index.
- C. multi-market index.

106. An analyst gathers the following information about common shares:

	Company	Peer Group
Dividend payout ratio	40%	50%
Estimated future dividend growth rate	5%	4%

If the investor's required rate of return is 9%, the company's justified forward P/E is:

- A. less than the peer group's justified forward P/E.
- B. the same as the peer group's justified forward P/E.
- C. greater than the peer group's justified forward P/E.

107. An analyst gathers the following information about a company's shares:

Dividend payable per share	\$0.50
Ex-date	20 August
Closing share price on 19 August	\$29.00

All else being equal, at the beginning of trading on 20 August, the company's shares will most likely trade at

- A. \$28.50
- B. \$29.00.
- C. \$29.50.

108. An analyst gathers the following information about a company's dividend payment chronology.

Ex-dividend date	2 August
Holder-of-record date	5 August

The last date an investor can purchase the company's stock and be entitled to receive the dividend is most likely:

- A. 1 August.
- B. 2 August
- C. 4 August.

109. The January effect is an example of.

- A. loss aversion.
- B. an earnings surprise.
- C. a market pricing anomaly.

110. An investor gathers the following data regarding three stocks:

Stock	Expected Rate of Return	Investor's Required Rate of Return
1	9%	9%
2	13%	11%
3	15%	16%

All else being equal, the investor should purchase:

- A. Stock 1.
- B. Stock 2.
- C. Stock 3.

111. Behavioral finance:

- A. suggests that behavioral biases only affect novice investors.
- B. provides a possible explanation for a number of pricing anomalies.
- C. relies on the assumption that people consider all available information in decision-making.

112. An analyst gathers and estimates the following information about a company's stock:

Current dividend per share (D_0)	\$4
Current EPS	\$5
Dividend growth rate	4%

If the estimated stock value using the Gordon growth model is \$92 per share, the required return on this stock is closest to:

- A. 8.35%
- B. 8.52%.
- C. 9.44%.

113. The first date that a share trades without the declared dividend is the:

- A. ex-date.
- B. payable date.
- C. declaration date.

114. A \$25 par value non-callable, non-convertible preferred share pays an annual dividend rate of 5%. If the required rate of return is 4%, the preferred share's intrinsic value is closest to:
- A. \$25.25
 - B. \$26.00.
 - C. \$31.25.
115. An investor buys a security on margin posting 50% of the initial price as equity. All else being equal, if the price declines 25%, the investor's new leverage ratio is closest to:
- A. 2.
 - B. 3.
 - C. 4.
116. When using a multiplier model, the fundamental variable is stated on:
- A. a trailing basis only.
 - B. a forward basis only.
 - C. either a forward basis or a trailing basis.
117. For a security position purchased on margin, the leverage ratio is the ratio of the value of the position to:
- A. the value of equity in the position.
 - B. the amount of the margin loan in the position.
 - C. the amount of the margin loan plus equity in the position.
118. A non-callable, non-convertible perpetual preferred share pays a level dividend of \$1.20 with a current market price of \$20. If an investor has a required rate of return of 6%, the preferred shares are most likely.
- A. undervalued.
 - B. fairly valued.
 - C. overvalued.
119. Broker 1 has a minimum margin requirement of 62.5% and Broker 2 has a maximum leverage ratio of 1.6. The maximum financial leverage possible with Broker 1 is:
- A. less than the maximum financial leverage with Broker 2.
 - B. equal to the maximum financial leverage with Broker 2.
 - C. greater than the maximum financial leverage with Broker 2.

120.If securities are purchased on margin with a maximum leverage ratio of 1.75, the minimum margin requirement is closest to:

- A. 43%.
- B. 57%.
- C. 75%.

121.Which of the following market anomalies is best described as a time-series anomaly?

- A. Size effect
- B. Momentum
- C. Initial Public Offerings

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

Dividend payout ratio	40%
Required rate of return on equity	15%
Return on equity	20%

The justified forward P/E ratio for the company's stock is closest to:

- A. 5.7.
- B. 8.0.
- C. 13.3

123.A trader uses margin to purchase a stock for \$50 by posting 30% equity. If the first margin call occurs when the price falls below \$43.75, the maintenance margin requirement is closest to.

- A. 13%
- B. 18%
- C. 20%

124.A trader buys a stock on margin with the following conditions:

Purchase price per share	\$50
Equity per share	\$25
Maintenance margin requirement	25%

If the share price declines, the highest price at which the trader will receive a margin call is closest to:

- A. \$12.50.
- B. \$33.33.
- C. \$37.50.

125. The observation that a large-capitalization company's stock price is inflated after the company releases unexpected good news at year end is most likely related to the:

- A. value effect
- B. overreaction effect.
- C. turn-of-the-year effect.

126. Order matching rules in order-driven trading systems are used to:

- A. match buy orders to sell orders.
- B. determine the prices at which the orders submitted by dealers are matched.
- C. determine the prices at which the orders submitted by customers are matched.

127. Which of the following is an objective of market regulation?

- A. Controlling agency problems only
- B. Ensuring that long-term liabilities are funded only
- C. Both controlling agency problems and ensuring that long-term liabilities are funded

128. An analyst gathers the following information about a company and its historical price multiples:

	Current	Historical
EPS	\$3.00	---
Cash flow per share	\$4.00	---
Book value per share	\$40.00	---
P/B	---	0.6
P/E	---	12.0
P/CF	---	8.0

Based only on this information, if the share price is \$30, the company's shares are most likely overvalued based on:

- A. P/B.
- B. P/F
- C. P/CE

129. Porter's five determinants of the intensity of competition in an industry do not include the

- A. power of buyers.
- B. threat of substitutes.
- C. position of a company in its life-cycle stage.

130. A trader reports the following information about an equity investment which was sold after 1 year:

Number of shares purchased	2,000
Leverage ratio	3
Purchase price per share	\$12.00
Sale price per share	\$9.50
Call money rate per year	3%

The trader's equity value as a result of the trade is closest to:

- A. \$460.
 - B. \$2,520.
 - C. \$3,000.
131. If a security's intrinsic value is \$55 per share and is currently selling for \$50 per share, the security is:
- A. undervalued.
 - B. fairly valued.
 - C. overvalued.
132. Convertible preference shares:
- A. are popular in financing venture capital and private equity transactions.
 - B. are subject to more price volatility than the underlying common shares.
 - C. do not increase in value due to an increase in price of the underlying common shares.
133. If the price of a stock bought on 30% margin increases by 40%, the return on equity to the buyer is closest to:
- A. 52%.
 - B. 75%
 - C. 133%
134. The size effect anomaly results when it is observed that on a risk-adjusted basis small cap companies tend to:
- A. underperform equities of large-cap companies.
 - B. perform in line with equities of large-cap companies.
 - C. outperform equities of large-cap companies.

135. Within Porter's five forces framework, the power of buyers within an industry is most likely influenced by the:

- A. industry concentration.
- B. availability of lower priced alternative brands.
- C. number of customers for the industry's products.

136. An investor purchases 1,000 shares of a non-dividend paying stock on margin and sells them after one year as follows:

Purchase price per share	\$25
Sale price per share	\$20
Annual call money rate	5%
Leverage ratio	2

Ignoring commissions, the investor's holding period return is closest to:

- A. -45%.
- B. -40%.
- C. -23%.

137. An analyst gathers the following information about a market-capitalization-weighted index and one of its four constituent stocks:

	Total Market Capitalization (in \$billions)
Stock	20
Index	57

If the stock price is \$30 per share and the index value is 100, the stock's weight in the index is closest to:

- A. 25%.
- B. 30%.
- C. 35%.

138. The beginning value for an index is 1540 and the ending value is 1575. If the income for the period is 55, the total return of the index is closest to:

- A. 1.3%
- B. 2.2%.
- C. 5.8%.

139. If investors can successfully predict future asset prices based on past prices, markets are most likely.

- A. inefficient.
- B. weak-form efficient only.
- C. semi-strong-form efficient.

140. A company's current dividend (D_0) of \$3 per share is expected to grow 20% per year for three years, then 5% per year thereafter. If the required rate of return is 10%, using a multistage dividend discount model, the intrinsic value of the stock at the end of Year 3 is closest to:

- A. \$81.79
- B. \$92.53.
- C. \$108.86.

141. A disadvantage of an equal-weighted index is that.

- A. maintaining equal weights requires frequent reconstitution of the index.
- B. securities that represent a relatively large fraction of the target market value are underrepresented.
- C. securities that represent a relatively small fraction of the target market value are underrepresented.

142. An analyst gathers the following information about a company's non-callable, non-convertible preferred stock:

Par value per share	€100
Required rate of return	7.2%
Maturity	5 years

If the stock's intrinsic value is €125, the company's semi-annual dividend on the preferred stock is closest to:

- A. €6.62.
- B. €7.20.
- C. €9.00.

143. In contrast to a public company, a company that has gone private most likely.

- A. faces greater regulatory costs.
- B. focuses more on short-term results.
- C. lacks an active secondary market for its equity.

144. An analyst gathers the following information about an equal-weighted index composed of three stocks:

Stock	Beginning-of-Period Price	End-of-Period Price
1	\$10	\$8
2	\$20	\$24
3	\$30	\$30

If there is a 2% return from dividends for each of the three stocks, the total return of the index is:

- A. 0%
 - B. 2%.
 - C. 6%.
145. Which of the following factors would most likely increase market efficiency?
- Limits on:
- A. short selling
 - B. transaction costs
 - C. trading by foreign investors
146. Which of the following index weighting schemes most likely causes a bias in the index when high-priced stocks split?
- A. Price weighted
 - B. Equal weighted
 - C. Value weighted
147. In the secondary market, funds flow from:
- A. traders to traders.
 - B. issuers to investors.
 - C. investors to issuers.
148. When issuers sell securities to investors:
- A. they trade in the primary market.
 - B. they trade in the secondary market.
 - C. funds flow between the primary and the secondary market.
149. In a well-functioning financial system, changes in asset prices primarily reflect changes in
- A. execution costs.
 - B. the demand for liquidity.
 - C. fundamental asset values.

150. When a company raises common equity capital in the public market, the company most likely.
- A. moves money from the present to the future.
 - B. agrees to make scheduled distributions in the future.
 - C. is required to meet regulatory reporting requirements.
151. Preference shares are less risky than common shares because preference shares have:
- A. fixed dividends.
 - B. a guaranteed return if a company is liquidated.
 - C. a larger portion of total return based on future price return.
152. The Gordon growth model assumes a dividend growth rate:
- A. less than the required rate of return.
 - B. equal to the required rate of return.
 - C. greater than the required rate of return.
153. Private equity securities most likely.
- A. are listed on public exchanges.
 - B. are illiquid and difficult to trade.
 - C. have easily available financial information.
154. The Gordon growth model is most appropriate for valuing the equity of a dividend-paying:
- A. electric utility firm.
 - B. technology company
 - C. automobile manufacturer.

固定收益

1. If an issuer is required to retire a specified portion of the bond's principal each year, the bond most likely:
 - A. is callable.
 - B. is a step-up note.
 - C. has a sinking fund provision.

2. A five-year semiannual bond has a yield to maturity of 8%. Converted to a quarterly periodicity, the yield to maturity is closest to:
 - A. 1.98%.
 - B. 3.92%.
 - C. 7.92%.

3. The key rate duration best measures a bond's sensitivity to a change in the:
 - A. level of the yield-to-maturity.
 - B. slope of the yield-to-worst curve.
 - C. shape of the benchmark yield curve.

4. A bond priced at 99.4 has a modified duration of 6.9 and an annual convexity statistic of -212. If the market yield increases by 75 basis points, the price of this bond is closest to:
 - A. 93.7.
 - B. 94.3.
 - C. 94.9.

5. If interest rates rise over the holding period, the total return of a coupon bond held until maturity is most likely to be:
 - A. less than the yield to maturity at purchase.
 - B. equal to the yield to maturity at purchase.
 - C. greater than the yield to maturity at purchase.

6. A bond that allows the issuer to pay interest in the form of additional amounts of the existing bond issue rather than a cash payment best describes a:
 - A. step-up coupon bond.
 - B. deferred coupon bond.
 - C. payment-in-kind coupon bond.

7. In the event of default, investors in covered bonds most likely have recourse against:
 - A. the issuer only.
 - B. a segregated pool of assets only.
 - C. both the issuer and a segregated pool of assets.

8. In the securitization process, the trustee most likely:
 - A. sells the underlying collateral.
 - B. owns the underlying collateral.
 - C. holds the underlying collateral.

9. The coupon of a residential mortgage-backed security is the:
 - A. pass-through rate.
 - B. weighted average coupon rate.
 - C. rate on the underlying pool of mortgages.

10. The stated annual yield to maturity on a semiannual bond basis is 3.66%. The effective annual yield is closest to:
 - A. 3.63%.
 - B. 3.69%.
 - C. 7.45%.

11. In a securitization, the purchase agreement between the seller of the collateral and the special purpose entity most likely provides:
 - A. a description of the transaction structure.
 - B. representations about the quality of the assets.
 - C. documentation of enhancements used to reduce credit risk.

12. An analyst gathers the following information about a bond:

Price	96.00
Price with yield to maturity 10 basis points higher	95.80
Price with yield to maturity 10 basis points lower	96.30

The approximate convexity of this bond is closest to:

- A. 521.
- B. 1,042.
- C. 2,604.

13. A break-even reinvestment rate is most likely equivalent to a(n):
- A. par rate.
 - B. spot rate.
 - C. implied forward rate.
14. A bond trading at its no-arbitrage value is priced at a premium. The sum of the present value of the bond's cash flows discounted at spot rates is:
- A. less than the sum of the present values of the bond's cash flows discounted at its yield to maturity.
 - B. equal to the sum of the present values of the bond's cash flows discounted at its yield to maturity.
 - C. greater than the sum of the present values of the bond's cash flows discounted at its yield to maturity.

15. An analyst gathers the following information about a company that only has senior unsecured debt:

Type	Total Amount Outstanding	Time to Maturity
Floating-rate note (FRN)	\$50 million	12 years
Fixed-rate bond	\$10 million	2 years

In a bankruptcy scenario, if the priority of claims is enforced, it is most likely that:

- A. fixed-rate bond is repaid first because it matures earlier.
 - B. both bondholders are repaid proportionally to the amount owed.
 - C. FRN is repaid first because it has the highest amount outstanding.
16. All else being equal, reinvestment risk is greatest for:
- A. putable bonds.
 - B. callable bonds.
 - C. non-callable convertible bonds.
17. An analyst is concerned that a bond might be downgraded one category by Standard & Poor's and become non-investment grade. The current rating of this bond is most likely.
- A. A-.
 - B. BB-.
 - C. BBB-.

18. A corporation with a holding company structure has debt at both its parent holding company and operating subsidiaries. Debt at the operating level must be serviced before funds can be upstreamed to pay debt at the holding company. This arrangement best describes:
- A. structural subordination.
 - B. a cross-default provision.
 - C. the corporate family rating.
19. For an option-free fixed-rate bond trading at a premium, as the coupon payment date approaches, Macaulay duration most likely:
- A. decreases
 - B. remains constant.
 - C. increases.
20. Using the rating scale from Standard & Poor's or Fitch, the lowest rating for an investment-grade bond is:
- A. BBB-.
 - B. BBB.
 - C. BBB+.
21. The EBITDA/interest expense ratio is best classified as a:
- A. leverage ratio.
 - B. coverage ratio.
 - C. profitability ratio.
22. Which of the following statements is most accurate? US commercial paper typically:
- A. requires the issuer to pledge collateral.
 - B. requires the issuer to have a backup line of credit.
 - C. has a maturity ranging from a few days up to two years.
23. The current yield for a 4.5% coupon, 10-year bond, with a maturity par value of \$100 and currently priced at \$85.70 is closest to:
- A. 4.50%.
 - B. 5.25%.
 - C. 5.93%.

24. Which of the following types of collateralized debt obligations (CDOs) are most likely backed by asset-backed Securities?
- A. Structured finance CDOs
 - B. Collateralized loan obligations
 - C. Collateralized bond obligations

25. An analyst gathers the following information about a 6% coupon bond currently trading at par:

Benchmark Rate	Price per 100 of Par Value
5.9%	100.75
6.0%	100.00
6.1%	99.26

The bond's effective duration is closest to:

- A. 3.75.
 - B. 7.45.
 - C. 7.50.
26. An analyst gathers the following information about a pension plan's liabilities:

Interest Rate Assumption	Present Value of Liabilities (in \$Millions)
0.5%	198
1.0%	186
1.5%	174

If interest rates are currently 1.0%, the effective duration of the liabilities is closest to:

- A. 6.5.
 - B. 12.9.
 - C. 25.8.
27. Which of the following is a curve duration measure?
- A. Modified duration
 - B. Effective duration
 - C. Macaulay duration
28. Bonds issued in the Eurobond market are most likely:
- A. denominated only in euros.
 - B. in the form of registered bonds.
 - C. issued within the jurisdiction of the issuer's home country.

29. For a coupon bond with a negative yield, compounding more frequently within the year results in a yield-to-maturity that is:
- A. more negative.
 - B. the same.
 - C. less negative.
30. All else being equal, expected loss for a debt instrument:
- A. is independent of the recovery rate.
 - B. decreases as the recovery rate increases.
 - C. changes proportionally to the recovery rate.
31. Matrix pricing is most likely used to estimate the price of a bond that:
- A. is highly liquid.
 - B. is not yet issued.
 - C. has unknown credit quality.
32. All else being equal, the risk of a strategic default for a non-recourse mortgage is most likely:
- A. lower than for a recourse mortgage.
 - B. the same as for a recourse mortgage.
 - C. greater than for a recourse mortgage.
33. For bonds with embedded options, the most appropriate measure of price sensitivity to interest rate changes is:
- A. effective duration.
 - B. modified duration.
 - C. Macaulay duration.
34. For a bond with an embedded option, effective duration is the most appropriate measure of interest rate risk because the bond's:
- A. future cash flows are uncertain.
 - B. internal rate of return is well-defined.
 - C. pricing is sensitive to changes in credit spreads.

35. An analyst gathers the following information about a spot curve:

Term to Maturity	Spot Rate
1year	6%
2years	5%
3yaers	4%

If the coupon rate of a 3-year annual-pay bond is 4%, the price of the bond is closest to:

- A. 97.28.
 - B. 99.86.
 - C. 100.00.
36. The price of an option-free bond increases by 7% when the yield to maturity decreases by 100 basis points. If the price of this bond decreases by 7%, the yield to maturity most likely increases by:
- A. less than 100 basis points.
 - B. 100 basis points.
 - C. more than 100 basis points.
37. All else being equal, the absolute value of the percentage price change for an option-free bond is most likely:
- A. less when the market discount rate decreases than when it increases by the same amount.
 - B. the same whether the market discount rate decreases or increases by the same amount.
 - C. greater when the market discount rate decreases than when it increases by the same amount.
38. An analyst gathers the following information about three option-free bonds:

	Bond 1	Bond 2	Bond 3
Coupon rate	5%	3%	3%
Maturity (years)	15	10	15

All else being equal, if the market discount rate decreases by 50 basis points, the bond most likely to experience the greatest percentage price change is:

- A. Bond 1.
- B. Bond 2.
- C. Bond 3.

39. Implied forward rates are best defined as the:
- A. geometric average of spot rates.
 - B. breakeven reinvestment rates between zero-coupon bonds.
 - C. current yield to maturity on zero-coupon bonds of different maturities.
40. Effective duration is the most appropriate measure of interest rate risk for a bond with an embedded option because the bond does not have a well-defined:
- A. effective convexity.
 - B. internal rate of return.
 - C. curve duration statistic.
41. When interest rates increase, mortgage-backed securities most likely exhibit increased:
- A. extension risk.
 - B. contraction risk
 - C. reinvestment risk.
42. Tightening corporate bond yield spreads are most likely associated with:
- A. issuers' deteriorating creditworthiness.
 - B. periods of high demand for corporate bonds.
 - C. broker-dealers' reduced ability and willingness to make markets.
43. In a repurchase agreement:
- A. only the lender of funds is exposed to credit risk.
 - B. credit risk is eliminated by using highly rated sovereign bonds as collateral.
 - C. the initial margin offers partial protection against changes in the market value of the collateral.
44. With respect to a bond with an embedded option, for parallel shifts in the benchmark yield curve, effective duration most likely indicates the same interest rate sensitivity as:
- A. key rate durations.
 - B. modified duration.
 - C. Macaulay duration.

45. In a securitization, a senior/subordinated structure is most likely a form of:
- A. time tranching.
 - B. credit tranching.
 - C. prepayment risk management.
46. Modified duration is the most appropriate measure of interest rate risk for which of the following securities?
- A. Callable bond
 - B. US Treasury bond
 - C. Mortgage-backed bond
47. The percentage price change for a bond, given a change in its yield to maturity, is best estimated by:
- A. effective duration.
 - B. modified duration.
 - C. Macaulay duration.

48. An analyst gathers the following information about an annual-pay bond:

Coupon rate	6.0%
Yield to maturity	4.5%
Macaulay duration	10.0

If the yield to maturity decreases by 100 basis points, the expected percentage change in the bond's price is closest to:

- A. 9.43%
 - B. 9.57%
 - C. 10.00%.
49. Which of the following is most likely a negative covenant?
- A. The issuer must comply with all laws and regulations.
 - B. The issuance of new debt must be junior to existing bondholder debt.
 - C. New debt obligations are treated the same as the borrower's other senior debt instruments.

50. An analyst gathers the following information about a 4% annual-payment bond with a current yield-to-maturity of 4.0%:

Annualized Yield to Maturity	Bond Price
3.9%	100.45
4.0%	100.00
4.1%	99.56

The bond's annualized Macaulay duration is closest to:

- A. 4.28.
- B. 4.45.
- C. 4.63.

51. An analyst gathers the following information about a company (in \$ millions):

<

Operating income	120
Net income	85
Interest expense	15
Depreciation and amortization	15

Interest coverage using EBIT is closest to:

- A. 7x.
- B. 8x.
- C. 9x.

52. Which of the following duration statistics best measures the sensitivity of a bond's price to a flattening of the yield curve?

- A. Key rate duration
- B. Effective duration
- C. Macaulay duration

53. All else being equal, an investment-grade bond issuer most likely has:

- A. less market liquidity risk than a below-investment-grade issuer.
- B. the same market liquidity risk as a below-investment-grade issuer.
- C. greater market liquidity risk than a below-investment-grade issuer.

54. An analyst gathers the following information about an option-free bond:

Par value	\$1,000,000
Current market value	\$912,575
Duration	2.4

If yields are expected to decrease by 50 basis points, the expected price change for the bond is closest to:

- A. \$11,000.
 - B. \$22,000.
 - C. \$24,000.
55. The price value of a basis point (PVBP) for a bond with a full price of 103.50 and a modified duration of 6.2 is closest to:
- A. 0.0642.
 - B. 0.6420.
 - C. 6.4200.

56. An analyst gathers the following details about a bond portfolio:

Bond	Market Price (per 100 of par value)	Money Duration (per 100 of par value)
1	95	730
2	120	515

If each bond has a par value of £ 25 million, the modified duration of this bond portfolio is closest to:

- A. 5.8.
 - B. 6.1.
 - C. 6.2.
57. With respect to the credit rating agencies' practice of notching, the size of a notching adjustment:
- A. is larger for higher-rated credits.
 - B. is standardized between rating agencies.
 - C. depends on the rating of the issuer's senior unsecured debt.
58. Which of the following is most likely a key factor in the credit analysis of revenue-backed non-sovereign government bonds?
- A. Per capita income
 - B. Breadth of the tax base
 - C. Debt-service-coverage ratio of the project

59. An analyst observes the following yields to maturity on zero-coupon government bonds:

Maturity	Yield to Maturity
1 year	1.5%
2 years	2.5%
3 years	3.5%

The 2y1y implied forward rate is closest to:

- A. 4.5%.
B. 5.5%.
C. 6.6%.
60. An analyst gathers the following information:

	Time to Maturity	Yield to Maturity
Bond 1	Three years	3.4%
Bond 2	Eight years	5.4%

Based only on this information, the estimated market discount rate for a 5-year bond with similar credit quality is:

- A. 4.2%.
B. 4.4%.
C. 4.6%.
61. Compared to an otherwise similar option-free bond, investors require a higher yield for a corporate bond with a:
- A. put provision.
B. call provision.
C. conversion provision.
62. The price of a bond issued in the United Kingdom by a US-based company and denominated in British pounds most likely changes when:
- A. US interest rates change only.
B. British interest rates change only.
C. both US and British interest rates change.

63. A floating-rate note makes semiannual interest payments and has a coupon rate equal to the six-month market reference rate plus 45 basis points. The interest payments are made in June and December. If the six-month market reference rate was 1.95% in June and 2.25% in December of the same year, the coupon rate paid in December of that year was closest to:
- A. 2.40%.
 - B. 2.55%.
 - C. 2.70%.

64. An analyst observes the following price-yield relationship for an option-free bond:

Price per 100 of Par Value	Yield to Maturity
100.95	7.45%
101.80	6.75%
103.40	6.05%

If the bond trades at 101.80 per 100 of par value, its approximate modified duration is closest to:

- A. 1.72.
 - B. 2.25.
 - C. 3.44.
65. An analyst gathers the following information about a bond which is currently trading at 95.35 per 100 par:

Benchmark Yield	Bond Price
3.50%	99.50
4.00%	95.35
4.50%	92.25

The effective duration of the bond is closest to:

- A. 6.5.
- B. 7.6.
- C. 8.7.

66. An analyst gathers the following information about a bond:

Par value	100
Coupon rate	5.50%
Coupon frequency	Annual
Time to maturity	5 years
Holding period	3 years

If the market discount rate is 4.75% for the holding period, the future value of reinvested coupons at the end of the holding period is closest to:

- A. 15.05.
- B. 17.30.
- C. 18.12.

67. Bonds are quoted using the:

- A. full price and settled using the flat price.
- B. flat price and settled using the full price.
- C. "dirty" price and settled using the invoice price.

68. Which of the following does **not** depend on the market discount rate? A bond's:

- A. flat price
- B. full price
- C. accrued interest

69. An investor determines the following information about the price sensitivity of an option-free bond:

Rate Change	Price
75 basis point increase	104.0
75 basis point decrease	108.5

If the current price is 106, the duration of this bond is closest to:

- A. 2.1.
- B. 2.8.
- C. 3.0.

70. The number of common shares a convertible bond can be converted into is the:

- A. conversion ratio.
- B. conversion price.
- C. conversion value.

71. A credit card receivable asset-backed security most likely:
- A. faces high prepayment risk.
 - B. uses fully-amortizing loans as collateral.
 - C. reinvests principal repayments during the lockout period.

72. An analyst gathers the following information about a bond currently trading at par:

Change in Benchmark Curve	Price per 100 of Par Value
+25 bps	98
-25 bps	103

The effective duration of this bond is closest to:

- A. 2.5.
 - B. 5.0.
 - C. 10.0.
73. An analyst gathers the following spot and forward rates:

2-year spot rate	1.0%
4-year spot rate	2.5%
4-year forward rate, two years from today	3.0%

The 2-year forward rate, four years from today is closest to:

- A. 2%.
 - B. 3%.
 - C. 4%.
74. A bond issuer has a credit rating of BBB. Based only on this information, the rating of a senior unsecured bond from this issuer is most likely to be:
- A. lower than BBB.
 - B. BBB.
 - C. higher than BBB.
75. An analyst gathers the following information about a zero-coupon bond:

Time to maturity	5 years
Annual convexity	28.835
Annual yield to maturity	2%

If the yield decreases by 1%, the bond's percentage change in price is closest to:

- A. 4.76%.
- B. 5.05%.
- C. 5.14%.

76. The Macaulay duration of a zero-coupon bond is most likely:

- A. less than the time to maturity.
- B. equal to the time to maturity.
- C. greater than the time to maturity.

77. US municipal bonds are best described as:

- A. agency bonds.
- B. non-sovereign bonds.
- C. quasi-government bonds.

78. A bond portfolio consists of the following option-free annual-pay coupon bonds:

	Bond 1	Bond 2
Par value	\$300,000	\$450,000
Market value	\$200,000	\$400,000
Yield to maturity	4%	3%
Macaulay duration	7.5	5.4

The modified duration of this portfolio is closest to:

- A. 5.9.
- B. 6.0.
- C. 6.1.

79. An analyst gathers the following information about forward rates:

Time Period	Forward Rate
0y1y	1%
1y1y	2%
2y1y	4%

Using only this information, the price per 100 of par value of a 3-year, 1% annual coupon bond is closest to:

- A. 84.05.
- B. 91.74.
- C. 96.23.

80. With respect to interest rate risk, an investor who sells a fixed-rate bond after the first coupon is received and before its maturity is exposed to:

- A. market price risk, only.
- B. coupon reinvestment risk, only.
- C. both market price risk and coupon reinvestment risk.

81. For an option-free fixed-rate corporate bond, the duration and convexity statistics are most likely relevant for a change in:
- A. the credit spread only.
 - B. the benchmark yield only.
 - C. both the credit spread and the benchmark yield.

82. An analyst gathers the following information about a callable bond that pays interest annually:

Current price	105 per 100 of par value
Time-to-maturity	4 years
Coupon rate	4%
Call price at year 2	103 per 100 of par value
Call price at year 3	101 per 100 of par value

This bond's yield to worst is the:

- A. yield to maturity.
 - B. yield to first call.
 - C. yield to second call.
83. An analyst gathers the following information about three option-free bonds, each trading at a premium:

	Coupon	Yield To Maturity	Time to Maturity
Bond 1	4%	4%	10 years
Bond 2	4%	5%	11 years
Bond 3	5%	5%	9 years

All else being equal, the bond with the lowest Macaulay duration is most likely:

- A. Bond 1.
 - B. Bond 2.
 - C. Bond 3.
84. An analyst gathers the following information about a bond:

Clean price (per 100 of par value)	114.75
Annual modified duration	4.8250
Macaulay duration (years)	4.9469
Accrued interest (per 100 of par value)	1.6250

The bond's money duration (per 100 of par value) is closest to:

- A. 553.67.
- B. 561.51.
- C. 575.70.

85. Effective duration is:
- A. a useful interest rate risk measure only for bonds with embedded options.
 - B. an accurate estimate of interest rate risk only when the assumed benchmark rate change is small.
 - C. the same as the modified duration of an option-free bond only when the yield curve is perfectly flat.

86. An investor gathers the following information about a bond portfolio comprised of two option-free bonds:

Bond	Par Value	Market Value	Duration
1	\$100,000	\$120,000	5
2	\$200,000	\$180,000	4

The duration of the portfolio is closest to:

- A. 4.33.
 - B. 4.40.
 - C. 4.55.
87. An analyst gathers the following information about a bond that pays interest annually:

Coupon rate	4%
Time-to-maturity	3 years
Par value	\$100,000

If the market discount rate is 5%, the market value of this bond is closest to:

- A. \$89,839.
 - B. \$97,277.
 - C. \$102,775.
88. Which of the following mortgage features most likely benefits the lender?
- A. Non-recourse loan
 - B. Prepayment option
 - C. Prepayment penalty
89. With respect to the notching process adopted by credit rating agencies, a corporate's subordinated debt is most likely.
- A. notched up from the corporate's junior subordinated debt.
 - B. subject to a smaller notching adjustment the higher the corporate's issuer rating.
 - C. notched down from the corporate's issuer rating due to higher probability of default.

90. Money market yields are:
- annualized and compounded.
 - stated for a common periodicity.
 - stated on a simple interest basis.
91. A portfolio manager gathers the following information about an option-free bond that was held to maturity:
- | | |
|------------------------|------|
| Realized horizon yield | 4.2% |
| Reinvestment rate | 4.1% |
- The yield to maturity at purchase was most likely:
- less than 4.2%.
 - equal to 4.2%.
 - greater than 4.2%.
92. A three-year, semiannual-pay bond with a \$100 par value and a 5% coupon rate is purchased for \$108. One year later, if the yield to maturity has decreased by 100 basis points, the change in the value of this bond is closest to:
- \$0.57.
 - \$1.52.
 - \$3.08.
93. The yield spread of a specific bond over the standard swap rate in that currency of the same tenor best describes the:
- I-spread.
 - Z-spread.
 - option-adjusted spread.
94. For a fixed-rate bond, when interest rates decrease, the future value of reinvested coupon payments most likely:
- decreases and the market price of the bond increases.
 - increases and the market price of the bond decreases.
 - increases and the market price of the bond increases.
95. Which of the following debt categories has the highest ranking in terms of priority of payment?
- Second lien debt
 - Subordinated debt
 - Senior unsecured debt

96. The yield spread over an interpolated sovereign bond is best described as a(n):
- A. I-spread.
 - B. G-spread.
 - C. Z-spread.

97. In a securitization, time tranching most likely refers to differences in:
- A. default risk.
 - B. expected maturities.
 - C. underlying collateral.

98. For a floating-rate note, the specified yield spread over the reference rate best defines the:
- A. coupon
 - B. quoted margin.
 - C. required margin.

99. An investor holds a bond with the following characteristics:

Yield to maturity	9%
Modified duration	7.4

If the duration gap is zero, the investment horizon is closest to:

- A. 6.8 years.
 - B. 7.4 years.
 - C. 8.1 years.
100. All else being equal, when the market interest rate falls below a bond's coupon rate, potential price appreciation is most limited for a:
- A. puttable bond.
 - B. callable bond.
 - C. option-free bond.
101. Callable bonds exhibit:
- A. positive convexity only.
 - B. negative convexity only.
 - C. either positive or negative convexity.

102. An investor sells a fixed-rate bond originally purchased at a discount. The resulting capital gain or loss should be measured by comparing the bond's selling price with its:

- A. par value.
- B. carrying value.
- C. purchase price.

103. An investor gathers the following information about an investment in a bond with a 10-year tenor:

Purchase price	95.27
Sale price	102.06
Sum of reinvested coupon payments	24.28

If the holding period was seven years, the horizon yield is closest to:

- A. 2.29%.
- B. 2.86%.
- C. 4.11%.

104. A commercial paper has the following characteristics:

Redemption value	\$5,000,000
Interest earned	\$140,500
Days to maturity	160

For a 365-day year, the discount rate is closest to:

- A. 6.2%.
- B. 6.4%.
- C. 6.6%.

105. Two par bonds have the same duration but different convexity. All else being equal, if yields to maturity increase by 10 basis points, it is most likely that.

- A. the more convex bond underperforms the less convex bond.
- B. both bond prices decrease by the same amount.
- C. the more convex bond outperforms the less convex bond.

106. A bond has the following characteristics:

Time to maturity	3 years
Coupon rate	12%
Payment period	Semiannual

For a yield to maturity of 4%, the price of the bond per 100 of par value is closest to:

- A. 122.20.
- B. 122.41.
- C. 122.53.

经济学

1. Fiscal policy refers to the government's decisions about:
 - A. taxation only.
 - B. taxation and spending only.
 - C. taxation, spending, and the quantity of money in the economy.
2. Under which of the following market structures is product differentiation *most* important?
 - A. Monopoly.
 - B. Perfect competition.
 - C. Monopolistic competition.
3. Which of the following economic policies is *most likely* directed toward influencing the quantity of credit in an economy?
 - A. Fiscal policy only.
 - B. Monetary policy only.
 - C. Both fiscal policy and monetary policy.

4. An analyst gathers the following information:

USD/AUD	spot rate	0.8027
AUD	1-year interest rate	3.30%
USD	1-year interest rate	2.42%

USD/AUD is the amount of USD per 1 AUD.

The USD/AUD 1-year forward rate is *closest* to:

- A. 0.7959.
 - B. 0.8096.
 - C. 0.8292.
5. With respect to fiscal policy, transfer payments are *best* described as:
 - A. welfare payments.
 - B. infrastructure spending.
 - C. spending on recurring goods and services.
 6. Which of the following economic conditions for a country *best* supports a well-functioning currency board exchange rate system?
 - A. Flexible domestic prices and wages.
 - B. Rapid growth in supply of the global reserve asset.
 - C. Large non-traded sectors of the domestic economy.

7. Which of the following indexes is *most likely* considered a leading economic indicator?
- A. Consumer price index.
 - B. Broad stock market index.
 - C. Industrial production index.
8. Independence, credibility, and transparency are *most likely*:
- A. key objectives of fiscal policy.
 - B. properties of the monetary transmission mechanism.
 - C. qualities that determine the success of an inflation-targeting central bank.
9. With respect to geopolitics, setting standards for the size and shape of containers used for shipping is *most likely* an example of:
- A. regulatory cooperation.
 - B. process standardization.
 - C. operational synchronization.
10. A nation that cooperates with a neighboring country is *most likely* characterized as:
- A. autarkic.
 - B. bilateral.
 - C. hegemonic.
11. The inflation target of an effective central bank is *most likely*.
- A. equal to zero to avoid the risk of deflation.
 - B. sufficiently below zero to maintain high credibility.
 - C. low enough to ensure a significant degree of price stability.
12. Under which of the following conditions is monetary policy *most* effective? When the:
- A. demand for money is infinitely elastic.
 - B. central bank targets an exchange rate.
 - C. risk of inflation is greater than deflation.
13. Cyber threats *most likely* fall into the category of
- A. event risk.
 - B. thematic risk.
 - C. exogenous risk.

14. Fiat money:
- A. is not currently used in any major economy.
 - B. can be exchanged for a precious metal at the country's central bank.
 - C. derives its value via government decree and because people accept it for payment.
15. An objective of fiscal policy is to:
- A. supervise the banking system.
 - B. influence the quantity of credit in an economy.
 - C. distribute income among different segments of the population.
16. A decrease in taxes and an increase in interest rates *most likely* reflect
- A. easy fiscal policy and tight monetary policy.
 - B. tight fiscal policy and easy monetary policy.
 - C. tight fiscal policy and tight monetary policy.
17. With respect to conventional monetary policy, combating inflation is *most likely*:
- A. less difficult than combating deflation.
 - B. equally difficult as combating deflation.
 - C. more difficult than combating deflation.
18. With respect to the foreign exchange market, an arbitrage relationship involving countries' relative interest rates serves as the basis for:
- A. real exchange rates.
 - B. forward exchange rates.
 - C. nominal exchange rates.
19. Which of the following would *most likely* lead to an increase in globalization? A decrease in:
- A. soft power.
 - B. nationalism.
 - C. standardization.
20. Which of the following organizations was founded with the goal of assisting in the reconstruction of the international payment system?
- A. The World Trade Organization.
 - B. The International Monetary Fund.
 - C. The International Bank for Reconstruction and Development.

21. Under which of the following market structures do firms have the least control over price?
- A. Oligopoly.
 - B. Monopoly.
 - C. Monopolistic competition.
22. Assuming wages and prices are rigid, which of the following policy combinations *most likely* leads to the private sector increasing its share of GDP?
- A. Easy fiscal policy and tight monetary policy.
 - B. Tight monetary policy and tight fiscal policy.
 - C. Tight fiscal policy and easy monetary policy.
23. Which of the following changes *most likely* reflects a discretionary fiscal policy action?
- A. A decrease in corporate tax revenues due to lower corporate profitability.
 - B. An increase in government expenditures due to new infrastructure projects.
 - C. An increase in payments of unemployment benefits due to increasing unemployment.
24. Each oligopoly firm faces an individual demand curve under.
- A. colluding market conditions only.
 - B. non-colluding market conditions only.
 - C. both colluding and non-colluding market conditions.
25. A decline in tax revenues due to a recession is *best* described as an example of a(n):
- A. automatic stabilizer.
 - B. expansionary fiscal policy.
 - C. contractionary fiscal policy.
26. According to the Cournot assumption, in an oligopoly market each firm determines its profit-maximizing production level by assuming that other firms will:
- A. decrease output.
 - B. not change output.
 - C. increase output.

27. The main objective of *most* central banks is to maintain:

- A. price stability.
- B. gold reserves.
- C. an employment target.

28. An analyst gathers the following information about a company

Average variable cost per unit	\$12.50
Selling price per unit	\$37.50
Total fixed costs	\$900,000

The minimum production level needed to continue operations over the long run is *most likely*.

- A. 24,000 units.
- B. 36,000 units.
- C. 72,000 units.

29. The implementation of an export subsidy for a normal good produced in a small country will *most likely* increase the:

- A. domestic consumption of the good.
- B. price of the good in the domestic market.
- C. national welfare of the country providing the subsidy.

30. Under monopolistic competition, a firm's supply curve is represented by:

- A. average cost.
- B. marginal cost.
- C. neither average cost nor marginal cost

31. During the slowdown phase of the business cycle:

- A. inflation decelerates.
- B. business halts new orders.
- C. business slows its rate of hiring.

32. The interest rate spread between 10-year treasury yields and overnight borrowing rates *most likely*:

- A. is a lagging economic indicator.
- B. decreases when the market expects an economic downturn.
- C. increases as the market expects future short-term interest rates to decrease.

33. Which of the following monetary policy actions is *most likely* considered expansionary? The central bank.
- A. acts as the lender in a repurchase agreement.
 - B. sells government bonds to commercial banks.
 - C. raises reserve requirements of commercial banks.
34. Dollarization is *best* described as an exchange rate regime whereby a country:
- A. uses the currency of another nation as its medium of exchange.
 - B. participates in a monetary union whose members share the same legal tender.
 - C. makes a commitment to exchange domestic currency for a specified foreign currency at a fixed exchange rate.
35. Which of the following fiscal policy actions is *most likely* contractionary?
- A. Increasing taxes and decreasing spending
 - B. Decreasing taxes and increasing spending
 - C. Decreasing taxes and decreasing spending
36. A fiscal policy tool that can immediately influence spending is *most likely*.
- A. indirect taxes.
 - B. exchange rate targeting.
 - C. capital expenditure plans.
37. Which of the following is *most likely* a lagging economic indicator?
- A. Inventory-sales ratio.
 - B. S&P 500 Stock Index.
 - C. Manufacturers' new orders for consumer goods and materials.
38. As an economy moves from the gold standard to a system of fiat currency, the role of the central bank *most likely*:
- A. becomes less crucial.
 - B. remains unchanged.
 - C. becomes more crucial.
39. Which of the following is *most likely* a coincident indicator of economic activity?
- A. Average duration of unemployment.
 - B. Average weekly hours, manufacturing.
 - C. Employees on non-agricultural payrolls.

40. An analyst gathers the following foreign exchange rate information:

	CAD/USD	JPY/USD
Beginning of period	1.3216	105.42
	1.2944	104.74
CAD/USD is the amount of CAD per 1 USD.		
JPY/USD is the amount of JPY per 1 USD.		

The percentage change in the JPY/CAD cross-rate for the period is closest to:

- A. -2.7%.
- B. 1.4%.
- C. 2.8%.

41. An analyst gathers the following information about spot rates:

	USD/GBP	1.2604
Beginning of period	USD/EUR	1.1786
USD/GBP is the amount of USD per 1 GBP.		
USD/EUR is the amount of USD per 1 EUR.		

The spot EUR/GBP cross rate is closest to:

- A. 0.9351.
- B. 1.0694.
- C. 1.4855.

42. A perfectly competitive market structure:

- A. is not possible in reality.
- B. causes all industries to ultimately fail due to lack of profits.
- C. drives company profits to the investors' required rate of return.

43. In contrast to real exchange rates, nominal foreign exchange rates:

- A. tend to deviate from purchasing power parity.
- B. represent the relative price levels in the domestic and foreign countries.
- C. are indexes useful for understanding international trade and capital flows.

44. An argument against free trade is that:

- A. it has the potential to lead to greater income inequality.
- B. it increases average production costs in goods and services.
- C. it discourages foreign research and development in an economy

45. An analyst gathers the following information:

Foreign inflation rate	2%
Domestic inflation rate	3%
Nominal appreciation of domestic currency against foreign currency	6%

The real appreciation of the domestic currency against the foreign currency is *closest* to:

- A. 4%.
 - B. 5%.
 - C. 7%.
46. Price levels increase by 2% in the US and by 6% in the Eurozone. If the nominal spot exchange rate of the USD/EUR (amount of US dollars per 1 euro) decreases by 4%, the absolute change in the real exchange rate is *closest* to:
- A. 0%.
 - B. 4%.
 - C. 8%.
47. Which of the following market structures has high barriers to entry?
- A. An oligopoly.
 - B. Perfect competition.
 - C. Monopolistic competition.
48. With respect to trading blocs, a common market *most likely* incorporates all aspects of a(n):
- A. customs union.
 - B. monetary union.
 - C. economic union.
49. All else being equal, in an efficient market a forward exchange rate will decrease as a result of an increase in the:
- A. spot exchange rate.
 - B. foreign risk-free interest rate.
 - C. domestic risk-free interest rate.

50. Which of the following indicators suggest(s) a monopoly market?
- A. A concentration ratio of 100% only.
 - B. A Herfindahl-Hirschman index of zero only
 - C. Both a concentration ratio of 100% and a Herfindahl-Hirschman index of zero
51. When a country that is a price taker imposes a tariff on an imported good:
- A. national welfare increases.
 - B. consumers gain consumer surplus.
 - C. local producers gain producer surplus.
52. An ideal international currency regime would *most likely* have:
- A. currencies that are fully convertible.
 - B. floating exchange rates between currencies.
 - C. a common monetary policy across different countries.
53. In the short run, a firm *most likely* shuts down production when:
- A. economic profit is zero.
 - B. sunk costs are greater than total revenue.
 - C. total revenue is less than total variable cost.
54. If the spot USD/EUR exchange rate (the amount of USD per one EUR) is 1.1605 and the one-year forward rate is 1.17240, the forward points are:
- A. +101.5.
 - B. +102.5.
 - C. +119.0.
55. Under which of the following market structures are pricing strategies *most likely* influenced by the expected reaction of other firms?
- A. Oligopoly
 - B. Perfect competition
 - C. Monopolistic competition
56. The neutral policy rate is equal to:
- A. long-run expected inflation.
 - B. the real trend rate of growth of the underlying economy.
 - C. long-run expected inflation plus the real trend rate of growth of the underlying economy.

57. In long-run equilibrium, the perfectly competitive firm's supply curve is *best* represented by the firm's long-run:
- A. marginal cost schedule.
 - B. average revenue schedule.
 - C. marginal revenue schedule.
58. Which of the following is *most likely* an objective of fiscal policy?
- A. Maintaining price stability.
 - B. Affecting aggregate demand.
 - C. Achieving an exchange rate target.
59. Which of the following is *most likely* to limit the effectiveness of monetary policy?
- A. A liquidity trap
 - B. The crowding out effect
 - C. A time lag to implement government spending
60. Which of the following is a limitation of monetary policy?
- A. The presence of automatic stabilizers in the economy.
 - B. The ineffectiveness of interest rate adjustments in deflationary environments.
 - C. The uneven distribution of income and wealth among different segments of the population.
61. The main objective of the World Bank Group is to:
- A. support exchange rate stability and an open system of international payments.
 - B. provide the legal and institutional foundation of the multinational trading system.
 - C. help developing countries fight poverty and enhance environmentally sound economic growth.
62. Which of the following is an expansionary fiscal policy?
- A. An increase in sales taxes.
 - B. A decrease in interest rates.
 - C. in public spending on infrastructure.

63. If the spot rate for AUD/USD (amount of AUD per 1 USD) is 1.4780 and the 1-month forward points are -16.0, the 1-month forward rate for AUD/USD is *closest* to:
- A. 1.3180.
 - B. 1.4764.
 - C. 1.4796.
64. When a central bank sells government bonds to commercial banks, broad money growth:
- A. decreases,
 - B. remains the same.
 - C. increases.
65. When a country has a fiscal surplus and an excess of private saving over investment, its exports are:
- A. less than its imports.
 - B. equal to its imports.
 - C. greater than its imports.
66. Which of the following behavioral archetypes *best* describes a country that is high on the globalization spectrum but low on the cooperation spectrum?
- A. Autarky.
 - B. Hegemony.
 - C. Bilateralism.

67. An analyst gathers the following data about an economy:

Real trend growth rate	0.5%
Central bank's policy rate	1.5%

If monetary policy is contractionary, the central bank's inflation target is:

- A. less than 1.0%.
- B. equal to 1.0%.
- C. greater than 1.0%.

68. An analyst gathers the following information (in \$millions) about a firm operating in a perfectly competitive market:

Total variable costs	700
Total fixed costs	400

If the firm's total revenue is \$1,000 million, the firm should:

- A. stay in the market in both the short run and long run.
 - B. stay in the market in the short run and exit the market in the long run.
 - C. shutdown production in the short run and exit the market in the long run.
69. To be effective in targeting inflation a central bank is *least likely* to need:
- A. government oversight.
 - B. transparency of decisions.
 - C. credibility with market participants.
70. To increase liquidity, a central bank *most likely* implements an interest rate policy that is:
- A. contractionary
 - B. neutral.
 - C. expansionary.
71. The conversion of nominal exchange rates into real exchange rates requires the:
- A. GDP of both countries.
 - B. price levels in both countries.
 - C. interest rates in both countries.
72. Which of the following is *most likely* a benefit of globalization?
- A. Increased profits.
 - B. More equal income distribution.
 - C. Stronger environmental, social, and governance standards.
73. Natural disasters are an example of:
- A. event risk.
 - B. thematic risk.
 - C. exogenous risk.

74. Which of the following changes are investors *most likely* to make in response to a black swan risk?
- A. Tactical.
 - B. Sector specific.
 - C. Asset allocation.
75. During the recovery phase of the business cycle, inflation *most likely*:
- A. remains moderate.
 - B. further accelerates.
 - C. decelerates but with a lag.
76. The Herfindahl-Hirschman index is calculated based on
- A. Market shares of the companies.
 - B. elasticity of demand in the market.
 - C. probability of new entry into the market.

另类投资

1. Compared to centralized cryptocurrency exchanges, decentralized exchanges are:
 - A. less likely to be regulated and less susceptible to attacks from hackers.
 - B. less likely to be regulated and more susceptible to attacks from hackers.
 - C. more likely to be regulated and less susceptible to attacks from hackers.

2. Which of the following forms of digital asset investment most likely involves the use of a cryptocurrency wallet?
 - A. Direct investment
 - B. Indirect investment via ETF s
 - C. Indirect investment via coin trusts

3. The correlation of cryptocurrencies with traditional assets has been:
 - A. decreasing.
 - B. steady.
 - C. increasing.

4. Which of the following is most likely a major driver of bitcoin returns?
 - A. Increased market adoption
 - B. The prospect of underlying cash flow generation
 - C. Consistently high correlation with traditional asset classes

5. Cryptocurrencies can be issued by:
 - A. individuals only.
 - B. corporations and organisations only.
 - C. individuals, corporations and organisations.

6. Compared to traditional financial assets, digital assets:
 - A. can be invested in through indirect investment vehicles such as ETF s.
 - B. are generally recorded in private ledgers maintained by central intermediaries.
 - C. do not have an inherent value based on underlying assets or on potential cash flows.

7. A measure that restricts new investors in a hedge fund from redeeming their capital for a set amount of time in order to implement the fund's investment strategy is known as a:
 - A. gate.
 - B. notice period.
 - C. lockup period.

8. Venture capital is best classified as a sub-category of:
 - A. real estate.
 - B. hedge funds.
 - C. private equity.

9. A leveraged loan is best defined as a loan:
 - A. that is itself levered.
 - B. to mature companies in financial difficulty.
 - C. that comes with warrants or conversion rights.

10. From the perspective of a private equity firm, an advantage of exiting a portfolio company through a special purpose acquisition company (SPAC) most likely include:
 - A. floating valuation.
 - B. flexibility of the transaction structure.
 - C. lower deal risk due to restrictions on redemptions.

11. With respect to private equity, the growth capital strategy is also known as:
 - A. venture capital.
 - B. recapitalization.
 - C. minority equity investing.

12. Which of the following hedge fund investments require the highest level of scrutiny and due diligence?
 - A. Level 1 assets
 - B. Level 2 assets
 - C. Level 3 assets

13. Hedge funds are most likely to place restrictions on:
- A. redemptions.
 - B. the use of leverage.
 - C. the use of derivatives.
14. Crude oil is categorized as:
- A. a soft commodity.
 - B. a hard commodity
 - C. neither a soft commodity nor a hard commodity.
15. Compared with direct investing, co-investing in alternative investments most likely offers:
- A. reduced control over the investment selection process.
 - B. the same level of control over the investment selection process.
 - C. higher control over the investment selection process.
16. Which of the following methods of investing in alternative investments provides the most flexibility to the investor?
- A. Co-investing
 - B. Fund investing
 - C. Direct investing
17. Which of the following is best classified as a commodity?
- A. Livestock
 - B. Timberland
 - C. Agricultural land
18. Investors in greenfield infrastructure projects typically:
- A. rely on the assets' financial and operating history.
 - B. invest alongside strategic investors or developers.
 - C. have lower development risk than investors in brownfield projects.

19. An analyst gathers the following information about a hedge fund:

Beginning-of-year assets under management (AUM)	\$500 million
Annual return before fees	22%
Management fee, based on end-of-year AUM before fees	2%
Incentive fee	15%
Hard hurdle rate	10%

The incentive fee (in \$ millions) based on returns net of management fees is closest to:

- A. 7.2.
 - B. 13.0.
 - C. 14.7.
20. A hedge fund strategy that seeks to influence a company's policies through the purchase of equity is best described as a(n):
- A. activist strategy.
 - B. market-neutral strategy.
 - C. merger arbitrage strategy.
21. Event-driven hedge fund strategies are most likely:
- A. long biased
 - B. based on 'top-down' analysis.
 - C. exploiting short-term pricing discrepancies between two related securities.
22. Which of the following are best categorized as social infrastructure assets?
- A. Airports
 - B. Correctional facilities
 - C. Telecommunication towers
23. Which of the following statements is most accurate? Alternative investments:
- A. tend to be more efficiently priced than traditional investments.
 - B. fall outside of the definition of long-only positions in stocks, bonds, and cash.
 - C. have relatively high correlation of returns with those of traditional investments.

24. An analyst gathers the following information about a hedge fund:

\$200 million in assets under management at the beginning of year
A 2% management fee based on year-end assets under management
a 20% incentive fee calculated net of the management fee

If the fund's gross return is 25% during the year, the total fees earned by the fund manager are:

- A. \$11 million
 - B. \$14 million.
 - C. \$15 million.
25. Management fees are most likely based on assets under management for:
- A. hedge funds only.
 - B. private equity funds only.
 - C. both hedge funds and private equity funds.
26. A leveraged private investment vehicle that employs both long and short positions is most likely a:
- A. hedge fund.
 - B. private equity fund.
 - C. venture capital fund.
27. A feature that protects hedge fund clients from paying twice for the same performance is most likely a:
- A. Discount.
 - B. hurdle rate.
 - C. high-water mark.
28. A joint venture is an alternative investment structure that is most likely used for.
- A. infrastructure investment.
 - B. private equity investment.
 - C. real estate direct investment.
29. Regarding distribution methods in alternative investments, which of the following is most advantageous to the limited partners? A(n):
- A. American waterfall.
 - B. deal-by-deal waterfall.
 - C. whole-of-fund waterfall.

30. Which of the following hedge fund mechanisms is most likely used to impose a temporary restriction on redemptions if needed?
- A. Gate
 - B. Notice period
 - C. Lockup period
31. Which of the following infrastructure investments most likely have the highest risk?
- A. Brownfield investments with the majority of their return from current yield.
 - B. Brownfield investments with the majority of their return from capital appreciation.
 - C. Greenfield investments with the majority of their return from capital appreciation.
32. Which of the following methods of investing in alternative investments requires the least amount of investment expertise?
- A. Co-investing
 - B. Fund investing
 - C. Direct investing
33. The benefits of adding investments in infrastructure assets to a portfolio most likely include:
- A. inflation protection only.
 - B. low correlation with existing portfolio assets only.
 - C. both inflation protection and low correlation with existing portfolio assets.
34. In co-investing, the investor invests in alternative assets indirectly through a fund but also has the:
- A. right to invest directly in the same assets alongside the fund.
 - B. obligation to invest directly in the same assets alongside the fund.
 - C. right to invest in the general partner's fund management company.
35. A disadvantage of direct real estate investing is:
- A. a lack of control.
 - B. unfavorable tax rules.
 - C. the time required to manage the property.

36. Which of the following statements about private debt is most accurate?
Mezzanine debt:
- A. is subordinated to equity in a borrower's capital structure.
 - B. is less risky than senior secured debt issued by the same company.
 - C. may include additional features such as warrants to provide equity participation to lenders.
37. Which of the following statements about private equity performance evaluation is most accurate?
- A. Private equity fund management fees are based on capital called.
 - B. Cash flows are frequently described in terms of the J-curve effect.
 - C. Managers have no discretion on the timing of the distribution of proceeds.
38. Which of the following is most likely a primary exit strategy for a company held by a private equity fund's portfolio?
- A. IPO
 - B. Management buy-in
 - C. Management buyout
39. A hedge fund that seeks to profit from a view on overall market direction as influenced by economic trends best describes a:
- A. macro hedge fund.
 - B. multi-strategy hedge fund.
 - C. market-neutral hedge fund.
40. Which of the following is best categorized as core real estate?
- A. A high-quality office building in a rural area
 - B. A low-quality office building in a major urban center
 - C. A high-quality office building in a major urban center
41. Compared with fund investing in alternative investments, the co-investing method most likely has:
- A. lower management fees.
 - B. the same level of management fees.
 - C. higher management fees.

42. Which of the following is best described as a relative value hedge fund strategy?
- Short biased
 - Special situations
 - Convertible bond arbitrage
43. Which of the following statements about real estate assets is most accurate?
- Real estate assets are heterogeneous
 - Commercial property represents the majority of real estate assets by value
 - Private real estate has historically had high correlations with other asset classes
44. Which of the following hedge funds most likely have a beta close to zero?
- Short-biased funds
 - Market-neutral funds
 - Fundamental long/short growth funds

45. A hedge fund has the following characteristics:

Assets under management, beginning of year	\$100 million
Assets under management, end of year	\$120 million
Management fee	1% of year-end assets under management
Performance fee	15% of the annual return above a 3% hurdle rate

If the performance fee is calculated net of the management fee and there were no capital contributions or withdrawals, the net annual return to the investor is closest to:

- 16.3%.
 - 16.4%.
 - 16.5%.
46. An analyst collects the following information about a hedge fund:

Assets under management	\$1.5 billion, beginning of year
Annual return	20%
Management fee	2%, based on year-end valuation
Incentive fee	20%, calculated net of management fees

If the incentive fee is calculated on returns in excess of a 6% hurdle rate, total annual fees earned by the fund manager are closest to:

- \$34,800,000.
- \$70,800,000.
- \$78,000,000.

47. What is the most likely effect of a redemption fee on the returns of the remaining investors in a hedge fund? A redemption fee:
- A. reduces investor returns.
 - B. has no effect on investor returns.
 - C. enhances investor returns.

48. If a commodity's storage cost is equal to its convenience yield, its futures prices will be greater than its spot price if the risk-free rate is:
- A. negative.
 - B. zero.
 - C. positive.

49. An analyst gathers the following information about a hedge fund:

Beginning-of-year assets under management (AUM)	€200 million
Management fee, based on end-of-year AUM before fees	1.5%
Incentive fee	20%
Hard hurdle rate	5%
Annual return before fees	15%

If the incentive fee is based on returns net of management fees, total fees for the year are closest to:

- A. €6.8 million.
 - B. €7.5 million.
 - C. €8.8 million.
50. In the private debt market, venture debt:
- A. entails buying the debt of mature companies in financial difficulty.
 - B. provides capital to early-stage companies that may be generating little cash flow.
 - C. entails buying the debt of mature companies in financial difficulty and provides capital to early-stage companies that may be generating little cash flow.
51. Timberland investments offer:
- A. an income stream only.
 - B. the potential for capital gain only.
 - C. both an income stream and the potential for capital gain.

52. Which of the following real estate investing strategies is most likely to focus on modest redevelopment or upgrades, the leasing of vacant space, and the repositioning of underlying properties to earn a higher return?
- A. Core-plus
 - B. Value-add
 - C. Opportunistic
53. All else being equal, when a commodity futures market is in contango, the forward curve is most likely:
- A. downward sloping.
 - B. flat.
 - C. upward sloping.
54. With respect to infrastructure investments, a take-or-pay arrangement is most likely used to mitigate:
- A. demand risk.
 - B. operational risk.
 - C. construction risk.
55. Which of the following is most appropriately categorized as a traditional investment?
- A. Gold
 - B. Cash
 - C. Real estate
56. Which of the following is most likely a characteristic of private real estate markets?
- A. Transaction costs are high
 - B. Private market indexes are investable
 - C. It is easy for small investors to establish a diversified portfolio of wholly owned properties
57. Alternative investments:
- A. include tangible assets only.
 - B. include intangible assets only.
 - C. may include both tangible and intangible assets.

58. In alternative investments, a clawback provision represents the right of:
- limited partners to reclaim performance losses.
 - the general partner to reclaim part of limited partners' distributions.
 - limited partners to reclaim part of the general partner's performance fee.
59. Which of the following is the most conservative approach to valuing a hedge fund's underlying positions?
- Using bid prices for long positions and ask prices for short positions
 - Using bid prices for short positions and ask prices for long positions
 - Using the average of the bid and ask prices for both long and short positions
60. All else being equal, which of the following types of private debt is most likely to have the lowest level of risk?
- Mezzanine debt
 - Unitranche debt
 - Infrastructure debt

61. An analyst gathers the following information about a hedge fund:

Beginning-of-year assets under management (AUM)	\$50 million
Annual return before fees	20%
Management fee (based on end-of-year AUM before fees)	2%
Incentive fee (based on return net of management fees)	20%

An investor's net return is:

- 13.60%
- 14.08%.
- 14.40%.

数量分析

1. Which of the following factors is not used in the calculation of a confidence interval?
 - A. Point estimate.
 - B. Sampling error.
 - C. Reliability factor.
2. An analyst performs a simple linear regression of a stock's monthly return on the monthly return of a market index (both in %) and gathers the following information:

Estimated slope	1.0
Estimated intercept	1.2%
Standard error of the forecast	1.4%
Critical t-values at a 5% significance level	± 2.032

The 95% prediction interval for the stock's monthly return, given that the forecasted monthly return on the index is 3.5%, is *closest* to:

- A. 0.7% to 6.3%.
 - B. 1.9% to 7.5%.
 - C. 3.3% to 6.1%.
3. An investor purchases a stock for \$100. Immediately after receiving a dividend of \$7, the investor sells the stock for \$107. The holding period return of the investment is *closest* to:
 - A. 0%.
 - B. 7%.
 - C. 14%.
 4. For a sample of 50 observations, in which of the following situations is a nonparametric test least *likely* to be appropriate? The data:
 - A. contain outliers.
 - B. are given in ranks.
 - C. come from a population with a log normal distribution.
 5. Which of the following test statistics is *most* appropriate for a hypothesis test concerning the mean difference between two normally distributed populations?
 - A. t-statistic.
 - B. F -statistic.
 - C. Chi-square statistic.

6. An asset earns 13.1% over a 16-month period. The asset's annualized compound rate of return is *closest* to:
- A. 9.3%.
 - B. 9.7%.
 - C. 9.8%.
7. Which of the following statements is *most* accurate? Cryptocurrencies
- A. exhibit low volatility.
 - B. have no limits on the total amount of currency that may be issued.
 - C. allow transactions between parties without the need for an intermediary.
8. A company estimates its revenue will be 50% higher than today in four years' time. The compound annual growth rate is *closest* to:
- A. 10.7%.
 - B. 11.8%.
 - C. 12.5%.
9. An investor purchased a stock for \$450 and then sold the stock immediately after receiving a dividend of \$2. If the holding period return is a loss of 10.2%, the investor sold the stock at a price *closest* to:
- A. \$402.
 - B. \$404.
 - C. \$406.
10. An investor considers the following certificates of deposit (CDs) available for purchase at face value:

CD	Interest Rate
1	2.2%
2	3.3%
3	4.4%

If each CD has the same maturity and default risk, the opportunity cost of investing in CD 1 is *closest* to:

- A. 0.0%.
- B. 1.1%.
- C. 2.2%.

11. Which of the following statements is *most* accurate with respect to the widespread adoption of algorithmic trading in financial markets?
- A. The need for low-latency networks has grown.
 - B. Markets have become less fragmented in terms of trading venues.
 - C. Average trade size has increased as algorithmic trading is used to execute large institutional orders.
12. The failure of machine learning models to accurately predict outcomes can be the result of:
- A. overfitting, but not underfitting.
 - B. underfitting, but not overfitting.
 - C. either overfitting or underfitting
13. An investment pays \$1,000 annually for five years, with the first payment occurring three years from today. If the discount rate is 6% compounded annually, the present value of the investment today is *closest* to:
- A. \$3,537.
 - B. \$3,749.
 - C. \$4,212.
14. Which of the following is *most likely* an advantage of traditional financial advisers over fully automated digital wealth managers?
- A. Lower account minimums.
 - B. Dividend reinvestment options.
 - C. Solutions that better address the needs of complex portfolios.
15. To test whether a population's mean, μ , is greater than zero, the alternative hypothesis should be formulated as:
- A. $\mu \leq 0$.
 - B. $\mu \geq 0$.
 - C. $\mu > 0$.
16. A test of independence is based on the data in a contingency table with 5 rows and 4 columns. Using a nonparametric test statistic that is chi-square distributed, the number of degrees of freedom is:
- A. 7.
 - B. 12.
 - C. 20.

17. In a parametric test of the correlation between two variables with a sample size of 51 and sample correlation of 0.6, the t-statistic is *closest* to:
- A. 0.07.
 - B. 5.25.
 - C. 6.64.

18. If a unimodal return distribution is negatively skewed, which of the following *most likely* has the highest value?
- A. Mean
 - B. Mode
 - C. Median

19. A portfolio manager will invest \$100,000 and is presented with the following information about three portfolios with normally distributed returns:

Expected Annual	Return Standard	Deviation of Returns
Portfolio	1	23%
Portfolio	2	12%
Portfolio	3	15%

If the manager wants to withdraw \$5,000 in one year without invading initial capital, the safety-first optimal portfolio is:

- A. Portfolio 1.
 - B. Portfolio 2.
 - C. Portfolio 3.
20. Which of the following best describes when a transformation of the data may be needed to enable the use of a simple linear regression model? When the:
- A. dependent variable is non-normally distributed.
 - B. pairs of the dependent and independent variables are uncorrelated with one another.
 - C. relationship between the independent variable and the dependent variable is non-linear.
21. For a continuous positively skewed unimodal distribution:
- A. both the mode and the median are less than the mean.
 - B. both the mode and the median are greater than the mean.
 - C. the mode is less than the mean and the median is greater than the mean.

22. In its broadest sense, fintech is *best* described as:
- A. the vast amount of data being generated by the financial services industry.
 - B. the execution of investment strategies through computer-generated algorithms.
 - C. technological innovation in the design and delivery of financial services and products.

23. An analyst estimates the following information from a simple linear regression:

Sum of squares error	280
Sum of squares regression	25
Number of paired observations	30

The standard error of the estimate is *closest* to:

- A. 2.5.
 - B. 3.2.
 - C. 10.0.
24. An analyst draws samples from an original sample to estimate the standard error of a population mean. Which of the following best describes this sampling procedure?
- A. Bootstrap method
 - B. Cluster sampling method
 - C. Convenience sampling method
25. An investor is considering buying a US T-bill. If the real risk-free rate is 1% and the inflation premium is 2%, the investor's opportunity cost of failing to make this investment is *closest* to:
- A. 1%.
 - B. 2%.
 - C. 3%.

26. An investor records the following information and transactions for a stock:

Year	Share at Beginning of Year	Cash Flow at Beginning of Year
1	\$100	\$100 used to purchase one share
2	\$100	\$9 received in dividends and not reinvested
3	\$100	\$100 received from selling one share

The investor's money-weighted rate of return is *closest* to:

- A. 4.4%.
- B. 4.5%.
- C. 4.6%.

27. The null hypothesis for the F-distributed test statistic in a simple linear regression model tests whether the:
- A. slope is equal to zero.
 - B. intercept is equal to zero.
 - C. slope is not equal to zero.
28. An analyst estimates the probabilities of three possible economic scenarios and the probabilities of a stock having a positive or a negative return in each scenario. These scenarios are best represented by a:
- A. tree-map.
 - B. tree diagram.
 - C. probability density function.
29. Which of the following is *most likely* used to detect sentiment shifts in an analyst's commentary?
- A. Tokenization.
 - B. Data curation.
 - C. Natural language processing.
30. Which of the following visualizations is *most* appropriate for interpreting the correlation between two variables?
- A. Tree-map.
 - B. Scatter plot.
 - C. Clustered bar chart.
31. An investor has three options for receiving payments from an investment:
- Option 1: a single payment of \$136,000 today,
 - Option 2: 30 annual payments of \$12,000, beginning one year from today,
 - Option 3: 20 annual payments of \$13,000, beginning today.
- If the annual discount rate is 8%, the option with the highest present value is:
- A. Option 1.
 - B. Option 2.
 - C. Option 3.
32. Roy's safety-first criterion:
- A. evaluates only downside risk.
 - B. uses semideviation as a risk measure.
 - C. assumes asset prices are normally distributed.

33. All else being equal, when compared to non-probability sampling, probability sampling *most likely* yields:
- A. a less representative sample.
 - B. an equally representative sample.
 - C. a more representative sample.
34. An analyst examines 30 paired monthly returns for two stock indexes. To determine if the mean difference of the returns is zero, the number of degrees of freedom of the t-test is.
- A. 28.
 - B. 29.
 - C. 58.
35. An analyst calculates the following statistics for a sample with 100 observations:
- | | Value |
|-----------------|-------|
| First quartile | 11 |
| Second quartile | 62 |
| Third quartile | 93 |
| Fourth quartile | 359 |
- The interquartile range of the sample is equal to:
- A. 31.
 - B. 82.
 - C. 348.
36. The probability of correctly rejecting a null hypothesis is best defined as the:
- A. p -value.
 - B. power of the test.
 - C. level of significance.

37. An investor summarizes end-of-year cash outlays and proceeds from a two-year investment in a company's shares below.

Year	Outlays	Proceeds
0	\$100 to purchase the first share	---
1	\$110 to purchase the second share	\$10 dividend received from first share (not reinvested)
2	---	\$230 received from selling two shares at \$115 per share

The annualized time-weighted rate of return of the investment over the two-year period is *closest* to:

- A. 9.7%.
 - B. 12.0%.
 - C. 12.3%.
38. Ranked in ascending order, the 19th observation in a sample of 75 is in the second:
- A. decile.
 - B. quintile.
 - C. quartile.
39. For a given dataset with different non-negative observations, which of the following will have the largest value?
- A. Harmonic mean.
 - B. Arithmetic mean.
 - C. Geometric mean.
40. Sampling error is the difference between the observed value of a:
- A. random variable and the respective statistic.
 - B. random variable and its hypothesized value.
 - C. statistic and the quantity it is intended to estimate.
41. The central limit theorem:
- A. requires that the population be approximately normally distributed.
 - B. implies that the sample mean is a consistent estimator of the population mean.
 - C. states that the product of independent random variables is normally distributed.

42. An analyst assumes that a company's future EPS will be either \$2.00, \$2.20, or \$2.40. If each scenario is equally *likely*, the variance [in \$] of the company's future EPS is *closest* to:
- 0.03.
 - 0.16.
 - 0.20.
43. An analyst observes the following EPS for four companies: -£0.50, £0.50, £2.50, and £5.50. The 50th percentile of the EPS values is *closest* to:
- £1.50.
 - £2.00.
 - £2.50.
44. The standard error of the estimate in a simple linear regression is *best* described as:
- a relative measure off it for the regression.
 - the percentage of the variation of the dependent variable that is explained by the independent variable.
 - a measure of the distance between the observed values of the dependent variable and those predicted from the estimated regression.
45. An analyst gathers the following information about a portfolio's returns:

Year	Return (%)
1	6%
2	7%
3	3%
4	2%
5	4%

If the target return is 5%, the target downside deviation is *closest* to:

- 1.7%.
 - 1.9%.
 - 2.2%.
46. Which of the following measures best quantifies the amount of risk per unit of mean return?
- Sharpe ratio
 - Standard deviation
 - Coefficient of variation

47. An analyst gathers the following returns for seven funds:

12%	7%	5%	4%	8%	3%	3%
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The second quartile return is:

- A. 4%.
 - B. 5%.
 - C. 6%.
48. The correlation coefficient:
- A. ranges from 0 to 1.
 - B. is not affected by outliers.
 - C. indicates the strength of the linear relationship between two random variables.
49. If the covariance between two positively correlated random variables remains the same but the variance of both variables increases, the correlation between the two variables.
- A. decreases.
 - B. stays the same.
 - C. increases.
50. The correlation between two variables measures:
- A. only their linear relationship.
 - B. only their non-linear relationship.
 - C. both their linear and non-linear relationships.
51. Which of the following is required to compute the standard error of a sample mean using the bootstrap resampling method?
- A. The mean of each resample
 - B. The mean of the original sample
 - C. The standard deviation of the original sample

52. A discrete random variable X has the following probability distribution:

Probability	Outcome
0.20	35
0.30	50
0.50	80

The standard deviation of X is *closest* to:

- A. 18.73.
- B. 20.00.
- C. 22.91.

53. A tree diagram contains the following information about the dividend per share payable by a company under two scenarios:

Scenario	Probability of Scenario	Dividend per Share	Probability of Dividend
Favorable	0.60	\$2.00	0.80
		\$1.50	0.20
Unfavorable	0.40	\$0.75	0.30
		\$0.50	0.70

The expected dividend per share under the favorable scenario is *closest* to:

- A. \$1.14.
- B. \$1.37.
- C. \$1.90.

54. An investor is considering two term deposits with the following characteristics:

	Term Deposit 1	Term Deposit 2
Compounding frequency	Quarterly	Continuous
Stated annual rate	4%	?

The stated annual rate for Term Deposit 2 that should make the investor indifferent between the two term deposits is *closest* to:

- A. 3.92%.
- B. 3.98%.
- C. 4.06%.

55. An investor invests a fixed amount of money into a fund each year for three years as follows:

Year	Term Deposit 1
1	€ 14.00
2	€ 12.00
3	€ 17.00

The investor's average cost per share is *closest* to:

- A. € 14.05.
 - B. € 14.33.
 - C. € 14.63.
56. The simple linear regression model in which only the independent variable is in logarithmic form is *best* described as the.
- A. log-lin model.
 - B. lin-log model.
 - C. log-log model

57. An analyst produces the following joint probability function for the returns on two companies, X and Y :

	Return of Y		
	Return of $Y=15\%$	Return of $Y=10\%$	Return of $Y=5\%$
Return of $X=20\%$	0.2	0	0
Return of $X=15\%$	0	0.4	0
Return of $X=10\%$	0	0	0.4

The expected returns of companies X and Y are 14% and 9%, respectively. The covariance of returns between X and Y (in percent squared) is *closest* to:

- A. 0.
 - B. 5.
 - C. 14.
58. An analyst gathers the following sample returns for a security:

Return
-2%
-1%
1%
2%

The mean absolute deviation of the sample returns is:

- A. less than the sample standard deviation.
- B. equal to the sample standard deviation.
- C. greater than the sample standard deviation.

59. An investor gathers the following information about a stock:

Stock price at $t=0$	\$20
Dividend paid at $t=1$	\$3
Stock price at $t=1$	\$12
Dividend paid at $t=2$	\$1
Stock price at $t=2$	\$20

The investor purchased one unit of the stock at $t=0$ and sold it at $t=2$. If the dividends were not reinvested, the money-weighted rate of return is *closest* to:

- A. 10%.
- B. 15%.
- C. 20%.

60. Which of the following statements is *most* accurate? The money-weighted return:

- A. ignores cash withdrawals and additional cash investments.
- B. measures what the investor actually earned on the funds invested.
- C. should be used to compare the performance of different investment managers.

61. In evaluating portfolio performance, the return measure *most* affected by an addition of funds to the portfolio just before a market downturn is the:

- A. time-weighted return.
- B. arithmetic mean return.
- C. money-weighted return.

62. An equally weighted portfolio consists of two securities, each with a standard deviation of 3%. If the two securities' returns are uncorrelated, the portfolio's standard deviation is *closest* to:

- A. 0.0%.
- B. 2.1%.
- C. 3.0%.

63. An investment requires 10 equal annual payments, starting today, and will pay out a lump sum of \$500,000 15 years from today. If the interest rate is 4% per year compounded annually, the required annual payment is *closest* to:

- A. \$32,913.
- B. \$34,230.
- C. \$40,044.

64. The probability of correctly rejecting a false null hypothesis is best described as one minus the:
- A. test statistic's p-value.
 - B. probability of a Type I error.
 - C. probability of a Type II error.

65. All else being equal, which of the following would *most likely* lead to a wider prediction interval for the dependent variable when re-estimating a linear regression model? An increase in the:
- A. sample size.
 - B. level of significance.
 - C. standard error of the estimate.

66. An investor needs to make the following payments to cover college tuition fees, starting 10 years from today:

Annual fee (payable at the beginning of each year)	\$50,000
Number of years of fee payments	4

If the investor's annual discount rate is 3%, the minimum investment amount required today to fund all four years of college tuition is *closest* to:

- A. \$138,294.
 - B. \$142,442.
 - C. \$146,716.
67. An annuity makes seven annual payments of \$10,000 each, with the first payment occurring five years from today. If the discount rate is 6% per year, the value of the annuity today is *closest* to:
- A. \$41,715.
 - B. \$44,218.
 - C. \$55,824.
68. With respect to simple linear regression, a residual is best described as the difference between the observed value of a dependent variable and:
- A. its mean.
 - B. its estimated value using a fitted regression line based on the sample.
 - C. its expected value based on the true underlying population relationship.

69. The time preference of individuals for current instead of future real consumption is captured by the:
- A. liquidity premium.
 - B. maturity premium.
 - C. real risk-free interest rate.
70. A portfolio has a mean return of 1.0% and a standard deviation of returns of 2.7%. If the specified minimum target return is 1.0%, the sample target semideviation is:
- A. less than 2.7%.
 - B. equal to 2.7%.
 - C. greater than 2.7%.
71. An analyst discards the lowest 2.5% and the highest 2.5% of values in a sample, and computes the mean of the remaining 95% of values. The resulting mean is best described as a:
- A. trimmed mean.
 - B. harmonic mean.
 - C. winsorized mean.
72. If a stock's continuously compounded return is normally distributed, the future stock price is *most likely*.
- A. normally distributed.
 - B. uniformly distributed.
 - C. lognormally distributed.
73. An analyst considers the population of all existing stocks and selects those where the company name starts with the letter P. This sampling procedure is *most likely* an example of.
- A. systematic sampling.
 - B. non-probability sampling.
 - C. two-stage cluster sampling.

74. A bank offers a savings account with a stated annual rate of 3% in the first year and 5% in the second year. If returns are compounded quarterly and € 90,000 is deposited in the account at the beginning of the first year, the account's value at the end of the second year is *closest* to:
- A. 697,200.
 - B. 697,335.
 - C. 697,455.
75. The lognormal distribution:
- A. is unbounded.
 - B. is asymmetrical.
 - C. has the same mean as that of its associated normal distribution.
76. In simple linear regression analysis, the total sum of squares best describes:
- A. a scatter plot.
 - B. the variation of the dependent variable.
 - C. a paired observation between variables.
77. The process of representing ownership rights to physical assets on a distributed ledger is referred to as:
- A. tokenization.
 - B. initial coin offering.
 - C. consensus mechanism.
78. A pension fund needs to pay a lump sum \$10,000,000 to its participants in 15 years. If the fund is expected to earn 5% per year compounded semi-annually, the amount needed today to meet its liability in 15 years is *closest* to:
- A. \$4,767,427.
 - B. \$4,810,171.
 - C. \$4,892,771.
79. Which of the following statements about distributed ledger technology is *most* accurate?
- A. Bitcoin uses a permissioned network.
 - B. Miners execute smart contracts in the blockchain.
 - C. Tokenization can streamline the transfer of ownership of physical assets.

80. Which of the following is an underlying assumption of the simple linear regression model? The regression residuals:
- A. are normally distributed.
 - B. have high correlations across observations.
 - C. have different variances across observations.
81. For a set of return observations, the coefficient of variation is best described as a measure of.
- A. risk per unit of mean return.
 - B. mean excess return earned per unit of risk.
 - C. average absolute deviation around the mean return.
82. An analyst performs a hypothesis test concerning the difference between the mean returns of two portfolios, assuming normally distributed populations with unknown but equal variances. If the analyst decides to change the hypothesized difference in mean returns from 0% to 1%, which of the following will change?
- A. The value of the test statistic.
 - B. The degrees of freedom used in the test.
 - C. The pooled estimate of the common population variance.
83. An analyst tabulates the ranks of four paired observations of random variables X and Y as follows:

Observation	Rank of X	Rank of Y
1	1	2
2	2	3
3	3	4
4	4	1

The Spearman rank correlation coefficient between X and Y is *closest* to:

- A. -0.2.
 - B. 0.8.
 - C. 1.0.
84. An analyst runs a simple linear regression to test whether the variation in the demand for corn explains the variation in the supply of wheat. In this model, the supply of wheat is a(n):
- A. indicator variable.
 - B. explained variable.
 - C. independent variable.

85. A return distribution with negative skew and a mean of zero *most likely* has:
- A. frequent small gains and a few extreme losses.
 - B. frequent small losses and a few extreme gains.
 - C. frequent extreme losses and a few small gains.
86. If the relationship between the dependent variable and independent variable is linear, the regression residuals when plotted against the independent value should appear to:
- A. be linear.
 - B. be random.
 - C. follow a pattern.
87. In which of the following cases is cluster sampling *most likely* used? When:
- A. conducting a market survey.
 - B. auditing financial statements.
 - C. creating a bond portfolio to mirror the performance of a specified index.
88. Samples are drawn from a population that follows a binomial distribution with a probability of success on a trial of 0.3. According to the central limit theorem, as the sample size increases, the distribution of the sample mean approaches a
- A. negatively skewed distribution.
 - B. Symmetric distribution.
 - C. positively skewed distribution.
89. A graphical depiction of a continuous distribution shows the left tail to be longer than the right tail. The distribution is *best* described as having:
- A. negative skewness.
 - B. leptokurtosis.
 - C. Positive skewness.
90. A nonparametric test is *most* appropriate when:
- A. comparing differences between means.
 - B. data are given in ranks.
 - C. data meet distributional assumptions.

91. If a client controls the timing of cash flows into and out of a portfolio, which of the following is *most* appropriate when evaluating the performance of the portfolio manager?
- A. Time-weighted rate of return.
 - B. Arithmetic mean rate of return.
 - C. Money-weighted rate of return.
92. Grouping all publicly traded US firms by sector and then randomly selecting subsamples of firms from each sector according to the sector's proportion in the total population is an example of:
- A. cluster sampling.
 - B. simple random sampling.
 - C. stratified random sampling.
93. In hypothesis testing, which of the following best describes a Type II error?
- A. Rejecting a true null hypothesis.
 - B. Rejecting a false null hypothesis.
 - C. Failure to reject a false null hypothesis.

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1. All, else held equal, the value of a European call option is best characterized as having a:
 - A. negative relationship with the price of the underlying.
 - B. negative relationship with the volatility of the underlying.
 - C. positive relationship with the time to expiration.

2. All else being equal, which of the following European put options on the same underlying most likely has the highest value?

	Time to Expiration	Exercise Price
Option 1	2 months	\$52
Option 2	4 months	\$52
Option 3	4 months	\$58

- A. Option 1
 - B. Option 2
 - C. Option 3
3. The value of a European put is directly related to the:
 - A. risk-free rate.
 - B. exercise price.
 - C. value of the underlying.
4. An investor gathers the following information about a call option:

Option premium	\$5
Exercise price	\$25
Price of the underlying at initiation	\$15

At expiration, if the price of the underlying is \$30, the value of the call option to the call seller is:

- A. -\$5.
 - B. \$0.
 - C. \$10.

5. An analyst gathers the following information:

Call price	\$10
Stock price	\$40
Exercise price	\$60
Interest rate	3%
Time to expiry	1 year

According to put-call parity, the price of the put is closest to:

- A. \$28.25.
B. \$30.00.
C. \$108.25.
6. Two-year and three-year government benchmark zero-coupon bonds are priced at 96 and 93 (per 100 face value), respectively. The implied one-year forward rate in two years' time is closest to:
A. 3.00%.
B. 3.23%.
C. 3.36%.
7. According to put-call parity, the payoff of a European put option is equivalent to a payoff of a portfolio consisting of:
A. a long asset, a short call and a long risk-free bond.
B. a short asset, a long call and a long risk-free bond.
C. a short asset, a short call and a short risk-free bond.
8. An investor takes a long position in a risk-free bond and in a forward contract on a non-dividend-paying stock. The forward contract is priced at £50. The annual risk-free rate is 10%. A nine-month put option on the stock with an exercise price of £47 trades at £4. The price of a nine-month call option on the stock with an exercise price of £47 is closest to:
A. £6.79.
B. £7.22.
C. £7.30.
9. Which of the following is most accurate?
A. A forward contract is traded on an organized exchange.
B. Forward contracts are more transparent than futures contracts.
C. The buyer of a forward contract agrees to buy the underlying asset at a fixed price on a future date.

10. A commodities producer selling its inventory forward in anticipation of lower prices in the future is an example of a:
- A. fair value hedge.
 - B. cash flow hedge.
 - C. net investment hedge.
11. Which of the following is equal to the greater of zero or the present value of the exercise price minus the spot price?
- A. The lower bound of a put option
 - B. The lower bound of a call option
 - C. The upper bound of a put option
12. Which of the following most likely has an embedded derivative in its structure?
- A. A put option
 - B. A callable bond
 - C. A futures contract
13. Which of the following derivatives most likely requires a payment to be made at the initiation of the contract? A(n):
- A. swap
 - B. option
 - C. Forward
14. Basis risk is best described as a(n):
- A. investor's inability to meet a margin call due to a lack of funds.
 - B. potential divergence between the expected value of a derivative and its underlying.
 - C. divergence in the cash flow timing of a derivative versus that of an underlying transaction.
15. Which of the following derivative contracts is best described as a contingent claim?
- A. A swap contract
 - B. A forward contract
 - C. An option contract

16. An investor buys a call option for \$4 that has an exercise price of \$27. At expiration, if the stock price is \$22, the call option payoff is:
- A. negative.
 - B. zero.
 - C. positive.
17. Which of the following derivatives have a non-linear payoff?
- A. Contingent claims only
 - B. Forward commitments only
 - C. Both contingent claims and forward commitments
18. The potential divergence between the expected value of a derivative instrument versus an underlying or hedged transaction best describes:
- A. basis risk.
 - B. liquidity risk.
 - C. systemic risk.
19. With respect to hedge accounting designation types, a:
- A. foreign exchange forward to hedge forecasted sales is an example of a fair value hedge.
 - B. commodity futures contract used to hedge inventory is an example of a cash flow hedge.
 - C. currency forward to offset the foreign exchange risk of equity of a foreign operation is an example of a net investment hedge.
20. Which of the following statements about derivatives is most accurate?
- A. Derivatives reduce the efficiency of price discovery for the underlying
 - B. Transaction cost of derivatives are greater than the transaction cost of the underlying
 - C. Excessive risk taking and use of leverage in derivative markets may contribute to market stress
21. Which of the following asset classes is most likely to have a convenience yield?
- A. Commodities
 - B. Interest rates
 - C. Foreign exchange

22. Counterparty default risk is most likely lowest for which of the following types of derivatives?
- A. Swaps
 - B. Futures
 - C. Forwards
23. When the strike price of a call option is lower, the likelihood of the option expiring in-the-money is:
- A. lower
 - B. unchanged.
 - C. higher.
24. Derivatives are typically priced by forming a hedge involving the underlying asset and a derivative such that the combination must pay the:
- A. risk-free rate.
 - B. dividend yield.
 - C. convenience yield.
25. The potential divergence between the cash flow timing of a derivative instrument versus its underlying best describes:
- A. basis risk
 - B. liquidity risk.
 - C. systemic risk.
26. Before expiration, if the price of the underlying is above the exercise price, the European put option has a positive:
- A. time value.
 - B. intrinsic value.
 - C. exercise value.
27. According to put-call-forward parity, the payoff on a fiduciary call is equivalent to the payoff on a portfolio consisting of:
- A. a long call and a short risk-free bond.
 - B. a long put, a long forward contract and a long risk-free bond.
 - C. a short call, a long forward contract and a long risk-free bond.

28. Compared to over-the-counter derivatives, exchange-traded derivatives:
- A. are less standardized.
 - B. provide less transparency.
 - C. have lower transaction costs.
29. A series of forward rate agreements and an interest rate swap contract covering the same periods and using the same market reference rate will most likely have the same:
- A. fixed rates.
 - B. cash flows upfront.
 - C. settlement cash flows.
30. The value of a forward contract at initiation is most likely equal to:
- A. zero.
 - B. the spot price minus the forward price.
 - C. the forward price minus the spot price.
31. Which of the following derivatives realize a gain as the market reference rate rises above the initial fixed rate?
- A. Long forward rate agreements only
 - B. Short interest rate futures contracts only
 - C. Both long forward rate agreements and short interest rate futures contracts
32. In the over-the-counter derivatives market, most transactions occur between end users and:
- A. dealers.
 - B. other end users.
 - C. a central counterparty.
33. Which of the following statements is most accurate? A standard interest rate swap has:
- A. a symmetric payoff profile.
 - B. the principal cash flow exchanged upfront.
 - C. periodic settlements that occur at the beginning of each period.

34. The upper bound of a call price is the:
- A. exercise price.
 - B. price of the underlying.
 - C. underlying's price minus the present value of the exercise price.
35. The following portfolios contain a company's stock and a derivative on the stock:

Portfolio	Securities
1	Stock and a short futures position
2	Stock and a short call option position
3	Stock and a short warrant position

The portfolio containing a derivative acting as a firm commitment to hedge the stock is most likely:

- A. Portfolio 1.
 - B. Portfolio 2.
 - C. Portfolio 3.
36. A futures contract's:
- A. mark-to-market is not settled until maturity.
 - B. price remains fixed until the contract matures.
 - C. variation margin reduces counterparty credit risk.
37. A stock with a dividend yield of 3% is trading in the spot market at \$50. If the annual risk-free rate is 5%, the 6-month forward price of the stock is closest to:
- A. \$49.50.
 - B. \$50.50.
 - C. \$51.27.
38. If the net cost of carry is zero, the forward price of a commodity is most likely:
- A. less than the commodity's spot price compounded at the risk-free rate over the life of the contract.
 - B. equal to the commodity's spot price compounded at the risk-free rate over the life of the contract.
 - C. greater than the commodity's spot price compounded at the risk-free rate over the life of the contract.

39. Long futures contracts are more attractive than long forward positions for the same underlying and maturity when futures prices and interest rates are:
- A. negatively correlated.
 - B. uncorrelated.
 - C. positively correlated.
40. The differential between forward and futures prices is determined by which of the following?
- A. Interest rate volatility only
 - B. The correlation between futures prices and interest rates only
 - C. Both interest rate volatility and the correlation between futures prices and interest rates
41. From the fixed-rate receiver's perspective, if the market reference rate increases, the value of a swap contract:
- A. decreases.
 - B. stays the same.
 - C. Increases.
42. An analyst gathers the following information:
- The current spot price of crude oil is \$120 per barrel.
 - The risk-free rate is 3% with annual compounding.
 - A futures contract has 182 days until settlement.
 - The storage cost is \$5 per barrel, payable at the end of the futures contract.
- Based on 365 days per year, the futures price per barrel of crude oil is closest to:
- A. \$126.78.
 - B. \$126.86.
 - C. \$126.93.
43. Most derivatives pricing models are established on the foundation that:
- A. arbitrage opportunities exist.
 - B. only one price for a derivative exists.
 - C. the underlying asset price is inferred to determine the derivative price.

44. Which of the following is most accurate regarding a call option replication strategy?
- A. The strategy requires adjustment over the life of the option contract based on the likelihood of exercise
 - B. If the call option is exercised, the strategy requires purchasing the underlying from the proceeds of the loan
 - C. At inception, the strategy requires buying long a forward contract on the underlying and borrowing at the risk free rate

45. An analyst collects the following information:

Current stock price	€26
Gross return from an up move	1.10
Gross return from a down move	0.75
Call and put exercise price	€22

Based on a one-period binomial pricing model, which of the following has the largest payoff?

- A. Put option following an up move
 - B. Put option following a down move
 - C. Call option following a down move
46. A \$10 million interest rate swap with annual payments has a fixed swap rate of 1.95%. The implied forward rates are:

Year	Implied Forward Rate (%)
1	0.50
2	1.15
3	1.35

The periodic settlement value in Year 3 for the fixed-rate payer is expected to be closest to:

- A. -\$95,000.
 - B. -\$60,000.
 - C. \$60,000.
47. Which of the following best describes put-call-forward parity?
- A. The present value of the exercise price plus the call price equals the put price plus the underlying price.
 - B. The underlying price plus the call price equals the present value of the exercise price plus the put price.
 - C. The call price minus the put price equals the present value of the exercise price minus the underlying price.

48. Consider a put option selling for \$2 in which the exercise price is \$45. What is the profit for a put buyer if the price of the underlying at expiration is \$41?
- A. -\$2
 - B. \$2
 - C. \$4
49. Based on put-call parity, which of the following is equivalent to a long position in the underlying asset?
- A. Long call, long put, and short bond
 - B. Long put, short call, and long bond
 - C. Long call, short put, and long bond

50. An analyst gathers the following information about an underlying:

Current price of underlying asset	\$16.0
End of period upward price	\$22.0
End of period downward price	\$12.0
Risk-free rate	4.0%

Using a one-period binomial model, the risk-neutral probability of a price increase is closest to:

- A. 0.38.
 - B. 0.46.
 - C. 0.54.
51. An investor expects an underlying to go up or down by 25% over the next year. If the risk-free rate is 5%, the risk-neutral probability of a decrease in the underlying price is closest to:
- A. 0.25.
 - B. 0.40.
 - C. 0.60.
52. Which of the following factors affects the option price when using a binomial model? The:
- A. risk-free rate.
 - B. level of investors' risk aversion.
 - C. expected return of the underlying.

53. An end user seeking to hedge a specific underlying exposure having non-standard size and settlement dates would most likely trade on a(n):
- A. futures market.
 - B. over-the-counter derivative market.
 - C. exchange-traded derivative market.

54. All else being equal, if the up gross return increases in a one-period binomial model, the risk-neutral probability of an upward price movement of the asset will:
- A. decrease.
 - B. remain the same.
 - C. increase.

55. A forward agreement has the following terms:

Spot price at inception	\$275
Forward price	\$285
Number of shares	2,000

At expiration, if the spot price is \$282, the value to the seller is:

- A. -\$6,000.
 - B. \$6,000.
 - C. \$14,000.
56. A trader sells a call option on a stock index with a strike price of 2,400 for \$25. The value of a one-point move in the index is \$1. At expiration, the stock index is trading at 2,450. The trader's profit is:
- A. -\$50.
 - B. -\$25.
 - C. \$25.
57. An investor buys a call for \$5.75 that has a strike price of \$130. If the value at expiration for this call is \$17.80, the price of the underlying at expiration is closest to:
- A. \$112.20.
 - B. \$142.05.
 - C. \$147.80.

58. An investor sells a European put option with the following characteristics:

Put price	30
Exercise price	1,320

If the price of the underlying at expiration is 1,340, the profit for the seller is:

- A. 10.
- B. 20.
- C. 30.

59. An analyst gathers the following information about three portfolios each consisting of two derivatives on the same underlying:

	Forward Position	Option Position
Portfolio 1	Long	Long Call
Portfolio 2	Long	Long Put
Portfolio 3	Short	Long Call

All else being equal, which portfolio will benefit from an increase in price of the underlying?

- A. Portfolio 1
- B. Portfolio 2
- C. Portfolio 3

60. All else being equal, the cost of carry on a dividend-paying stock is:

- A. lower than the cost of carry on a stock with no dividends.
- B. the same as the cost of carry on a stock with no dividends.
- C. higher than the cost of carry on a stock with no dividends.

61. An investor collects the following information about a put option:

Stock price at initiation	\$220
Strike price	\$210
Option premium	\$9

At expiration, if the price of the stock is \$200, the investor's profit from buying the put is:

- A. -\$19.
- B. -\$9.
- C. \$1.

62. Which of the following interest rate derivatives most likely has the largest convexity bias?

- A. Forward rate agreement on a 1-month market reference rate
- B. Forward rate agreement on a 3-month market reference rate
- C. Interest rate futures contract on a 3-month market reference rate

63. The upper bound of a call value is the:
- A. underlying's price.
 - B. underlying's price plus the present value of its exercise price or zero, whichever is greater.
 - C. underlying's price minus the present value of its exercise price or zero, whichever is greater.
64. Which party in an option contract has the right to sell the underlying stock at the exercise price?
- A. The buyer of a call option
 - B. The buyer of a put option
 - C. The seller of a put option
65. All else being equal, if the risk-free rate increases immediately after the inception of a forward contract, the value of the contract to the forward buyer will:
- A. decrease.
 - B. stay the same.
 - C. increase.

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1. Which of the following statements most likely reflects one of the six components of the CFA Code of Ethics? Candidates must:
 - A. place the integrity of the investment profession above their own interests.
 - B. promote the viability of the global capital markets for their employer's benefit.
 - C. ignore unprofessional conduct displayed by others within the profession.

2. A profession is most likely described as a group of people that:
 - A. has a common level of basic knowledge about a particular subject
 - B. monitors its members based on an agreed-on code of ethics.
 - C. puts the interests of its members first.

3. Most societies would least likely consider ethical principles to include:
 - A. justice.
 - B. duplicity.
 - C. diligence.

4. Tibor Figeczky, CFA, is an equity trader at Global Investment Bank (GB). Figeczky traded the bank's investment portfolio profitably for the past three years and earned significant bonuses for his efforts. Subsequently, internal auditors of GB formally accused Figeczky of exceeding his trading authority and engaging in unauthorized trades. According to the CFA Institute Code of Ethics and Standards of Professional Conduct, Figeczky should most likely.
 - A. disclose the complaint to CFA Institute.
 - B. refuse further bonuses until the issue is resolved.
 - C. request a temporary suspension of his CFA Institute membership.

5. Lisa Hajak, CFA, specialized in research on real estate companies at Cornerstone Country Bank for the past twenty years. Hajak recently started her own investment research firm, Hajak Investment Advisory. One of her former client sat Cornerstone asks Hajak to update a research report she wrote on a real estate company when she was at Cornerstone. Hajak updates the report, which she had copied to her personal computer without the bank's knowledge, and replaces references to the bank with her new firm, Hajak Investment Advisory. Hajak also incorporates the conclusions of a real estate study conducted by the Realtors Association that appeared in the Wall Street Journal. She references the Journal as her source in her report. She provides the revised report free of charge along with a cover letter for the bank's client to become a client of her firm. Concerning the reissued research report, Hajak least likely violated the CFA Institute Standards of Professional Conduct because she:
- A. solicited the bank's client.
 - B. did not obtain consent to use the bank report.
 - C. did not cite the actual source of the real estate study.
6. Dennis Kim, CFA, works at Century Growth Partners (CGP) where he manages an investment account for his client Amelia Frost. Frost tells Kim to invest one percent of her portfolio in biotech stocks. Kim believes such an investment is inconsistent with Frost's investment policy statement. CGP has no policy regarding execution of unsolicited trading requests. Kim discusses his concerns with Frost, but she does not change her instruction. Without amending Frost's investment policy statement, Kim executes the trade afterward. Has Kim violated the Standards?
- A. No
 - B. Yes, because Kim executes an unsuitable trade for Frost
 - C. Yes, because Kim does not change Frost's investment policy statement before executing the trade
7. Which of the following is a recommended procedure for compliance with the Standard relating to loyalty, prudence, and care? Members should:
- A. eliminate all actual and potential conflicts of interest.
 - B. make their clients aware of all forms of manager compensation.
 - C. submit to each client, at least annually, an itemized statement showing the funds and securities in custody.

8. According to the Standards, a member who is asked to produce an issuer-paid research report is required to:
- A. avoid cash compensation.
 - B. disclose the nature of their compensation in the report.
 - C. decline to write the report if the member's firm provides investment banking services to the issuer.
9. Ann Jules, CFA, discovered that her employer, Plutus Investments Inc. (PII), inflates investment performance in PII's marketing brochure. In accordance with firm policy, Jules uses PII's marketing brochure to present to prospective clients. In addition, Jules emails stock recommendations to her clients in capsule form and offers additional information only upon request. Jules has most likely violated the Standards:
- A. by emailing stock recommendations to her clients in capsule form.
 - B. only by using PII's marketing brochure to present to prospective clients.
 - C. both by emailing stock recommendations to her clients in capsule form and by using PII's marketing brochure to present to prospective clients.
10. Maria Jennings, CFA, overhears the CEO of United Retail saying that the quarterly report to be released next week will miss analysts' expectations. Jennings immediately calls her brother who owns the stock to tell him what she overheard. One week later, Jennings writes a report on another company, KTD retail. She uses public and non material nonpublic information for her analysis to issue a "buy" recommendation. Has Jennings most likely violated the Standards?
- A. No
 - B. Yes, by calling her brother to tell him what she overheard
 - C. Yes, by using public and non material nonpublic information for her analysis to issue a "buy" recommendation
11. According to the Standards, which of the following is most likely considered material nonpublic information?
- A. The recent execution of a large buy order from a hedge fund.
 - B. Significant legal challenges revealed at an internal meeting of the company's management.
 - C. Recent increases in a company's board remuneration discussed at the annual general meeting.

12. According to the Standard relating to fair dealing, when members disseminate investment recommendations, they are most likely required to make every effort to treat individual clients in a(n):
- A. fair and equal manner.
 - B. fair and impartial manner.
 - C. equal and impartial manner.
13. According to the recommended procedure for compliance with the Standard relating to fair dealing, a member who works in a large firm should:
- A. offer different levels of service to clients selectively based on the clients' investment needs.
 - B. disclose to clients and prospective clients how she selects accounts to participate in an order.
 - C. inform all firm staff of the content of upcoming investment recommendations to assure that all clients' investment needs are met
14. Which of the following statements is accurate according to the Standards?
- | | |
|-------------|--|
| Statement 1 | A member, prior to leaving his current employer, may contact potential clients for purposes of soliciting their business for their new employer. |
| Statement 2 | A member, while still employed, is free to make arrangements outside of normal working hours to apply for a license with the local regulator to set up a competing business. |
- A. Statement 1 only.
 - B. Statement 2 only.
 - C. Both Statement 1 and Statement 2.
15. According to the Standard relating to disclosure of conflicts, buy-side members should disclose to clients their:
- A. beneficial ownership in any security.
 - B. firm's procedures for reporting requirements for personal transactions.
 - C. firm's policies on blackout periods during which the member cannot trade for clients.

16. Michael Mak, CFA, is a portfolio manager at an investment firm. After comprehensive research, Mak buys Advance One Tech's (AOT) stock for all his clients for whom the investment is suitable. He then buys AOT shares for his brother's fee-paying account, in which Mak has beneficial ownership. AOT's stock price declines significantly after a month, resulting in substantial losses for all his clients. Are Mak's actions consistent with the Standards?
- A. Yes
 - B. No, Mak's actions are not consistent with the Standard relating to priority of transactions
 - C. No, Mak's actions are not consistent with the Standard relating to diligence and reasonable basis
17. With respect to the GIPS standards, which of the following statements is most accurate? Verification:
- A. of GIPS compliance is mandatory if the firm claims GIPS compliance.
 - B. is performed by the firm when self-regulating and certifying its claim of compliance.
 - C. tests whether the firm's processes are designed to present performance results in compliance with the GIPS standards.
18. Which of the following is a violation of the Standard relating to conduct as participants in CFA Institute Programs? A candidate:
- A. discusses broad topic areas covered in the curriculum in an online forum.
 - B. tells her brother, after taking the exam, how glad she was that no questions about the binomial model were asked.
 - C. publishes on a social media website her disappointment about what she thinks is an overly academic CFA Program.
19. Johnny Lumunon, CFA, shows prospective clients the investment performance of an account with "balanced" investment objectives and highlights how account has outperformed the benchmark in the last 10 years. He does not disclose that this is the best performing account, and that half of the accounts with "balanced" investment objectives managed by his firm under performed the benchmark during the same period. Lumunon has most likely violated the Standard(s) relating to:
- A. only misrepresentation.
 - B. only performance presentation.
 - C. both misrepresentation and performance presentation.

20. Jordan Kope, CFA, is an analyst with a hedge fund and works closely with Deepa Bose who earned her CFA designation 15 years ago. Kope becomes aware that Bose uses her CFA designation even though she no longer pays her membership dues. During several meetings that Bose and Kope have with the firm's clients, Bose emphasizes that all her team members, including herself, are CFA charter holders. To be consistent with the Standards, Kope should:
- only dissociate himself from activities involving Bose.
 - only report Bose's conduct to the fund's compliance department.
 - dissociate himself from activities involving Bose and report Bose's conduct to the fund's compliance department.
21. According to the recommended procedures for compliance with the Standard relating to responsibilities of supervisors, a firm's code of ethics should:
- only be written in plain language.
 - only be integrated in the firm's compliance procedures.
 - both be written in plain language and be integrated in the firm's compliance procedures.
22. According to the Standard relating to diligence and reasonable basis, a member is required to:
- exercise diligence, independence, and thoroughness in analyzing investments.
 - become an expert in the technical aspects of the models used for investment recommendations.
 - dissociate and remove her name from a company group report if the report does not reflect her opinion.
23. After completing Level II of the CFA exam, Aashi Banerjee posts several comments on an online chatroom for CFA program candidates. Which of the following comments violate the Standard relating to conduct as participants in CFA Institute programs?
- | | |
|-----------|---|
| Comment 1 | CFA Institute must revise the topic area weights on the exam. |
| Comment 1 | There were no questions on GIPS standards. |
- Comment 1 only
 - Comment 2 only
 - Both Comment 1 and Comment 2

24. Which of the following activities violates the Standard relating to market manipulation?

Activity 1	A member secures a dominant position in futures contracts to influence the price of the underlying. The transaction results in large losses for the member.
Activity 2	A member frequently trades a stock in multiple client accounts with an intent to increase the volume of the stock. The transactions result in large gains for the clients.

- A. Activity 1 only
- B. Activity 2 only
- C. Both Activity 1 and Activity 2

25. Which of the following statements regarding the GIPS standards is accurate?

- A. All fee-paying client portfolios must be included in at least one composite.
- B. All portfolios with the same investment mandate are aggregated into a composite.
- C. Aggregation of portfolios into composites is based on the actual performance of the portfolios every year

26. Claus Holm, CFA, directs most of his clients' trades to RRT Company (RRT), despite RRT's higher-than-average commissions. In return, RRT refers individual clients to Holm for asset management services. Holm does not disclose the arrangement to his clients or prospective clients. Holm has most likely violated the Standard(s) relating:

- A. only to referral fees.
- B. only to loyalty, prudence, and care.
- C. both to referral fees and to loyalty, prudence, and care.

27. Emma Fischer, CFA, is an analyst covering the banking sector. She has declared bankruptcy due to large unpaid personal medical bills. On weekends, she participates in public protests for climate protection. She was recently arrested for trespassing during a protest, which is an act of civil disobedience in her country. Has Fischer violated the Standards?

- A. No
- B. Yes, she has violated the Standard relating to misconduct
- C. Yes, she has violated the Standard relating to loyalty, prudence and care

28. Which of the following is a recommended procedure for compliance with the Standard relating to independence and objectivity? Members should encourage their firms to:
- A. prohibit any employee participation in equity-related IPO s.
 - B. remove a corporate client company from the research universe and put it on a restricted list if the firm is unwilling to disseminate adverse opinions about the company.
 - C. provide every client with the procedures and policies for reporting potentially unethical behaviour, violations of regulations, or other activities that may harm the firm's reputation.
29. According to the recommended procedure for compliance with the Standard relating to misconduct, members should encourage their firms to disseminate a list of potential violations and associated disciplinary sanctions to:
- A. all clients only.
 - B. all employees only.
 - C. both all clients and all employees.
30. According to the recommended procedures for compliance with the Standard relating to misconduct, members should encourage their firms to:
- A. conduct background checks of all employees at least annually.
 - B. develop and adopt a code of ethics to which every employee must subscribe.
 - C. check references of potential clients to ensure that they are of good character.
31. According to the guidance for the Standard relating to loyalty, prudence, and care, which of the following statements is most accurate?
- A. Voting proxies is necessary in all instances.
 - B. Members must maximize the economic value of proxies for clients.
 - C. Consistent application of proxy policies includes voting with management on all nonroutine governance matters.
32. According to the guidance for the Standards, which of the following statements are accurate?

Statement 1	Employees must place employer interests ahead of personal interests in all matters.
Statement 2	Statement Senior management of a member's firm should create financial compensation structures that do not drive unethical behavior.

- A. Statement 1 only.
- B. Statement 2 only.
- C. Both Statement 1 and Statement 2.

33. A member believes a colleague is participating in unethical activities at work. The member does not disassociate himself from the activities of his colleague. The member has most likely violated:
- only the Standard relating to knowledge of the law.
 - only the Standard relating to disclosure of conflicts.
 - both the Standard relating to knowledge of the law and the Standard relating to disclosure of conflicts.
34. According to the Standard relating to loyalty, members must:
- place their employer's interest above their personal interests in all matters.
 - notify their employer before engaging in an independent practice while still employed.
 - never act against their employer's interests when complying with their duties to clients.
35. Andrew Milton, CFA, is an advisor working with individual clients. Milton is careful to recommend investments for his clients that are consistent with their overall objectives and risk tolerance. His firm gives its advisors a bonus for recommending the firm's proprietary products. If all other variables are equal in an investment choice, Milton uses the proprietary products. Milton does not inform the clients of this bonus. Has Milton most likely violated the Standards?
- No.
 - Yes, the Standard relating to suitability.
 - Yes, the Standard relating to loyalty, prudence, and care.
36. Which of the following are among the recommended procedures for compliance with the Standard relating to independence and objectivity?
- | | |
|-------------|---|
| Procedure 1 | Impose limits on investment personnel acquiring securities in private placements. |
| Procedure 2 | Prohibit employees from receiving reimbursement from corporate issuers for air transportation when attending meetings at the issuers' headquarters. |
| Procedure 3 | Remove a company from the restricted list if the firm is unwilling to permit dissemination of adverse opinions about the company. |
- Procedure 1 and Procedure 2
 - Procedure 1 and Procedure 3
 - Procedure 2 and Procedure

37. Vinod Shah, CFA, is a fund manager for the employee pension plan of Jupiter Corporation, a publicly traded company. Shah owes a primary duty of loyalty, prudence, and care to the:
- A. shareholders of Jupiter.
 - B. management of Jupiter.
 - C. beneficiaries of the pension fund.
38. Min Joon, CFA, works in the client services department at an investment firm. Joon has been short-selling stocks on his personal account in anticipation of a significant decline in the market. His transactions do not disadvantage his firm's clients. Following a dramatic rise in the markets, Joon is unable to cover his short positions and is forced to declare personal bankruptcy. Has Joon violated the Standards?
- A. No
 - B. Yes, the Standard relating to misconduct
 - C. Yes, the Standard relating to loyalty, prudence, and care
39. A member secures a controlling, dominant position in an option on a stock in order to benefit from trading the stock. The option trades are reported by the exchange and the increased option trading volume leads other traders to take positions in the option and in the underlying stock. The member has violated the Standards:
- A. by engaging in transaction-based manipulation only.
 - B. by engaging in information-based manipulation only.
 - C. by engaging in both transaction-based manipulation and information-based manipulation.
40. Which of the following is a recommended procedure for compliance with the Standard relating to performance presentation? When presenting performance, members should:
- A. exclude terminated accounts.
 - B. use a single representative account for each investment mandate.
 - C. disclose that investment results are simulated when model results are used.

41. Mary Rein, CFA, makes a brief presentation about her firm's performance to a group of current and prospective clients. According to the Standard relating to performance presentation, is Rein required to make available the detailed information supporting her presentation to clients upon request?
- A. No.
 - B. Yes, only to current clients.
 - C. Yes, both to current clients and to prospective clients.
42. According to the Standard relating to suitability, a member who manages a mutual fund is required:
- A. only to invest in a manner consistent with the fund's stated mandate.
 - B. only to determine the suitability of the fund for investors who may be purchasing shares in the fund.
 - C. both to invest in a manner consistent with the fund's stated mandate and to determine the suitability of the fund for investors who may be purchasing shares in the fund.
43. Richard Hicks, CFA, is an investment advisor. A friend asks Hicks to share client contacts in order to solicit charitable donations. Hicks responds that he is unable to share current clients' contact details and instead provides e-mail addresses of several former clients. The next day, Hicks finds out that one of his colleagues, Claudia Moll, a Level III candidate in the CFA Program, has failed to inform her supervisor about her personal bankruptcy resulting from large medical bills. Have the Standards most likely been violated?
- A. No.
 - B. Yes, by Moll.
 - C. Yes, by Hicks.
44. Tom Dixon, CFA, provides a brief summary of his investment performance to his clients. He indicates that further information is available upon request. He tells his clients they can expect a return of 5% in the next three years based on his strong track record. Has Dixon most likely violated the Standards?
- A. No.
 - B. Yes, by indicating that further information is available upon request.
 - C. Yes, by telling his clients they can expect a return of 5% in the next three years.

45. According to the Standard relating to additional compensation arrangements, a member who is offered additional compensation from a third party for services that conflict with his employer's interest:
- A. is prohibited from accepting the additional compensation in all cases.
 - B. is required to notify his employer about compensation from the third party immediately after receiving it.
 - C. must obtain written consent from his employer and the third party offering fees to the member before accepting the compensation
46. John Run, CFA, manages client accounts for an investment firm. A client says to Run: "For every year my portfolio beats the benchmark by 5%, you can use my beach home for a week." Run also serves on the board of Core Air Ltd. (Core). He does not receive cash payments from Core for board services but Core sends Run a family voucher for a flight. Run accepts both offers and does not inform his firm about the beach home offer or the flight voucher. Has Run most likely violated the Standard relating to additional compensation arrangements?
- A. No.
 - B. Yes, only because Run accepts the beach home offer without informing his employer.
 - C. Yes, both because Run accepts the beach home offer and the family flight voucher without informing his employer.
47. Johanna Ayers, CFA, is a portfolio manager. She has a new client and develops an investment policy statement (IPS) that addresses the client's risk and return objectives and constraints. The client does not disclose assets managed by other firms and Ayers agrees to only manage the portion of the client's assets disclosed to her. In a separate document, Ayers develops an investment program and strategic asset allocation for the portion of client assets she manages. Has Ayers most likely violated the Standard relating to suitability?
- A. No.
 - B. Yes, by keeping the investment program and strategic asset allocation in a document that is separate from the IPS.
 - C. Yes, by agreeing to manage a portion of the client's assets without knowledge of the client's assets managed by other firms.

48. A member most likely violates the Standard relating to responsibilities of supervisors if she:
- A. accepts supervisory duties before ensuring the firm has adopted a codes of ethics.
 - B. delegates supervisory duties to subordinates who have no prior compliance experience.
 - C. relies on a subordinate's statements without initiating an assessment about the extent of a potential violation of the Standards.
49. According to the Standard relating to loyalty, in the absence of a non compete agreement and without employer consent, a member is permitted to:
- A. email himself a list of his clients when leaving his employer.
 - B. enter into an independent competitive business while still employed.
 - C. contact clients from his previous employer using public information to solicit business at his new firm.
50. To use a quantitative model in her investment research, a member is required by the Standards to:
- A. have developed or co-developed the model.
 - B. become an expert in every technical aspect of the model developed by others.
 - C. understand the assumptions and limitations inherent in the model developed by others.
51. Tim Newman, CFA, is an investment manager. One of his clients directs Newman to use Mercer brokerage to execute trades. Newman believes Mercer does not offer best execution, but uses the brokerage commissions to purchase research services for his client. Newman informs the client that he may not be getting best execution. Are Newman's actions consistent with the Standard relating to loyalty, prudence, and care?
- A. Yes.
 - B. No, because he used commissions to purchase research.
 - C. No, because he failed to achieve best execution for the client.

52. After thorough analysis, Algiris Vasilis, CFA, prepares a "buy" recommendation on a company's stock. In the report he writes: "The company will beat analysts' earnings projections next month." Vasilis first shares the recommendation with all clients by email. He then calls each of his clients by phone to present the recommendation. Has Vasilis violated the Standards?
- A. No
 - B. Yes, by calling each of his clients by phone to present the recommendation
 - C. Yes, by writing in the report, "The company will beat analysts' earnings projections next month"
53. Melissa Kon, CFA, is an equity analyst. She recently left her job at Ham m 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 and publishes the report. Afterwards, she re-creates supporting records from memory for record keeping purposes. Has Kon violated the Standards?
- A. No
 - B. Yes, by publishing the updated research report.
 - C. Yes, by re-creating supporting records from memory.
54. Amy Joy, CFA, works at Park lane Investments Ltd. (PIL). When presenting to PIL' s prospective clients, Joy uses a brief investment performance summary and makes available detailed supporting information only upon client request. Has Joy violated the Standards?
- A. No.
 - B. Yes, the Standard relating to fair dealing.
 - C. Yes, the Standard relating to performance presentation.
55. Hannah Hostettler, CFA, is a portfolio manager at a wealth management firm. Hostettler has an arrangement with a lawyer, whereby she refers clients who need legal advice to the lawyer, who in turn refers clients to Hostettler. Because no referral fees are involved, Hostettler does not disclose this arrangement to her existing or prospective clients. Has Hostettler most likely violated the Standards?
- A. No.
 - B. Yes, only by failing to disclose the arrangement to existing clients.
 - C. Yes, both by failing to disclose the arrangement to existing clients and to prospective clients.

56. Thomas Huang, CFA, is an investment advisor for Newline Partners (NP). NP has an agreement with brokerage firm Ridge Capital (RC). Huang refers clients to RC in exchange for compensation. RC pays a cash fee to NP for referrals. Before entering into formal agreements for services, Huang makes the following disclosure to NP's clients: "Please note that Newline Partners receives an annual cash percentage fee from Ridge Capital for the referral of clients." Huang omits disclosure of the estimated dollar value of the referrals. Has Huang violated the Standards?
- A. No.
 - B. Yes, by accepting a cash fee for referral of clients.
 - C. Yes, by not disclosing the estimated dollar value of the fee.

57. Which of the following is a recommended procedure for compliance with the Standard relating to preservation of confidentiality?

Procedure 1	Members should convey to clients that not all firm-sponsored communication methods may be suitable for transmitting confidential information.
Procedure 2	Procedure Members should encourage their firms to provide periodic training on confidentiality procedures to all clients.
Procedure 3	Procedure Members should become experts in information technology security in order to protect client confidentiality.

- A. Procedure 1
 - B. Procedure 2
 - C. Procedure 3
58. Marianne Lynn is registered for the CFA Level I exam. A few weeks after registration, she realizes that she is unable to prepare for the exam due to work commitments, so she informs CFA Institute that she declines to sit for the exam. Afterwards, shortly before the exam date, she posts on social media that she is a CFA candidate. Separately, Thomas Petrov, CFA, posts his investment views anonymously on social media and tags his post using "#CFA charter." Who has violated the Standards?
- A. Lynn only
 - B. Petrov only
 - C. Both Lynn and Petrov

59. Melinda Jacobs, CFA, is a portfolio manager with SFM Asset Managers (SFM). Jacobs teaches an investment course at a business school on weekends for a fee. Jacobs is planning to leave SFM and has begun to develop marketing materials for a new business that will compete with SFM. Has Jacobs most likely violated the Standards?
- A. No
 - B. Yes, by accepting a fee from the business school
 - C. Yes, by developing marketing materials for her new business that will compete with SFM

60. Which of the following individuals can refer to themselves as a candidate in the CFA Program?

Individual 1	Has passed Level II and expects to register for Level III in a couple of months
Individual 2	Has failed Level I and expects to retake the exam in its next administration
Individual 3	Is awaiting results of the Level III exam

- A. Individual 1
 - B. Individual 2
 - C. Individual 3
61. Kelvin Lee, CFA, is a portfolio manager at an investment firm. His social media profile reads: "Kelvin Lee passed all three CFA examinations in three consecutive years. As a CFA charterholder, Lee achieves better investment performance results." Has Lee violated the Standards?
- A. No
 - B. Yes, by stating that he passed all three CFA Program examinations in three consecutive years
 - C. Yes, by stating that he achieves better investment performance results as a CFA charterholder

62. According to the Standards, which of the following statements relating to a member in a supervisory position is accurate?

Statement 1	The member must make reasonable efforts to ensure that anyone subject to her supervision complies with the Code and Standards.
Statement 2	The member must adopt the CFA Institute Code of Ethics to substitute for lack of compliance procedures until the firm adopts reasonable procedures to allow adequate exercise of supervisory responsibility.

- A. Statement 1 only
- B. Statement 2 only
- C. Both Statement 1 and Statement 2

63. Emma Berkstein, CFA, uses third-party data to prepare a report on a company. Berkstein does not check the validity of this data herself, but instead relies on her senior colleagues to conduct due diligence. Another analyst at the same firm, Jimmy Brooks, CFA, prepares an industry report with a group of colleagues. After thorough research, the group agrees to issue a report with a positive outlook for the industry. Brooks disagrees with this conclusion, but leaves his name in the report. Has the Standard relating to diligence and reasonable basis most likely been violated?

- A. No.
- B. Yes, by Brooks.
- C. Yes, by Berkstein.

64. Tania Watt, CFA, issues "buy" recommendations for several bonds to her clients without providing further details. She notifies the clients that additional information is available upon request. One week later, the prices of all recommended bonds decline because of an unexpected increase in interest rates. Watt's clients suffer large losses as a result. Has Watt most likely violated the Standards?

- A. No
- B. Yes, by issuing recommendations which result in large losses for her clients
- C. Yes, by issuing "buy" recommendations for several bonds to her clients without providing further details.

65. According to the GIPS standards, a firm:

- A. must include non-discretionary portfolios in the firm's composites.
- B. may refer to its performance calculation methodology as being "in accordance with the GIPS standards."
- C. may determine a portfolio is non-discretionary if client imposed restrictions interfere with the implementation of the intended strategy

66. Which of the following is not a key concept of the GIPS standards? The GIPS standards for firms:
- A. require the use of composites.
 - B. rely on the integrity of input data.
 - C. address every aspect of performance measurement.
67. Jayson Kite, CFA, a senior analyst, is preparing a research report on a shipping company. Kite concludes that the stock of a company is a good investment and decides to put a "buy" recommendation on the stock. According to there commended procedures for compliance, Kite should communicate the recommendation:
- A. within the firm first and then to customers.
 - B. to customers first and then within the firm.
 - C. simultaneously within the firm and to customers.
68. Hugh Matthew, CFA, covers several companies within a sector. After thorough analysis of each company, he issues "buy" recommendations for each company. In each report, Matthew discloses the assumptions, methodology and risk factors used in his research. Two weeks later, an unexpected event occurs that negatively impacts the sector. As a result, all the companies Matthew covers experience significant losses. Has Matthew most likely violated the Standards⁷
- A. No
 - B. Yes, the Standard relating to diligence and reasonable basis
 - C. Yes, the Standard relating to communication with clients and prospective clients
69. According to the recommended procedures for compliance with the Standard relating to diligence and reasonable basis, members should encourage their firms to:
- A. evaluate the adequacy of external advisors by customizing the evaluation criteria for each advisor.
 - B. establish maximum levels of scenario testing of all computer-based models used in evaluating financial instruments.
 - C. appoint a supervisory analyst to determine whether research reports have a reasonable and adequate basis prior to external circulation.

70. A member works for an investment firm. There are no applicable laws relating to record retention. The firm's policy requires staff to retain records for five years. A local investment association recommends retaining records for eight years. At a recent client briefing, some of the firm's largest clients expressed a preference for the firm to retain records for at least ten years. To be consistent with the Standards, records should be retained for:
- A. 5 years.
 - B. 8 years.
 - C. 10 years.
71. According to the recommended procedures for compliance with the Standard relating to priority of transactions, members should:
- A. discourage clients from trading during blackout periods.
 - B. supply copies of their personal securities transactions to clients upon request.
 - C. preclear their participation in IPOs even if there is no conflict of interest between their participation in an IPO and the client's interests.
72. A member keeps all records supporting his decisions to buy or sell securities, but discards the records not leading to changes in positions. The member keeps some records in hard copy but others in electronic form. The member has most likely violated the Standard relating to record retention:
- A. only by discarding the records not leading to changes in positions.
 - B. only by keeping some records in hard copy but others in electronic form.
 - C. both by discarding the records not leading to changes in positions and by keeping some records in hard copy but others in electronic form.
73. Mary Lorraine, CFA, is a portfolio manager. She adds new factors to her stock selection process which affects all existing clients. She omits providing her clients with a written update regarding this change. Instead, Lorraine explains the change to her clients over the phone. Has Lorraine violated the Standards?
- A. No
 - B. Yes, because she adds new factors to her stock selection process which affects all existing clients
 - C. Yes, because she fails to provide her clients with a written update about adding new factors to her stock selection Process

74. A member claims a professional designation she has not earned. This action most likely violates the Standard(s) relating to:
- A. loyalty only.
 - B. misconduct only.
 - C. both loyalty and misconduct.
75. Sharon Chan, CFA, is an analyst at an investment firm. Chan issues a "buy" rating on a company in which her brother holds shares. Chan does not disclose her brother's holdings in her report as she has no beneficial ownership in her brother's account. Has Chan violated the Standards?
- A. No
 - B. Yes, the Standard relating to disclosure of conflicts
 - C. Yes, the Standard relating to communication with clients and prospective clients
76. Jane Macmara, CFA, has just passed Level III of the CFA exam. In her blog, Macmara shares her views: "CFA exams are outrageously difficult," and "Thankfully, the CAPM was not tested." Macmara has most likely violated the Standards:
- A. only by writing "Thankfully, the CAPM was not tested."
 - B. only by writing "CFA exams are outrageously difficult"
 - C. by writing both "Thankfully, the CAPM was not tested" and "CFA exams are outrageously difficult."
77. Donovan Jones, CFA, works at Grae Investments (GI). GI's main product invests in liquid and illiquid assets. Prices for its illiquid holdings are determined by an independent valuation firm. Jones markets performance of the GI product without providing a comparison benchmark. Jones also switches to a different independent valuation firm because of the firm's reputation for giving illiquid assets higher valuations. Jones has most likely violated the Standard relating to misrepresentation:
- A. only by switching valuation firms.
 - B. only by marketing performance without a benchmark.
 - C. both by switching valuation firms and by marketing performance without a benchmark.

78. Which of the following can claim compliance with the GIPS standards?
- A. Consultants who advise investment firms that manage discretionary client assets.
 - B. Asset owners that do not compete for business but report their performance to oversight bodies.
 - C. Vendors that provide software to assist investment firms in claiming compliance with the GIPS standards.
79. Which of the following statements is most accurate? In countries where regulations conflict with, or contradict, the GIPS standards, firms that claim compliance are required to comply with:
- A. local regulations with full disclosure of the conflict.
 - B. the stricter of local regulations or the GIPS standards.
 - C. local regulations with optional disclosure of the conflict.
80. According to the GIPS standards, a firm must include a terminated composite on the firm's list of composite descriptions for at least:
- A. 5 years after the composite termination date.
 - B. 7 years after the composite termination date.
 - C. 10 years after the composite termination date.
81. According to the GIPS standards, verification is:
- A. performed with respect to an entire firm.
 - B. performed by a firm's compliance department.
 - C. mandatory for firms that claim compliance with the GIPS standards.
82. Which of the following is a recommended procedure for complying with the Standard relating to preservation of confidentiality?

Procedure 1	Disclose to authorized fellow employees only information that will improve service to the client
Procedure 2	Encourage the adoption of standard confidentiality procedures utilized by leading firms in the industry

- A. Procedure 1 only
- B. Procedure 2 only
- C. Both Procedure 1 and Procedure 2

83. According to recommended procedures for compliance with the Standard relating to material nonpublic information, firms should:
- A. review employee trading through the maintenance of watch lists.
 - B. prohibit all types of proprietary activity when a firm comes into possession of material nonpublic information.
 - C. permit regular interdepartmental communication of nonpublic information between the corporate finance and equity research departments of a firm.
84. Tim Howley, CFA, "pumps up" the price of a security by spreading misleading information and later "dumps" the security after the price reaches an artificially high level. Howley has most likely violated the Standard relating to:
- A. market manipulation.
 - B. independence and objectivity.
 - C. material nonpublic information.
85. Which of the following entities can claim compliance with the GIPS standards?
- A. A pension fund that manages investments for its beneficiaries
 - B. An investment consulting firm that focuses on enabling clients to self-manage their investments
 - C. A vendor that offers software products designed to help firms achieve compliance with the GIPS standards
86. Timothy Charles, CFA, applies for a role as an investment analyst. In his resume he states, "CFA charterholders achieve better performance results." He adds, "As a CFA charterholder, I am the most qualified to manage client investments." Charles has most likely violated the Standards:
- A. only by stating, "CFA charterholders achieve better performance results."
 - B. only by stating, "As a CFA charterholder, I am the most qualified to manage client investments."
 - C. both by stating, "CFA charterholders achieve better performance results" and by stating, "As a CFA charterholder, I am the most qualified to manage client investments."

87. David Bravoria, CFA, is an independent financial advisor for a high-net-worth client with whom he had not had contact in more than two years. During a recent brief telephone conversation, the client states that he wants to increase his risk exposure. Bravoria subsequently recommends and invests in several high-risk venture capital funds on behalf of the client. Bravoria continues, as he has done in the past, to send to his client monthly, detailed, itemized investment statements. Did Bravoria most likely violate any CFA Standards?
- A. No.
 - B. Yes, with regard to investment statements.
 - C. Yes, with regard to purchasing venture capital funds.
88. Which of the following is most accurate? GIPS compliance:
- A. eliminates investors' need for in-depth due diligence of the GIPS -compliant firm only.
 - B. enables the GIPS -compliant firm to participate in competitive bids against other GIPS -compliant firms only.
 - C. both eliminates investors' need for in-depth due diligence of the GIPS -compliant firm and enables the GIPS -compliant firm to participate in competitive bids against other GIPS -compliant firms.
89. Which of the following statements is most accurate? Compliance with the GIPS standards:
- A. by firms eliminates the need for in-depth due diligence by investors.
 - B. enables firms to participate in competitive bids against other GIPS -compliant firms.
 - C. is mandatory for firms conducting business in countries that do not have regulations relating to investment performance presentation.
90. A firm claiming compliance with GIPS standards is required to:
- A. perform verification of the firm's claim of compliance.
 - B. maintain its compliance even after the firm has been verified by an independent third party.
 - C. determine selection criteria regarding which existing portfolios to include in a composite at the end of the reporting period

91. Anita Delgado is a candidate in the CFA Program. After taking the Level II examination, Delgado posts on a social networking website that she found the exam to be very difficult and that in her opinion, the CFA Program and CFA Institute were losing credibility with the public. Has Delgado most likely violated the Standards?
- A. No
 - B. Yes, by posting information about the exam on a public website
 - C. Yes, by compromising the reputation or integrity of CFA Institute
92. A member manages two fee-paying family accounts at her firm. The member has the power to vote on the shares held in Account 1 and the discretion to sell shares held in Account 2. According to the Standards, is the member considered a beneficial owner of the shares held in her family accounts?
- A. No
 - B. Yes, for Account 1 only
 - C. Yes, for both Account 1 and Account 2
93. Which of the following comments concerning composites meeting the requirements of the GIPS standards is correct?
- A. A firm's claim of compliance requires all fee-paying accounts managed by the firm be included in at least one composite
 - B. The requirement to create, use and maintain composites is designed to prevent firms using the best-performing accounts to represent an investment strategy.
 - C. A composite must include all actual, fee-paying, discretionary and non-discretionary portfolios managed in accordance with the same investment mandate, objective, or strategy.
94. A member most likely violates the Standard relating to market manipulation if he:
- A. secures a dominant position in a stock to win a proxy vote.
 - B. exploits market inefficiencies in a thinly traded penny stock.
 - C. places both buy and sell orders of a stock at the same price to increase trading volume.
95. The objectives of the GIPS standards include:
- A. promoting financial regulators' interests.
 - B. promoting industry self-regulation on a global basis.
 - C. obtaining acceptance of multiple local standards for accurate performance presentation.

96. Which of the following is a recommended procedure for compliance with the Standard relating to knowledge of the law? Members should encourage their firms to:
- A. distribute summaries of applicable security laws to clients at least annually.
 - B. provide written protocols for reporting suspected legal or regulatory violations.
 - C. seek the advice of a regulatory agency when in doubt about which action to take regarding potential violations.
97. Stella Murphy, CFA, a portfolio manager, meets with a client who is concerned about a security recently added to the portfolio. Murphy reviews with the client the decision for buying the security and the risks associated with the company and stock. The following week, the company announces it is buying a company in a non-related industry and the stock falls sharply. The client accuses Murphy of not disclosing all the risks associated with holding the security. Murphy explains the company's acquisition was unexpected and not factored into the forecast. Has Murphy most likely violated the Standards?
- A. No
 - B. Yes, the Standard relating to communication with clients
 - C. Yes, the Standard relating to diligence and reasonable basis
98. Which of the following member actions most likely violates the Standard relating to market manipulation?
- A. Selling one security and buying another to minimize tax liability
 - B. Writing misleading posts on social media about the development of a new product
 - C. Dividing a large block order into a series of smaller orders to achieve better execution
99. Elana Paralova, a Level I CFA candidate working at an asset management firm, wants to make a good impression on a prospective client. She tells the prospect: "Getting the CFA Charter will show I am serious about protecting the interests of my clients and it will boost my reputation. Once I get the Charter, I also hope to make more money by getting promoted!" Her colleague, Jacob Klemmer, CFA, tells Paralova: "Study all subjects for each exam, you never know what will be included. The three exams will be the most difficult exams you will ever take. Any promotion and pay raise will reflect your enhanced skills." Did either Paralova or Klemmer violate the Standards?
- A. No.
 - B. Only Paralova violates the Standards.
 - C. Only Klemmer violates the Standards.

100. Amanda Covington, CFA, works for McJan Investment Management. McJan employees must receive prior clearance of their personal investments in accordance with McJan's compliance procedures. To obtain prior clearance, McJan employees must provide a written request identifying the security, the quantity of the security to be purchased, and the name of the broker through which the transaction will be made. Pre-cleared transactions are approved only for that trading day. As indicated below, Covington received prior clearance.

Security	Quantity	Broker	Prior Clearance
A	100	Easy Trade	Yes
B	150	Easy Trade	Yes

Two days after she received prior clearance, the price of Stock B had decreased, so Covington decided to purchase 250 shares of Stock B only. In her decision to purchase 250 shares of Stock B only, did Covington violate any CFA Institute Standards of Professional Conduct?

- A. No.
- B. Yes, relating to diligence and reasonable basis.
- C. Yes, relating to her employer's compliance procedures.

101. Cecilia Foster, CFA, starts a job as director of research for Sisyphus Investments (SI). In her new job, Foster oversees a small team analysts. Foster discovers the compliance system at SI is not up to her expectations and tells her supervisor the system needs improvement. The supervisor tells Foster that the firm will consider compliance system improvements in four months, at the start of the next fiscal year. To comply with the Standards, Foster most likely should initially:

- A. resign her new position.
- B. decline in writing to accept supervisory responsibility.
- C. establish departmental procedures to ensure fellow Charterholders comply with applicable regulations.

102. Wang Dazong, CFA, is a sole proprietor investment advisor. Dazong believes in putting his money at risk along with his clients and trades the same securities as his clients. In order to ensure fair treatment of all accounts, he rotates trade allocations so that each account has an equal likelihood of receiving a fill on their orders. This allocation procedure also applies to Dazong's own account.

According to the CFA Institute Code of Ethics and Standards of Professional Conduct, the allocation procedure used by Dazong:

- A. complies with the Standards.
- B. requires revision to ensure client trades take precedence.
- C. should be disclosed and written approval received from clients.

103. Ken Kawasaki, CFA, shares a building with a number of other professionals who are also involved in the investment management business. Kawasaki makes arrangements with several of these professionals, including accountants and lawyers, to refer clients to each other. An informal score is kept on the expectation the referrals will equal out over time, eliminating the need for any cash payments. Kawasaki never mentions this arrangement to clients or prospective clients. Does Kawasaki's agreement with the other building occupants most likely violate any CFA Institute Standards of Professional Conduct?
- A. No.
 - B. Yes, related to referral fees.
 - C. Yes, related to communication with clients.
104. François Bernod, CFA, wrote questions for the Level I CFA exam for several years. After leaving the exam writing team, Bernod issues new marketing material for his investment firm, in which he states: "As someone who helped write CFA exams, I have learned unique insights into portfolio management that will be valuable for my firm's clients." However, in his public blog, Bernod makes several negative statements about certain policies of CFA Institute. Bernod has most likely violated the Standards:
- A. only by expressing negative opinions regarding CFA Institute policies.
 - B. only by using an association with CFA Institute to further professional goals.
 - C. both by expressing negative opinions regarding CFA Institute policies and by using an association with CFA Institute to further professional goals.
105. Disclosure of confidential CFA exam information will most likely be detected by the Professional Conduct staff through:
- A. monitoring online and social media.
 - B. analysis of Proctor Reports.
 - C. annual Professional Conduct Statements.
106. According to the Standard relating to independence and objectivity:
- A. a gift from a client could be considered supplementary compensation.
 - B. compensation arrangements should link analyst remuneration to investment banking assignments.
 - C. portfolio managers may report sell-side analysts to covered companies if analysts' changes in recommendation adversely affect client portfolios.

107. Shirin Regali, CFA, is a well-respected, sell-side analyst covering the biotech sector. While researching the market prospects for a drug being trialed by Bio Heal Inc., Regali interviews industry experts who are not affiliated with the trials or Bio Heal. These experts express confidence that the drug will pass the trials and be a market success. After thorough analysis and based on these experts' insights, Regali issues a "buy" recommendation for Bio Heal and distributes it to her clients and not to the public. Has Regali most likely violated the Standard relating to material nonpublic information?

- A. No
- B. Yes, by distributing the recommendation to her clients and not to the public
- C. Yes, by issuing a "buy" recommendation for Bio Heal based on insights from industry experts

108. Which of the following member actions most likely violates the Standard relating to material nonpublic information?

Action1	An analyst buys call options on a stock after learning from the company's CEO that the company will report earnings exceeding analyst expectations.
Action2	An analyst buys an oil company stock after speaking to a well-known industry expert who believes oil prices will rise due to geopolitical risk.

- A. Action 1 only
- B. Action 2 only
- C. both Action 1 and Action 2

109. David Andrews, CFA, is an investment manager with Aldona Investments. Aldona secures a block of stock in an oversubscribed initial public offering. Andrews decides to prorate the issue to all fee-paying accounts for which it is appropriate, including the fee-paying accounts of his immediate family members. Has Andrews violated the Standard relating to fair dealing?

- A. No
- B. Yes, by prorating the issue to all subscribers.
- C. Yes, by including immediate family members in the transaction.

110. John Lee, CFA, manages portfolios for several individuals, including his brother. All of Lee's clients are standard fee-paying clients. Lee subscribes to an IPO for only those clients for whom the IPO is suitable, which includes his brother. Lee does not receive the number of shares requested by his clients and allocates shares of the IPO pro-rata to those clients, including his brother. Are Lee's actions most likely consistent with the Standards?

- A. Yes
- B. No, because he allocates the IPO shares to his brother
- C. No, because he fails to allocate the IPO shares to all of his clients

111. Which of the following most likely violates the Standard relating to preservation of confidentiality?
- A. Recommending a former client as a potential donor for a local charity
 - B. Disclosing details of client activity to the CFA Institute Professional Conduct Program
 - C. Providing confidential information about a prospective client when permitted by the prospective client
112. Linda Barr, CFA, a portfolio manager, receives an unsolicited stock order from a client. She discusses the order with her firm's analysts to determine how it will impact that client's portfolio. The analysts determine the stock to be highly undervalued and suitable for many of Barr's clients. Barr calls clients for whom the stock is suitable to recommend the stock. She then executes a single block trade for the original client as well as other clients for whom the stock is suitable. Barr most likely violated the Standards:
- A. only by executing the single block trade.
 - B. only by discussing unsolicited client orders with her analysts.
 - C. both by executing the single block trade and by discussing unsolicited client orders with her analysts.
113. A member works for a large investment firm. CFA Institute contacts the member to request support for a professional conduct investigation. In his response, the member discloses the requested information regarding client activities. Applicable law requires to maintain client confidentiality. Has the member most likely violated the Standards?
- A. No.
 - B. Yes, the Standard relating to fair dealing.
 - C. Yes, the Standard relating to knowledge of the law.
114. Iris Hadid, CFA, works as an investment banking analyst. She builds a financial model to value Ski Mountain Lodge (SML). Hadid's friend, Peter Jackson, CFA, works for a different advisory firm. Hadid shares with Jackson details about her analysis to receive his feedback on her valuation of SML. Based on this information, Jackson buys call options on SML. Who has violated the Standards?
- A. Hadid only
 - B. Jackson only
 - C. Both Hadid and Jackson

115. Which statement regarding market manipulation is consistent with the Standards?
Members must refrain from:
- A. inducing trading by disseminating verifiable information.
 - B. engaging in practices which exploit perceived market inefficiencies.
 - C. securing a dominant position in a financial instrument to exploit the price of the underlying asset.
116. To comply with the Standards, if applicable law requires members to maintain confidentiality of client information, confidentiality must be maintained unless:
- A. the client has died.
 - B. the client's information involves illegal activities.
 - C. the client permits the disclosure of the information.
117. Grace Lee, CFA, is an investment advisor. The investment policy statement of one of her clients specifies an equal-weighted portfolio of consumer durables, clean energy, and technology stocks. Over time, the portfolio has become significantly over-weighted toward technology stocks due to their superior performance. Lee expects technology stocks to outperform for another year and decides not to rebalance the portfolio. Has Lee violated the Standards?
- A. No.
 - B. Yes, only the Standard relating to suitability.
 - C. Yes, both the Standard relating to suitability and the Standard relating to loyalty, prudence, and care.
118. According to the Standards, members are required to obtain permission from their employer before accepting additional compensation from:
- A. clients only.
 - B. third parties only.
 - C. both clients and third parties.
119. Frank Taylor, CFA, manages a portfolio for a football club. The club's chairman is pleased with Taylor's work and offers him a front-row ticket to an upcoming, sold-out match. Taylor accepts the ticket without informing his employer. The chairman also provides Taylor with a performance-based cash incentive for which he receives permission from his employer to accept. Has Taylor most likely violated the Standards?
- A. No.
 - B. Yes, the Standard relating to loyalty, prudence, and care.
 - C. Yes, the Standard relating to additional compensation arrangements.

120. Applying standardized criteria for the selection of external managers is a requirement of the Standard relating to:
- A. suitability
 - B. independence and objectivity.
 - C. diligence and reasonable basis.
121. The Standard relating to disclosure of conflicts requires a member to:
- A. avoid all actual and potential conflicts of interest.
 - B. treat all clients equally when disseminating investment recommendations or taking investment action.
 - C. provide clients and prospective clients with information needed to evaluate the objectivity of investment advice given by the member
122. A member uses his firm's composite to show performance to a prospective client. The member states "Our composite shows that we have outperformed the benchmark over the last five years, gross of fees." Has the member *most likely* violated the Standards?
- A. No.
 - B. Yes, the Standard relating to misrepresentation.
 - C. Yes, the Standard relating to performance presentation.
123. Belen Zapata, CFA, is the owner of Kawah Investments. Kawah promises investors returns of up to 12% per year and claims to achieve this 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. return of capital.
 - B. promised returns.
 - C. investment mandate.
124. The GIPS standards:
- A. allow the use of a representative account to present the firm's overall investment results.
 - B. require firms to present performance history that only includes accounts remaining at the firm.
 - C. establish a standardized approach to presenting historical investment results to prospective clients.

125. The GIPS standards were created to:
- A. promote fair, global competition among investment firms.
 - B. eliminate the need for costly in-depth due diligence by investors.
 - C. serve as a mandatory performance standard for asset management firms in countries without investment performance regulation.
126. Jan Loots, CFA, quit his job as a portfolio manager at an investment firm with which 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' 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. trading software.
 - B. non-solicitation agreement
 - C. investment performance history.
127. Which of the following is a recommended procedure for compliance with the Standard relating to misrepresentation? Firms can help prevent misrepresentation by:
- A. specifically designating which employees are authorized to speak on behalf of the firm.
 - B. performing quarterly competence reviews of employees who deliver firm presentations to clients.
 - C. ensuring that each employee develops procedures for verifying information of third-party firms provided to clients.
128. Which of the following is a recommended procedure for compliance with the Standard relating to priority of transactions? Investment personnel should:
- A. examine all personal trades for possible conflicts immediately after execution of the trades.
 - B. direct their brokers to supply their firms with duplicate confirmations of all their personal securities transactions.
 - C. make a one-time disclosure of holdings in which they have a beneficial interest to their firm upon commencement of the employment relationship.

129. Which of the following is a recommended procedure for compliance with the Standard relating to suitability?

Procedure 1	An investor's objectives and constraints should be reviewed annually unless there is a reason that dictates more frequent review.
Procedure 2	A member in an investment advisory relationship with clients should take into consideration performance measurement benchmarks in formulating an investment policy statement.

- A. Procedure 1 only.
- B. Procedure 2 only.
- C. Both Procedure 1 and Procedure 2.

130. According to the Standard related to independence and objectivity, a member must:

- A. refuse all business-related gifts.
- B. adhere to strict standards of conduct that govern how issuer-paid research is conducted.
- C. pay for transportation, hotel and meal expenses when attending meetings at an issuer's headquarters.

131. A member most likely violates the Standard relating to knowledge of the law if she fails to:

- A. dissociate from unethical conduct.
- B. report illegal activity to the appropriate regulatory organization.
- C. have detailed knowledge of all the laws potentially governing her professional activities.

132. Recommended procedures for compliance with the Standard relating to responsibilities of supervisors include:

- A. encouraging employers to provide a copy of the firm's code of ethics to clients.
- B. requiring firms to adopt the CFA Code of Ethics and Standards of Professional Conduct.
- C. consolidating a code of ethics and specific policies and procedures to ensure compliance.

133. According to the GIPS standards, verification must be performed:

- A. with respect to an entire firm.
- B. on specific composites of a firm.
- C. by a firm's compliance department.

134. A member leaves her employer to start at a new firm. According to the Standards, at her new firm, the member is permitted to recreate supporting records of her work at her previous employer from:

- A. memory.
- B. sources obtained at the previous employer.
- C. information provided directly by the covered company.

135. According to the GIPS standards, verification:

- A. is performed on a firm-wide basis.
- B. must be performed by a firm's compliance department.
- C. ensures the accuracy of specific composite presentations.

136. Verification provides assurance that which of the following have been designed in compliance with the GIPS standards?

- A. Only the calculation and presentation of the firm's performance.
- B. Only the firm's policies related to composite and pooled fund maintenance.
- C. Both the calculation and presentation of the firm's performance, and the firm's policies related to composite and pooled fund maintenance

137. Sue Yong, CFA, is an analyst at a large investment firm. After thorough research, she issues a "buy" rating on a company and submits her report to her firm's investment committee for review. The committee disagrees with Yong's assumptions in the report. As a result, the report is changed to a "neutral" rating. The final report is issued and Yong agrees to leave her name on the report. Has Yong violated the Standards?

- A. No.
- B. Yes, the Standard relating to loyalty, prudence, and care.
- C. Yes, the Standard relating to diligence and reasonable basis.

138. According to the Standard relating to independence and objectivity, which of the following is accurate?

Statement 1	A member should encourage her firm to remove a covered company from a restricted list if the firm is unwilling to permit dissemination of an adverse opinion about the company.
Statement 2	A member is prohibited from accepting benefits from corporate issuers in the form of allocation of shares in oversubscribed IPOs suitable for firm's clients.

- A. Statement 1 only
- B. Statement 2 only
- C. Both Statement 1 and Statement 2

139. Rita Melmo, CFA, is an analyst at a Green sky Investment (GI). On weekends, she works as a paid employee of a local charity where she negotiates purchase agreements. Melmo does not disclose the charity employment to GI. Melmo is asked to purchase a new truck for the charity and she negotiates a purchase agreement with a local truck dealership. In the purchase agreement, the charity is charged \$500 more than the truck's normal sale price. In return, Melmo receives retail vouchers worth \$500 from the dealership for her private use. Melmo has most likely violated the Standards:

- A. only by failing to disclose the charity employment to GI.
- B. only by negotiating a purchase agreement in which the charity is charged more than the truck's normal sale price.
- C. both by failing to disclose the charity employment to GI and by negotiating a purchase agreement in which the charity is charged more than the truck's normal sale price.

140. According to the Standard relating to disclosure of conflicts, a member should:

- A. reject a board position in a company on which the member's firm is planning to initiate a research report.
- B. ensure that her firm discloses to clients any rebates received from the service fee some classes of mutual funds charge to investors.
- C. place a company on a restricted list and issue factual information about the company if the member's firm holds options on the company's shares.

141. Which of the following is a recommended procedure for compliance with the Standard relating to priority of transactions?

Procedure 1	Members should disclose personal transactions relating to shares in their firm's research universe to clients upon request.
Procedure 2	Members should establish blackout periods prior to trades for clients.
Procedure 3	Members should treat fee-paying family accounts in which they have beneficial ownership in the same manner as they would treat their personal accounts.

- A. Procedure 1
- B. Procedure 2
- C. Procedure 3

142. Susana Garcia, CFA, is a widely respected analyst covering the transportation sector. She completes a new recommendation for a company. The next morning, she emails the recommendation to her firm's largest client. After lunch, she emails the recommendation to all other firm clients. One hour later, she calls the largest client to discuss there commendation in detail. Garcia has violated the Standard relating to fair dealing:
- A. only by calling the largest client to discuss the recommendation in detail.
 - B. only by emailing the recommendation to the largest client prior to sending it to all other clients.
 - C. both by calling the largest client to discuss the recommendation in detail and by emailing the recommendation to the largest client prior to sending it to all other clients.
143. In the absence of regulatory guidance or firm policies, CFA Institute recommends maintaining records for at least:
- A. three years
 - B. five years.
 - C. seven years
144. The Standards require a member to inform which of the following parties of any benefit received for referrals of clients?
- A. Only his employer.
 - B. Only his potential clients.
 - C. Both his employer and his potential clients.
145. Asset managers are most likely required to do which of the following as part of their adherence to the GIPS standards?
- A. Adhere to certain calculation methodologies
 - B. Only follow the minimum GIPS requirements at the time of composite creation
 - C. Include all non-discretionary funds in at least one composite reflecting the investment mandate
146. A member employed by an investment firm carries out research at the request of a client. The records of that research are the property of the:
- A. client.
 - B. member
 - C. investment firm.

147. Ann Macharia, CFA, is an independent consultant hired by MK Investment (MKI) to review its proposal to manage a large pension fund. While reviewing a draft of the document, Macharia notices a large section of material has been added to the proposal by MKI's CIO. The additional material looks exactly like what Macharia wrote for a previous client, describing the client's proprietary investment process. Macharia is most likely required to:
- A. remove the added material and report her suspicions to MKI.
 - B. wait to say anything until the proposal is submitted to meet the conditions of her consulting contract.
 - C. confirm her client uses the same thorough investment process as described in the added material, and make a few minor changes

148. Which of the following statements describe the key concepts of the GIPS standards?

Statement 1	The GIPS standards are ethical standards to ensure full disclosure of investment performance.
Statement 2	The GIPS standards require firms to maintain composites for all strategies for which the firm manages discretionary and non discretionary accounts.
Statement 3	The GIPS standards address all aspects of performance measurement.

- A. Statement 1
- B. Statement 2
- C. Statement 3

组合管理

1. Which of the following statements about pension plans is most accurate?
 - A. Defined benefit plans typically have a low risk tolerance.
 - B. Defined contribution plans typically have a low risk tolerance.
 - C. The sponsor of a defined benefit plan specifies the obligation owed to participants.

2. The process of risk management is best described as the set of decisions that maximizes a company's value while:
 - A. minimizing the risk taken.
 - B. bearing a tolerable level of risk.
 - C. predicting the potential risk correctly.

3. Which of the following is least consistent with effective risk governance?
 - A. Taking an enterprise-wide view
 - B. Defining the enterprise's risk tolerance
 - C. Following a bottom-up process to direct risk management activities

4. With regard to an investment policy statement, which of the following statements about return objectives is most accurate?
 - A. A return objective cannot be a required rate of return.
 - B. Return objectives must be set independent of risk objectives.
 - C. When setting a relative return objective, a good benchmark should be investable.

5. The correlation between the risk-free asset and the optimal risky portfolio is expected to be:
 - A. negative
 - B. zero.
 - C. positive.

6. An investor who can lend and borrow at the risk-free rate builds a portfolio using the risk-free asset and the market portfolio. The risk-free rate is 3% and the expected market return is 15%. If the expected portfolio return is 18%, the investor's portfolio is:
- A. a lending portfolio.
 - B. a leveraged portfolio.
 - C. the optimal risky portfolio.

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

Payables turnover	8
Inventory turnover	2
Receivables turnover	10

If all purchases and sales were made on credit, the cash conversion cycle (based on a 360-day year) is:

- A. less than the utility generated for a risk-averse investor.
 - B. equal to the utility generated for a risk-averse investor.
 - C. greater than the utility generated for a risk-averse investor.
8. A risk-neutral investor most likely seeks to maximize:
- A. both risk and return.
 - B. return irrespective of risk.
 - C. return for a given level of risk.
9. The market has a return of 8% and a standard deviation of returns of 12%. The risk-free rate is 2%. If a portfolio has a Sharpe ratio of 0.8, the portfolio's M2 alpha is closest to:
- A. 3.6%.
 - B. 5.6%.
 - C. 11.6%.
10. Which of the following is most likely a consequence of overconfidence bias?
- Investors:
- A. holding poorly diversified portfolios.
 - B. continuing to hold classes of assets with which they are familiar.
 - C. holding investments in a loss position longer than justified, in the hope that they will return to breakeven.

11. Failing to act in pursuit of long-term goals in favor of short-term satisfaction best describes which of the following emotional biases?
- A. Self-control bias
 - B. Endowment bias
 - C. Loss-aversion bias
12. When creating a long-only portfolio, which of the following correlation coefficients between assets would be most effective at reducing portfolio risk?
- A. -0.5.
 - B. 0.
 - C. 0.5.
13. Which of the following can best be explained by overconfidence when predicting companies' earnings growth rates?
- A. Base-rate neglect
 - B. The value anomaly
 - C. The disposition effect
14. Which of the following is most likely developed by combining a client's investment objectives and constraints with long-term capital market expectations?
- A. Risk budget
 - B. Strategic asset allocation
 - C. Investment policy statement
15. The diversification ratio of a portfolio is best described as the ratio of the:
- A. standard deviation of the equally weighted portfolio's returns to the average standard deviation of the individual securities' returns.
 - B. standard deviation of the market-capitalization-weighted portfolio's returns to the standard deviation of the equally weighted portfolio's returns.
 - C. average standard deviation of the individual securities' returns to the standard deviation of the market-capitalization-weighted portfolio's returns.
16. In regard to the asset allocation process, a top-down analysis most likely begins with an examination of:
- A. macroeconomic growth.
 - B. a company's board of directors.
 - C. the expected growth of a company's competitors.

17. Which of the following is most likely a consequence of the illusion of control bias?
- A. An investor's portfolio turnover is too low.
 - B. The investor's portfolio contains concentrated positions in companies.
 - C. An investor uses a simple forecasting model for portfolio construction.
18. Which of the following is best classified as a non-financial risk?
- A. Credit risk
 - B. Liquidity risk
 - C. Accounting risk
19. Portfolio rebalancing is best described as a process aimed at:
- A. generating alpha.
 - B. aligning portfolio weights with the tactical asset allocation decision.
 - C. restoring the portfolio's original exposures to systematic risk factors.
20. The risk-return trade-off of a portfolio of only risky assets most likely improves when a risk-free asset is added to the portfolio because:
- A. the risk-free asset is uncorrelated with the other assets in the portfolio.
 - B. the lower return on the risk-free asset provides a diversification effect.
 - C. the correlations among the risky assets decrease, providing a diversification effect.
21. Which of the following best describes a potential consequence of the regret-aversion bias for financial market participants?
- A. Engaging in herding behaviour
 - B. Borrowing excessively to finance present consumption
 - C. Misidentifying risk tolerances because of how questions about risk tolerance were framed
22. Cognitive errors:
- A. stem from impulses and intuition.
 - B. result in the same decision as assumed by traditional finance theory.
 - C. can often be corrected or eliminated through better information, education, and advice.

23. Exchange-traded funds (ETFs):
- A. are priced once a trading day.
 - B. usually pay out dividends to shareholders.
 - C. are generally structured as closed-end funds.

24. Two assets have the following characteristics:

Variance of returns for Asset 1	0.05
Variance of returns for Asset 2	0.06
Correlation of returns between Asset 1 and Asset 2	0.75

The variance of returns for an equally weighted portfolio of the two assets is closest to:

- A. 0.038
 - B. 0.048.
 - C. 0.055.
25. With respect to return-generating models, statistical factor models:
- A. only include factors that have economic meaning.
 - B. identify factors that explain the covariance in observed returns.
 - C. only include factors that have a fundamental connection to returns.
26. Which of the following statements about asset allocation is most accurate?
- A. Investors should diversify their wealth between asset classes in order to eliminate systematic risk.
 - B. Investors with a below-average risk tolerance should have an above-average weight in alternative investments.
 - C. Adding asset classes with a low correlation to existing asset classes improves an investor's risk-return trade-off.
27. An analyst gathers the following information about a portfolio and the market.

Portfolio return	7.0%
Market return	5.0%
Risk-free return	1.0%
Portfolio beta	1.2

Jensen's alpha for the portfolio is:

- A. 0.0%.
- B. 1.2%.
- C. 2.2%.

28. Which of the following behavioral biases is most likely the hardest to correct?
- A. Hindsight bias
 - B. Loss-aversion bias
 - C. Representativeness bias
29. Momentum, defined as relative past stock returns, is most likely a factor in:
- A. fundamental factor models.
 - B. the Carhart four-factor model.
 - C. the Fama-French three-factor model.
30. Which of the following measures uses only systematic risk to evaluate portfolio performance?
- A. M^2
 - B. Sharpe ratio
 - C. Jensen's alpha
31. When evaluating the return distribution of an asset class, the probability of extreme returns is best assessed by the distribution's:
- A. kurtosis.
 - B. variance.
 - C. skewness.
32. Robo-advisers most likely.
- A. face high barriers to entry.
 - B. cater to the demand from investors with lower levels of investable assets.
 - C. prefer actively managed funds to index funds when constructing client portfolios.
33. Which of the following is most closely associated with representativeness bias?
- A. Momentum
 - B. The halo effect
 - C. Bubbles and crashes

34. Which of the following statements about different types of investors is most accurate?
- A. For banks, the liquidity of their investments is a paramount concern.
 - B. For endowments, investment horizons are short due to their short-term spending needs.
 - C. For insurance companies, the risk tolerance of their general and surplus accounts is typically the same.
35. Which of the following is most likely undertaken during the risk budgeting process?
- A. Assessing risk appetite
 - B. Setting a limit for value at risk (VaR)
 - C. Establishing a reserve to cover potential future losses
36. The portfolio approach to investing most likely.
- A. prevents portfolio losses during market downturns.
 - B. reduces the systematic risk of individual assets in a portfolio.
 - C. helps avoid disastrous investment outcomes during normal market conditions.
37. A client's time horizon is most appropriately used by an investment adviser to determine the client's:
- A. risk attitude.
 - B. ability to take risk.
 - C. willingness to take risk.
38. Which of the following sections of an investment policy statement most likely provides guidance on obtaining feedback on investment results?
- A. Investment Guidelines
 - B. Evaluation and Review
 - C. Statement of Duties and Responsibilities
39. The security market line plots the expected return of a portfolio against a measure of the portfolio's:
- A. total risk
 - B. systematic risk.
 - C. unsystematic risk.

40. An analyst estimates the standard deviation of returns for the market portfolio to be 15% and the standard deviation of returns for a stock to be 25%. If the correlation of returns between the stock and the market portfolio is 0.6, the stock has:
- A. less systematic risk than the market portfolio.
 - B. the same systematic risk as the market portfolio.
 - C. more systematic risk than the market portfolio.
41. Risk-averse investors make investment decisions that maximize:
- A. both return and risk.
 - B. return irrespective of risk.
 - C. return for the same amount of risk.
42. Sovereign wealth funds are best described as investment funds:
- A. owned by governments.
 - B. traded as closed-end country funds.
 - C. restricted from investing in foreign securities.
43. Which of the following lines is plotted on a graph with the excess return of a security on the y-axis and the excess return of the market on the x-axis?
- A. Capital market line
 - B. Security market line
 - C. Security characteristic line
44. According to capital market theory, the only type of risk that is priced is:
- A. systematic risk.
 - B. diversifiable risk.
 - C. idiosyncratic risk.
45. Which of the following is most accurate regarding an investment policy statement (IPS)?
- A. Policies on sustainable investing require a separate IPS.
 - B. Investment constraints can be determined by the client or by the law.
 - C. Clients can specify different spending goals, but each goal must have the same risk tolerance and return objective.

46. An investor's ability to take risk:
- A. is a function of risk tolerance.
 - B. is typically assessed by a psychometric questionnaire.
 - C. increases with the length of the investment horizon, all else being equal.
47. The capital market line most likely consists of portfolios that:
- A. are fully diversified.
 - B. have zero systematic risk.
 - C. have nonsystematic risk equal to beta.
48. The Markowitz efficient frontier is best described as a curve that.
- A. lies above and to the left of the minimum-variance frontier.
 - B. connects the minimum-variance portfolios for all possible returns.
 - C. contains all portfolios of risky assets that rational, risk-averse investors will choose.
49. Which of the following most likely affects a client's ability to take risk? The client's:
- A. utility function
 - B. degree of risk aversion
 - C. level of wealth relative to liabilities
50. The expected return for a security is equal to the market's risk premium. If the risk-free rate is positive and the CAPM holds, the beta of the security is:
- A. less than 1.
 - B. equal to 1.
 - C. greater than 1.
51. Which of the following characteristics is most likely used to determine an investor's ability to take risk? The investor's:
- A. risk attitude.
 - B. self-confidence.
 - C. years until retirement.

52. An analyst gathers the following information:

Risk-free rate	2%
Expected return of the market portfolio	10%
Standard deviation of the market portfolio	20%
Standard deviation of the security	35%
Correlation between the security and the market	0.8

According to the CAPM, the expected return of the security is closest to:

- A. 5.7%.
- B. 13.2%.
- C. 16.0%

53. The correlation of returns between two securities with equal standard deviation of returns is 0.75. If the covariance of returns is $5.5\%^2$, the standard deviation of returns for each security is closest to:

- A. 2.7%.
- B. 3.7%.
- C. 7.3%.

54. An analyst gathers the following information about an asset and the market:

Risk-free rate	1%
Market risk premium	5%
Asset's expected return	5%

Based on the CAPM, the asset's beta is closest to:

- A. 0.80.
- B. 1.00.
- C. 1.25.

55. Long-term historical data on the risk-return trade-off of securities show that investors are most likely:

- A. risk averse.
- B. risk neutral.
- C. risk seeking

56. Information regarding the permissible use of derivatives in a portfolio is most likely found in which of the following sections of an investment policy statement?
- A. Procedures
 - B. Investment Guidelines
 - C. Statement of Duties and Responsibilities
57. In the portfolio management process, the feedback step most likely involves:
- A. rebalancing the portfolio.
 - B. deciding on an asset allocation.
 - C. understanding the client's constraints.
58. Which of the following investment principles best explains the use of strategic asset allocation in portfolio construction?
- A. Returns on similar assets reflect exposures to certain sets of systematic factors.
 - B. Nonsystematic risk accounts for most of the change in portfolio value over the long term.
 - C. Deviating from policy exposures to systematic risk factors may add value to the portfolio.
59. In the investment policy statement of a pension fund, a countrywide limit on the proportion of high-risk assets that can be held in long-term pension portfolios is most likely a:
- A. liquidity constraint.
 - B. legal and regulatory constraint.
 - C. time horizon constraint.
60. The global minimum-variance portfolio is a portfolio that lies:
- A. anywhere along the minimum-variance frontier.
 - B. at the left-most point of the minimum-variance frontier.
 - C. at the upper right-most point of the minimum-variance frontier.

61. Which of the following principles best explains the focus on a strategic asset allocation when constructing a client's IPS?
- A. Adding assets with high correlation improves the risk-return trade-off.
 - B. Nonsystematic risk accounts for most of a portfolio's change in value over the long term.
 - C. The returns to groups of similar assets predictably reflect exposures to certain systematic factors.
62. Which of the following sections of an investment policy statement (IPS) most likely explain show and when the IPS should be reviewed?
- A. Procedures
 - B. Investment Guidelines
 - C. Statement of Duties and Responsibilities
63. Which of the following best describes a characteristic of defined contribution pension plans?
- A. The employee accepts the investment and inflation risk.
 - B. The employer is responsible for adequately funding the plan.
 - C. Defined contribution plans typically have a higher cost to the company than defined benefit plans.
64. The market model is most likely used to predict
- A. market returns in a future period.
 - B. economic growth in a future period.
 - C. company-specific returns in a future period.
65. Open-end mutual funds typically:
- A. are priced intraday.
 - B. have a fixed number of shares outstanding.
 - C. have a larger required minimum investment than ETFs.

66. A portfolio consists of two securities with the following characteristics:

Expected Return	Standard	Deviation of Returns
Security 1	17%	24%
Security 2	6%	12%

If the portfolio has an expected return of 12.6% and the returns of the two securities are uncorrelated, the portfolio's standard deviation is closest to:

- A. 13.4%.
 - B. 15.2%.
 - C. 19.2%.
67. An equally weighted portfolio is composed of two risky assets. If the correlation of asset returns is equal to zero, the portfolio standard deviation is:
- A. equal to zero.
 - B. equal to the weighted average of the assets' standard deviations.
 - C. less than the weighted average of the assets' standard deviations.
68. If all investors have homogeneous expectations, the total risk and expected return of portfolios consisting of the risk-free asset and the optimal risky portfolio are plotted on the:
- A. capital market line.
 - B. security market line.
 - C. security characteristic line.
69. The risk-return profile of a portfolio's strategic asset allocation is most likely determined by the expected returns and risks of the individual asset classes and the:
- A. correlations between those asset classes.
 - B. use of security selection for each of those asset classes.
 - C. allowable deviation of portfolio weights from policy weights for those asset classes.
70. A portfolio has an annual return of 15.2% and a standard deviation of returns of 11.7%. If the risk-free rate is 3.1%, the portfolio's Sharpe ratio is closest to:
- A. 1.03.
 - B. 1.30.
 - C. 1.56.

71. Which of the following is best classified as a financial risk?
- A. Tax risk
 - B. Credit risk
 - C. Accounting risk
72. The risk management measure that captures the sensitivity of a derivative's delta to a change in the value of the underlying best describes:
- A. rho
 - B. vega.
 - C. gamma.
73. The intercept on the y-axis of the security characteristic line is:
- A. beta
 - B. Jensen's alpha
 - C. the risk-free rate of return.
74. With respect to an investment policy statement, which of the following is most closely linked to the client's distinctive needs?
- A. The evaluation and review section
 - B. The objectives and constraints sections
 - C. The statement of duties and responsibilities
75. The slope of the security market line is most likely the:
- A. security's beta.
 - B. market risk premium.
 - C. market risk premium divided by the market standard deviation.
76. Which of the following performance measures is equal to the slope of the capital allocation line?
- A. M^2
 - B. Sharpe ratio
 - C. Treynor ratio

77. Which of the following sections of an investment policy statement for a pension plan most likely specifies the discretion that portfolio managers have with respect to executing the investment strategy?
- A. Procedures
 - B. Investment Constraints
 - C. Statement of Duties and Responsibilities
78. Which of the following measures is most appropriate to evaluate the performance of a portfolio that is not fully diversified?
- A. Sharpe ratio
 - B. Treynor ratio
 - C. Jensen's alpha

79. An analyst gathers the following information about three stocks:

	Beta Standard	Deviation of Returns
Stock 1	0.9	17%
Stock 2	1.1	18%
Stock 3	1.2	16%

If the standard deviation of market returns is equal to 10%, the stock with the highest nonsystematic risk is:

- A. Stock 1.
 - B. Stock 2.
 - C. Stock 3.
80. Which of the following metrics is most appropriate to estimate a bond's average extreme loss?
- A. VaR of loss
 - B. Standard deviation of loss
 - C. Expected loss given default

81. An analyst gathers the following information about the security market line (SML) and a stock:

Intercept of the SML	2%
Slope of the SML	5%
Stock's beta	1.3

According to capital market theory, if the analyst believes the stock will have a return of 7%, the stock is:

- A. undervalued.
 - B. properly valued.
 - C. overvalued.
82. Relative to passive market-cap-weighted strategies, smart beta strategies typically have:
- A. lower management fees and higher portfolio turnover.
 - B. higher management fees and lower portfolio turnover.
 - C. higher management fees and higher portfolio turnover.
83. When defining asset classes for a strategic asset allocation, which of the following pairwise correlations between asset class returns is most preferable?
- A. 0.0
 - B. 0.5
 - C. 1.0
84. According to capital market theory, an efficient market does not reward investors for taking on:
- A. market risk.
 - B. systematic risk.
 - C. idiosyncratic risk.
85. Which of the following is most likely a legal and regulatory constraint in an investment policy statement?
- A. A pension fund's decision to limit investments in real estate
 - B. A taxable investor's requirement to avoid investments in securities generating interest income
 - C. A public company director's restriction on trading the company's stock shortly before the publication of financial results

86. When defining asset classes, the paired correlations of assets within an asset class should be.
- A. negative
 - B. zero.
 - C. positive.

87. An investor gathers the following information about a security and the market:

Security's beta	0.35
Standard deviation of the security's	12%
Standard deviation of market returns	18%

The correlation between the security's returns and the market's returns is closest to:

- A. 0.2.
 - B. 0.5.
 - C. 0.8
88. A bank determines that its value at risk (VaR) is £ 5 million at 5% for one day. The bank is expecting a minimum loss of £ 5 million once every:
- A. 5 business days
 - B. 13 business days.
 - C. 20 business days
89. A good risk management process should:
- A. predict when a crisis will occur.
 - B. consider the balance between expected returns and losses.
 - C. only consider losses occurring from events that have a high likelihood.

90. A portfolio consisting of two securities has the following characteristics:

Security Portfolio	Weight Standard	Deviation
1	40%	15%
2	60%	18%

If the correlation of returns between the two securities is 0.20, the portfolio's standard deviation of returns is closest to:

- A. 1.8%.
- B. 9.1%.
- C. 13.4%.

91. An investor has a 15-year time horizon but needs to withdraw funds from her portfolio in one year's time to pay for tuition fees. Which of the following investments is most suitable to cover the investor's liquidity requirement due to the tuition fees?
- Commercial paper
 - Private equity securities
 - Large-capitalization stocks
92. With respect to capital market theory, which of the following statements is most accurate?
- The optimal risky portfolio is dependent on the risk-free rate.
 - The optimal risky portfolio is dependent on the investor's risk profile.
 - The investor's optimal portfolio must lie on the Markowitz efficient frontier.

93. An analyst gathers the following information:

	Standard Deviation of Returns	Beta
Asset	70%	1.8
Market portfolio	35%	1.0

The covariance between the returns of the asset and the market is closest to:

- 0.22.
 - 0.40.
 - 0.90.
94. A security with a beta of 1.5 has an expected return of 11% according to the CAPM. If the risk-free rate is 2%, the market risk premium is closest to:
- 4.0%.
 - 6.0%.
 - 7.3%.
95. An analyst gathers the following information about a portfolio and the market:

Portfolio's Sharpe ratio	0.8
Volatility of portfolio returns	19%
Volatility of market returns	10%
Correlation between portfolio returns and market returns	0.7

The portfolio's Treynor ratio is closest to:

- 0.060.
- 0.114.
- 0.413.

96. For an equally weighted portfolio, an increase in the correlations between asset returns most likely decreases the:
- portfolio's expected return.
 - portfolio's standard deviation of returns.
 - level of risk reduction provided by the portfolio.
97. An adviser gathers the following information about a client's retirement income needs:
- The current balance of the client's retirement fund is \$150,000.
 - The client plans to retire in 15 years' time.
 - \$500,000 in today's money is needed to fund retirement.
 - No further retirement fund contributions will be made.
- Inflation is expected to average 2% per year over the next 15 years. Based only on the above information and ignoring taxes, the minimum annual rate of return required to meet the client's retirement income objective is closest to:
- 6.2%.
 - 8.4%.
 - 10.5%.
98. As the number of assets in an equally weighted portfolio becomes large, the portfolio's variance of returns most likely approaches:
- Zero.
 - the average variance of the individual assets' returns.
 - the average covariance between the individual assets' returns.
99. In risk management, which of the following should be taken into account when determining an enterprise's risk tolerance?
- Management compensation
 - The enterprise's value at risk (VaR)
 - The government and regulatory landscape
100. Two investors have indifference curves that are tangent to the same capital allocation line (CAL). If Investor 1 is more risk averse than Investor 2, Investor 1's optimal portfolio is:
- to the left of Investor 2's optimal portfolio on the CAL.
 - at the same point on the CAL as Investor 2's optimal portfolio.
 - to the right of Investor 2's optimal portfolio on the CAL.