



Question #1 of 42

Question ID: 1104259

According to the Central Limit Theorem:

- A) the distribution of sample means will be approximately normally distributed only if the population is normally distributed and continuous.
- B) inferences about the population mean can be made from the sample mean, as long as the sample size is sufficiently large.
- C) the sample mean will have a standard deviation equal to the population standard deviation divided by the sample size.

Question #2 of 42

Question ID: 1104262

George Hutchins, CFA, would like to perform a paired comparisons test on returns for the stocks of two real estate investment trusts. The test statistic that Hutchins should select for the paired comparisons test is the:

- A) *t*-statistic.
- B) *F*-statistic.
- C) Chi-square statistic.

Question #3 of 42

Question ID: 1104253

Hugh Benson, CFA, purchases a \$100,000 Treasury bill that matures in 90 days for \$97,750. If Benson holds the bill until maturity, he will earn a holding period yield (HPY) of 2.3%. To state the return on a different basis, Benson can:

- A) multiply the HPY by 365/90 to determine the money market yield.
- B) compound the HPY for four periods to calculate the effective annual yield.
- C) convert the HPY to a semiannual effective yield and multiply by 2 to calculate the bond equivalent yield.

Question #4 of 42

Question ID: 1104257

After repeatedly sampling the 1-year returns on the common stock of Bernouli Inc., a semiconductor manufacturer, an analyst notices that the returns conform to a normal probability distribution. Which of the following statements *correctly* describes the returns on Bernouli's common stock?

- A) The mean value is greater than the median.
 - B) Large deviations from the mean are less likely than small deviations.
 - C) The distributions can be completely described by the residual value and the standard deviation.
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Question #5 of 42

Question ID: 1104254

Returns data for Limbo Company exhibit the following statistics:

Mean	9.5%
Median	14.3%
Excess Kurtosis	−0.97

The returns distribution for Limbo Company is:

- A) positively skewed.
 - B) negatively skewed.
 - C) not skewed.
-

Question #6 of 42

Question ID: 1104263

Which of the following assumptions is *least* consistent with technical analysis?

- A) Interaction of supply and demand causes trends in stock prices.
 - B) Information flow causes the market to reach a new equilibrium quickly.
 - C) Supply and demand is governed by both rational and irrational factors.
-

Question #7 of 42

Question ID: 1104261

Alice Morton, CFA, is reviewing a research paper that reaches a conclusion based on two hypothesis tests with *p*-values of 0.037 and 0.064. Morton should conclude that:

- A) both of these tests' null hypotheses can be rejected with 90% confidence.
 - B) neither of these tests' null hypotheses can be rejected with 95% confidence.
 - C) only one of these tests' null hypotheses can be rejected with 99% confidence.
-

Question #8 of 42

Question ID: 1104260

Analyst Shelly King is using a returns and earnings database to examine the past performance of stocks. King sorts stocks from high to low P/E ratio by dividing the beginning of the year stock price by the reported year-end earnings per share recorded in the database for

the prior year. King then creates portfolios of high P/E stocks and low P/E stocks and compares their performance. King's research design *most likely* suffers from:

- A) time period bias.
 - B) data mining bias.
 - C) look-ahead bias.
-

Question #9 of 42

Question ID: 1104255

The probability that the economy will enter a recession after the Federal Reserve increases the federal funds target rate is 60%, and the probability that the economy will enter a recession if the Federal Reserve does not increase the federal funds target rate is 10%. The unconditional probability that the economy will fall into recession is determined using the:

- A) total probability rule.
 - B) addition rule for probabilities.
 - C) multiplication rule for probabilities.
-

Question #10 of 42

Question ID: 1104256

\ Cheryl Smith, CFA, is comparing dividend changes for energy and non-energy companies. Smith determines that 15% of the stock market universe consists of energy companies. Smith also determines that the probability that an energy company will increase its dividend is 90% and the probability that a non-energy company will increase its dividend is 30%. If Smith randomly selects one company from the universe of stocks and notices that the company declared a dividend increase, the probability that the company Smith selected is an energy company is *closest* to:

- A) 5%.
 - B) 15%.
 - C) 35%.
-

Question #11 of 42

Question ID: 1104258

Lee Phillips, CFA, estimates that Biolab Inc. should earn \$2.00 per share in 20X1, with a standard deviation of \$1.00. If Biolab's earnings outcomes are normally distributed, the probability that Biolab earns \$3.00 or more in 20X1 is *closest* to:

- A) 16%.
 - B) 32%.
 - C) 34%.
-

Question #12 of 42

Question ID: 1104252

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Jack Long, CFA, is evaluating the retirement account of John Smith. Smith currently has \$500,000 and will retire in 12 years. Smith plans to contribute \$12,700 per year. If Smith needs \$2 million at retirement, the return required is *closest* to:

- A) 10%.
 - B) 11%.
 - C) 12%.
-

Question #13 of 42

Question ID: 1111548

In the short run, a perfectly competitive firm's supply curve is:

- A) upward sloping and its demand curve is perfectly elastic.
 - B) upward sloping and its demand curve is downward sloping.
 - C) perfectly inelastic and its demand curve is perfectly elastic.
-

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Question ID: 1104264

A firm under perfect competition finds that the market price of its product is below the firm's average total cost but above its average variable cost. If these conditions persist, the firm should:

- A) shut down in the short run and go out of business in the long run.
 - B) shut down in the short run but continue operating in the long run.
 - C) continue operating in the short run but go out of business in the long run.
-

Question #15 of 42

Question ID: 1104271

Functions of a central bank *most likely* include:

- A) collecting tax payments.
 - B) balancing the national budget.
 - C) controlling money supply growth.
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Question #16 of 42

Question ID: 1104272

Tax policy is said to exhibit efficiency if it:

- A) is simple to implement and enforce.
- B) causes minimal interference with market forces.
- C) generates just enough revenues to fund government spending.

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Question ID: 1104275

Which approach to analysis of trade deficits indicates that in the absence of excess capacity in the economy, currency devaluation provides only a temporary improvement in a country's trade deficit, and that long-term improvement requires either a smaller fiscal deficit or a larger excess of domestic savings over domestic investment?

- A) Elasticities approach.
- B) Absorption approach.
- C) Real wealth approach.

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Question ID: 1104267

In measures of national economic output, realized capital gains on assets purchased in an earlier period are a component of:

- A) gross domestic product, but not gross national product.
- B) gross national product, but not gross domestic product.
- C) neither gross domestic product nor gross national product.

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Question ID: 1104269

Rusty Brown worked at a food processing plant. In a move to reduce costs, the plant automated the production line where Brown worked. Brown was laid off because he was not adequately trained to work the new equipment. Gilda Gold was the bookkeeper for a coal mine that was closed because it could not meet safety standards. Which type of unemployment is illustrated by each worker?

- A) Brown and Gold are both examples of frictional unemployment.
- B) Brown is an example of structural unemployment and Gold is an example of cyclical unemployment.
- C) Brown is an example of structural unemployment and Gold is an example of frictional unemployment.

Question #20 of 42

Question ID: 1104270

An increase in oil prices reduces short-run aggregate supply. Real GDP decreases and the price level increases. The central bank responds by increasing the money supply to increase aggregate demand and restore full employment. Further increases in oil prices require repeated action by the central bank. This is an example of:

- A) an inflationary gap.
 - B) cost-push inflation.
 - C) demand-pull inflation
-

Question #21 of 42

Question ID: 1104266

Assume a cartel is organized among the producers of a commodity and begins practicing collusion. The most likely effects on price and output are that:

- A) both will increase.
 - B) price will increase and output will decrease.
 - C) price will decrease and output will increase.
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Question #22 of 42

Question ID: 1104268

Long-run aggregate supply is *most likely* to increase as a result of a(n):

- A) increase in expected inflation.
 - B) decrease in the real wage rate.
 - C) increase in aggregate hours worked.
-

Question #23 of 42

Question ID: 1104274

Assume the exchange rate between the Bucas (BCS) and the Leider (LDR) is 1.70 BCS/LDR, and the exchange rate between the Bucas and the Passoa (PAS) is 3.2 BCS/PAS. The PAS/LDR exchange rate is *closest* to:

- A) 0.5313 PAS/LDR.
 - B) 1.8824 PAS/LDR.
 - C) 5.4400 PAS/LDR.
-

Question #24 of 42

Question ID: 1104273

Promoting stability in exchange rates is among the goals of the:

- A) World Bank.
 - B) World Trade Organization.
 - C) International Monetary Fund.
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Question #25 of 42

Question ID: 1104290

Harter Corporation issued \$95 million of 10-year 8% coupon bonds in 20X5. In 20X5, the market interest rate was 6%. The current market interest rate is 9%. Harter has generated unexpectedly strong profits over the last several years. Given a high cash balance, the company is considering repurchasing the entire bond issue. If Harter repurchases the bonds, what is the immediate effect in Harter's income statement?

- A) A loss is recognized.
 - B) A gain is recognized.
 - C) No gain or loss is recognized.
-

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Question ID: 1104280

A company's investments in marketable securities include a 3-year tax- exempt bond classified as held-to-maturity and a 5-year Treasury note classified as available-for-sale. On its income statement, the company should report the coupon interest received from:

- A) both of these securities.
 - B) neither of these securities.
 - C) only one of these securities.
-

Question #27 of 42

Question ID: 1104284

An analyst is *most likely* to be concerned about the predictability of a firm's sales if, compared to its industry competitors, the firm has a significantly higher:

- A) standard deviation of sales.
 - B) coefficient of variation of sales.
 - C) correlation of sales with economic growth.
-

Question #28 of 42

Question ID: 1104276

Information about any conflicts of interest between management, the board of directors, and shareholders can *most likely* be found in the:

- A) proxy statement.
 - B) footnotes.
 - C) auditor's report.
-

Question #29 of 42

Question ID: 1104287

How is the impact of selling a long-lived asset recorded on a firm's income statement?

- A) The sale proceeds increase revenue and the carrying value increases cost of goods sold.
- B) The difference between the sale proceeds and the carrying value is reported as a gain or loss.

- C) The difference between the sale proceeds and the original value is reported as a gain or loss.
-

Question #30 of 42

Question ID: 1104292

Which of the following analyst adjustments to improve comparability among firms' financial statements is *most appropriate*?

- A) Subtract goodwill from a firm's assets.
 - B) Add the change in the LIFO reserve to a firm's cost of goods sold.
 - C) Add the sum of the disclosed payment obligations on operating leases to a firm's liabilities.
-

Question #31 of 42

Question ID: 1104285

A firm that reports under IFRS wrote down its inventory from cost of \$240,000 to net realizable value of \$210,000. In the next period, cost was unchanged, but net realizable value increased to \$250,000. The firm will *most appropriately* report ending inventory for the period as:

- A) \$210,000.
 - B) \$240,000.
 - C) \$250,000.
-

Question #32 of 42

Question ID: 1104278

At the beginning of the year, Weatherford Corporation had 2,000,000 shares of common stock outstanding. In addition, Weatherford had 150,000 stock options outstanding to purchase common shares at \$10 per share. No stock options were exercised during the year. Assuming the average market price of the stock was \$15, how many shares should Weatherford use in computing diluted earnings per share for the year?

- A) 2,000,000.
 - B) 2,050,000.
 - C) 2,150,000.
-

Question #33 of 42

Question ID: 1104283

At the end of last year, Manhattan Corporation had a quick ratio of 1.2. If Manhattan reduces its accounts payable with a cash payment of \$2 million, its quick ratio will:

- A) be unchanged.
- B) increase.
- C) decrease.

Question #34 of 42

Question ID: 1104281

Which of the following *most accurately* describes cash flow classification under U.S. GAAP and IFRS?

- A) Dividends paid are a financing activity under U.S. GAAP and dividends received may be shown as an operating or investing activity under IFRS.
 - B) Dividends received may be shown as an operating or investing activity under U.S. GAAP and dividends paid is a financing activity under IFRS.
 - C) Interest expense is a financing activity under U.S. GAAP and interest received may be shown as an operating or investing activity under IFRS.
-

Question #35 of 42

Question ID: 1104279

U.S. GAAP requires unrealized gains and losses on available-for-sale securities to be reported:

- A) in non-operating income.
 - B) in a separate section following net income.
 - C) as other comprehensive income on the statement of changes in owners' equity.
-

Question #36 of 42

Question ID: 1104282

An accountant with Umble Company is preparing the statement of cash flows. Cash flow from operations is \$210 and cash on the balance sheet increased by \$340. Transactions during the period include:

Capital expenditures	\$100
Investment in joint venture	40
Acquisitions	80
Dividends from affiliates	25

Umble's cash flow from financing (CFF) under U.S. GAAP is:

- A) −\$220.
 - B) +\$195.
 - C) +\$350.
-

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Question ID: 1104288

A financial analyst should treat deferred tax liabilities (DTLs) as equity if the DTLs are:

- A) due to permanent differences.
 - B) expected to increase each period.
 - C) expected to decrease each period.
-

Question #38 of 42

Question ID: 1104277

The major benefit of financial reporting standards is that they:

- A) prevent management from manipulating financial results.
 - B) ensure that financial reports are usable by a wide range of audiences.
 - C) enable direct comparisons between companies by requiring them to use standard formats and methods.
-

Question #39 of 42

Question ID: 1104286

Which of the following choices about accounting for property, plant, and equipment are *most likely* to reflect a conservative bias?

- A) Accelerated depreciation, longer useful lives, and lower salvage values.
 - B) Straight-line depreciation, longer useful lives, and higher salvage values.
 - C) Accelerated depreciation, shorter useful lives, and lower salvage values.
-

Question #40 of 42

Question ID: 1104293

Other things equal, what impact will increasing days sales in payables have on operating cash flow?

- A) No impact.
 - B) Lower operating cash flow.
 - C) Higher operating cash flow.
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Question #41 of 42

Question ID: 1104289

Manitou Plastics, Inc., has been recording large deferred tax assets after incurring operating losses in the previous three years. At the end of the most recent year, Manitou reported \$14 million in deferred tax assets but only \$3 million in deferred tax liabilities. Manitou has also reported a valuation allowance related to deferred taxes in the amount of \$7.5 million. What is the *most likely* cause of Manitou's reported valuation allowance?

- A) Accounting earnings have been manipulated.
- B) Future profitability is in doubt.
- C) Interest rates have increased.

Question #42 of 42

Question ID: 1104291

Service costs for a defined benefit pension plan are recognized on the income statement under:

- A)** IFRS, but not U.S. GAAP.
- B)** Both IFRS and U.S. GAAP.
- C)** Neither IFRS nor U.S. GAAP.