

Question #1 of 31

Question ID: 1459236

An analyst belongs to a nationally recognized charitable organization, which requires dues for membership. The analyst has worked out a deal under which he provides money management advice in lieu of paying dues. While performing services for the organization, the analyst discovers some useful computer programs that his predecessor developed and left as the property of the organization. The analyst decides to use the computer programs in his consulting business. This action is:

- A)** a violation of Standard I(D) concerning misconduct.
 - B)** a violation of Standard III(B) concerning fair dealing.
 - C)** appropriate since the analyst is technically an employee of the organization.
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Question #2 of 31

Question ID: 1459211

A money manager works for a full-service brokerage firm. After meeting with a new client and gathering all relevant information, the money manager says that she thinks her firm can perform all the financial services the new client needs. With respect to Standard I(C), Misrepresentation, this:

- A)** may not be a violation if the manager's opinion is based upon the factual information gathered.
 - B)** is a violation because she cannot make statements like this under any circumstances.
 - C)** may not be a violation if the representation was made orally.
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Question #3 of 31

Question ID: 1459230

Hillary Jones, CFA, sometimes promises clients that she will allocate more shares from oversubscribed initial public offerings (IPOs) than she knows she will actually be able to deliver. Her employer has reprimanded her in the past for similar behavior. Which of the following statements is *least* accurate regarding Jones' behavior?

- A) Her actions are a violation of the Standards only if prosecution results in a felony conviction.
 - B) Her actions are a violation of the standard concerning professional misconduct because she deceived her clients.
 - C) Her actions are a violation of the standard concerning misrepresentation, because she promised something she knew the firm could not deliver.
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Question #4 of 31

Question ID: 1459217

An analyst preparing a report needs to cite which of the following?

- A) A recent quote from the Federal Reserve Chairman.
 - B) The individual who developed a chart from the same firm.
 - C) Estimates of betas provided by Standard & Poor's.
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Question #5 of 31

Question ID: 1459226

Which of the following *least likely* violates the Standard concerning misconduct? Roland Lawson, a financial analyst:

- A) committed perjury in connection with a lawsuit against his firm.
 - B) drinks excessively during business meetings with clients and returns to work under the influence of alcohol.
 - C) is arrested for participating in a nonviolent protest.
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Question #6 of 31

Question ID: 1459210

A copyrighted technique for measuring the downside risk of an investment has just been revealed to the public. If an analyst adopts the technique, he must cite the use of the technique in all research reports in which the technique is used EXCEPT:

- A) if the analyst does not modify the technique at all.

B) Neither of these answers provide grounds for an exception.

C) if the analyst uses reasonable care and verifies that the technique provides superior results.

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Question ID: 1459215

Jamie Pyles, a portfolio management trainee for a money management firm, is trying to create a client base. He phones prospective clients, telling them that he is a portfolio manager. He informs prospective clients that based on the last five years of performance of his firm, he can guarantee the client at least a 75% return. He informs them that his firm can provide all of the services that they will ever need. What is the minimum number of misrepresentations Jamie has made to the prospective clients in violation of Standard I(C), Misrepresentation?

A) 5.

B) 2.

C) 3.

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Question ID: 1459234

A CFA charterholder who comes to work intoxicated is:

A) in violation of Standard IV(A) concerning duties to employer.

B) not in violation of the standards.

C) in violation of Standard I(D) concerning professional misconduct.

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Question ID: 1459212

Based on CFA Institute Standards of Professional Conduct, which of the following statements is a violation of Standard I(C), Misrepresentation?

A) A broker says XYZ stock is very likely to double in value over the next six months.

- A young trainee bond trader tells a prospective client that she can assist the client in all the client's investment needs: equity, fixed income, and derivatives and based on her years of experience as an analyst in the business that an investment looks like it has lots of potential.
- B)** An investment manager recommends to a prospective client an investment in GNMA bonds because they are guaranteed by the federal government.
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Question #10 of 31

Question ID: 1459208

Lynn Black, CFA, is an analyst with the underwriter for an upcoming issue of Mtex Software debentures. Black learns from an employee in Mtex's programming department that there is a serious problem with Mtex's newest software program and that many customers have canceled their orders with Mtex. There is no mention of these problems in the prospectus for the debentures, which has been circulated. According to the CFA Institute Standards of Professional Conduct, Black's *best* course of action is to:

- A)** notify potential investors of the omission on a fair and equitable basis.
- B)** inform her supervisor of her discovery.
- C)** take no action because this is material nonpublic information.
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Question #11 of 31

Question ID: 1459231

Which of the following are recommended procedures of compliance according to Standard I(D), Misconduct?

- A)** Conduct background checks on potential employees to ensure that they are of good character.
- B)** Enroll employees in a continuing education program that would provide updates on required ethical behavior.
- C)** Refer to the Professional Conduct Program for arbitration of disputes with other members or candidates.
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Question #12 of 31

Question ID: 1459238

Jerry Brock, CFA, is a partner in a small investment advisory firm that caters to high net worth individuals. He has experienced a number of personal and financial setbacks over the past two years and has filed for bankruptcy protection. Has Brock violated CFA Institute Standards of Professional Conduct?

- A)** Yes, because a member must conduct both their personal and professional business in a manner that protects their reputation and integrity.
 - B)** No, but he must disclose the bankruptcy filing to his clients.
 - C)** No, unless his personal financial difficulties result from actions that reflect adversely on his honesty and integrity.
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Question #13 of 31

Question ID: 1459222

The following information involves two research analysts at a brokerage firm.

- Erik Bagenot, CFA, is preparing a research report on Global Enterprises, Inc. In preparing the report, he uses materials from many sources. For example, he uses factual information published by Standard & Poor's Corporation without acknowledging the source. He also uses excerpts from a research report prepared by another analyst. Bagenot makes only a slight change in wording for these excerpts, but acknowledges the source.
- Sally Wain, who is currently enrolled in the CFA program, is preparing a research report on Manson Telecommunications. She attends a conference in which several investment experts provide their views about the future prospects of this company. Wain cites several quotations from these investment experts in her report without specific reference.

According to CFA Institute Standards of Professional Conduct involving prohibition against plagiarism, which of the following statements is *CORRECT*?

- A)** Bagenot violated the Standards, but Wain did not.
 - B)** Both Bagenot and Wain violated the Standards.
 - C)** Wain violated the Standards, but Bagenot did not.
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Question #14 of 31

Question ID: 1459218

Which of the following *would be permissible* under Standard I(C), Misrepresentation?

- A)** Including a graph showing the Fed's discount rates over the previous 12 months in a report that goes to clients.
 - B)** Using excerpts from a report prepared by a well known outside research firm without acknowledgement.
 - C)** Reporting statistics prepared by an outside firm, identifying the source but omitting caveats and qualifying statements.
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Question #15 of 31

Question ID: 1459237

A CFA charterholder is caught shoplifting and is sentenced to nine months in prison. Is this a violation of Standard I(D) Misconduct?

- A)** No, because the crime does not relate to the investment profession.
 - B)** Yes, because the crime involved stealing.
 - C)** Yes, because the prison sentence is more than six months.
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Question #16 of 31

Question ID: 1459225

Paul Thomas, CFA, is designing a new layout for research reports his firm writes and issues on individual stocks. In his design, Thomas includes a stock chart on the first page of each report. He does not reference that the charts are copied from the Standard & Poor's website. Thomas has:

- A)** not violated CFA Institute Standards of Professional Conduct because these charts are widely available over the internet.
 - B)** violated CFA Institute Standards of Professional Conduct because he did not make sure that the information in these charts is accurate.
 - C)** violated CFA Institute Standards of Professional Conduct because he did not state the source of the charts.
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Question #17 of 31

Question ID: 1459223

According to CFA Institute Standards of Professional Conduct, which of the following statements about the prohibition against plagiarism is *most correct*? The prohibition against plagiarism applies to written materials:

- A)** and oral communications only.
 - B)** oral communications, and telecommunications.
 - C)** only.
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Question #18 of 31

Question ID: 1459227

A CFA charterholder in a managerial position is in the process of hiring new analysts. If the charterholder conducts background checks on the job applicants with respect to their character, the charterholder has:

- A)** complied with Standard I(D) concerning professional misconduct.
 - B)** complied with Standard VII(A) concerning conduct of members and candidates in the CFA Program.
 - C)** violated the Code of Ethics by invading the applicants' privacy.
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Question #19 of 31

Question ID: 1459209

According to CFA Institute Standards of Professional Conduct, which of the following is least likely a form of misrepresentation?

- A)** Attributing specific quotations to "leading analysts" and "investment experts" without specific reference.
 - B)** Presenting statistical estimates of forecasts prepared by others with the source identified, but without qualifying statements or caveats that may have been used.
 - C)** Using factual information published by recognized financial and statistical reporting services or similar sources without acknowledgment.
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Question #20 of 31

Which of the following is NOT expressly prohibited by Standard I(C), Misrepresentation?

- A) misrepresenting the services a member is capable of performing.
 - B) misrepresenting a member's academic or professional credentials.
 - C) providing information on guaranteed investment products.
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Question #21 of 31

Question ID: 1459233

All of the following are violations of Standard I(D), Misconduct, *EXCEPT*:

- A) conviction of a misdemeanor involving civil disobedience in support of one's personal beliefs.
 - B) any conduct that undermines confidence that the CFA charter represents a level of achievement based on merit and ethical conduct.
 - C) conviction of a crime involving fraud.
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Question #22 of 31

Question ID: 1459229

Which of the following actions *most likely* violates Standard I(D) Misconduct?

- A) A Level I candidate submits a request to her employer for auto travel reimbursement using inflated mileage totals.
 - B) A member pursues an employment opportunity with a competing firm, primarily as a means of securing a salary increase from her current employer.
 - C) An analyst is arrested for trespassing while participating in an anti-abortion protest.
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Question #23 of 31

Question ID: 1459221

Wes Smith, CFA, has been working toward the completion of a Master of Science in Finance. He has passed all the necessary courses and written the necessary thesis. He still must defend the thesis in one month. Smith's thesis advisor assures him that he will pass the thesis defense. Smith has new business cards printed with "M.S. in Finance" after his name. This is a violation of:

- A)** none of the Standards if Smith does not make the cards public until after he defends his thesis and receives his degree.
 - B)** Standard I(C), Misrepresentation.
 - C)** Standard VII(B), Reference to CFA Institute, the CFA Designation, and the CFA Program.
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Question ID: 1459220

Sandra Bulow, CFA, is responsible for updating her employing firm's website to include changes in analysis techniques and trading procedures. She is often very delinquent in making these changes, despite working extensive hours. She is aware clients are using the website to make investment decisions, and has received complaints from the sales department as the information on the website is often different from what is presented in sales meetings. Bulow is *most likely*:

- A)** in violation of Standard I(C) "Misrepresentation."
 - B)** in violation of Standard III(B) "Fair Dealing."
 - C)** not in violation of any Standard.
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Question #25 of 31

Question ID: 1459228

Which of the following is *least likely* a violation of Standard I(D), Misconduct? Being:

- A)** intoxicated at the office.
 - B)** convicted of a felony.
 - C)** convicted of a misdemeanor traffic offense.
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Question #26 of 31

Question ID: 1459235

Timothy Hooper, CFA, is a security analyst at an investment firm. In his spare time, Hooper serves as a volunteer for City Pride, which collects clothes for the homeless. Hooper has occasionally given some of the clothes to his friends or sold the clothes instead of returning all of the clothing to City Pride. City Pride discovers what he has been doing and dismisses him. Later, City Pride learns that other volunteer organizations have dismissed Hooper for similar actions. Has Hooper violated Standard I(D) on professional misconduct in the CFA Institute Standards of Professional Conduct?

- A) No, because Hooper volunteers his services to City Pride.
 - B) No, because Hooper's conduct is unrelated to his professional activities as a security analyst.
 - C) Yes.
-

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Question ID: 1459224

All of the following violate Standard I(C), Misrepresentation, *EXCEPT*:

- A) copying a proprietary computerized spreadsheet without seeking authorization from the creators.
 - B) citing quotes attributable to "investment experts" without specific references.
 - C) presenting factual information published by recognized statistical reporting services without acknowledgment.
-

Question #28 of 31

Question ID: 1459214

A CFA charterholder gathers the closing prices of a security from a widely read publication. The charterholder uses the data as part of a report she is preparing and fails to report the data source in the report. This is:

- A) not a violation of Standard I(C) if the data can be gathered from several public sources.
- B) a violation of Standard I(C).

- C)** not a violation of Standard I(C) if the data cannot be gathered from several public sources.
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Question #29 of 31

Question ID: 1459213

Which of the following is *most likely* permitted under Standard I(C), Misrepresentation?

- A)** Citing quotes attributed to "investment experts" without specific reference.
 - B)** Using excerpts from reports prepared by others without acknowledgement.
 - C)** Including data showing the current government bond yield curve in a report to a client without stating its source.
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Question #30 of 31

Question ID: 1459232

A CFA charterholder takes a trip for which his firm will pay the expenses. Upon his return, he alters some of the numbers on restaurant receipts to inflate the expenses by about one half of a percent. Is this a violation of the Code and Standards?

- A)** This is a violation only if the amount in question is material.
 - B)** Yes, because the charterholder should have paid his own expenses.
 - C)** Yes, because it reflects dishonesty.
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Question #31 of 31

Question ID: 1459216

Marc Randall, CFA, is an investment analyst. During a meeting with a potential client, Randall's boss states that, "You can be sure our investments will always outperform Treasury Bonds because of our fine research staff members, like Marc." Randall knows that this statement is:

- A)** a violation of fiduciary duties owed to clients under the Standards.
- B)** a violation of the Standard concerning prohibition against misrepresentation.
- C)** not in violation of the Code and Standards.