

1. Rose, a portfolio manager for a local investment advisory firm, is planning to sell a portion of his personal investment portfolio to cover the costs of his child's academic tuition. Rose wants to sell a portion of his holdings in Household Products, but his firm recently upgraded the stock to "strong buy." Which of the following describes Rose's options under the Code and Standards?
  - A. Based on his firm's "buy" recommendation, Rose cannot sell the shares because he would be improperly prospering from the inflated recommendation.
  - B. Rose is free to sell his personal holdings once his firm is properly informed of his intentions.
  - C. Rose can sell his personal holdings but only when a client of the firm places an order to buy shares of Household.
2. Gardner Knight, CFA, is a product development specialist at an investment bank. Knight is responsible for creating and marketing collateralized debt obligations (CDOs) consisting of residential mortgage bonds. In the marketing brochure for his most recent CDO, Knight provided a list of the mortgage bonds that the CDO was created from. The brochure also states "an independent third party, the collateral manager, had sole authority over the selection of all mortgage bonds used as collateral in the CDO." However, Knight met with the collateral manager and helped her select the bonds for the CDO. Knight is least likely to be in violation of which of the following CFA Institute Standards of Professional Conduct?
  - A. Suitability
  - B. Conflicts of Interest
  - C. Client Communication
3. Albert and Tye, who recently started their own investment advisory business, have registered to take the Level III CFA examination. Albert's business card reads, "Judy Albert, CFA Level II." Tye has not put anything about the CFA designation on his business card, but promotional material that he designed for the business describes the CFA requirements and indicates that Tye participates in the CFA Program and has completed Levels I and II. According to the Standards:
  - A. Albert has violated the Standards, but Tye has not.
  - B. Tye has violated the Standards, but Albert has not.
  - C. Both Albert and Tye have violated the Standards.
4. Rule has worked as a portfolio manager for a large investment management firm for the past 10 years. Rule earned his CFA charter last year and has decided to open his own investment management firm. After leaving his current employer, Rule creates some marketing material for his new firm. He states in the material, "In earning the CFA charter, a highly regarded credential in the investment management industry, I further enhanced the portfolio management skills learned during my professional career. While

completing the examination process in three consecutive years, I consistently received the highest possible scores on the topics of Ethics, Alternative Investments, and Portfolio Management.” Has Rule violated Standard VII(B)—Reference to CFA Institute, the CFA Designation, and the CFA Program in his marketing material?

- A. Rule violated Standard VII(B) in stating that he completed the exams in three consecutive years.
  - B. Rule violated Standard VII(B) in stating that he received the highest scores in the topics of Ethics, Alternative Investments, and Portfolio Management.
  - C. Rule did not violate Standard VII(B).
5. Quinn sat for the Level III CFA exam this past weekend. He updates his resume with the following statement: “In finishing the CFA Program, I improved my skills related to researching investments and managing portfolios. I will be eligible for the CFA charter upon completion of the required work experience.”
- A. Quinn violated the Code and Standards by claiming he improved his skills through the CFA Program.
  - B. Quinn violated the Code and Standards by incorrectly stating that he is eligible for the CFA charter.
  - C. Quinn did not violate the Code and Standards with his resume update.