2019 CFA Program: Level I Errata

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To be fair to all candidates, CFA Institute does not respond directly to individual candidate inquiries. If you have a question concerning CFA Program content, please contact CFA Institute (info@cfainstitute.org) to have potential errata investigated.

- The eBook for the 2019 curriculum is formatted for continuous flow, so the text will fit all screen sizes. Therefore, eBook page numbering—which is linked to section heads—does not match page numbering in the print curriculum.
- Corrections below are in bold, and new corrections will be shown in red; page numbers shown are for the print volumes.
- The short scale method of numeration is used in the CFA Program curriculum. A billion is 10^9 and a trillion is 10^{12}. This is in contrast to the long scale method where a billion is 1 million squared and a trillion is 1 million cubed. The short scale method of numeration is the prevalent method internationally and in the finance industry.

Volume 1

Reading 1

- The command word for LOS f should be "**demonstrate**" instead of "describe and apply" (page 5 of print)

Reading 10

- The text of practice problem 12 (page 565 of print) should read as follows: "If the probability that a portfolio outperforms its benchmark in any quarter is 0.75, the probability that the portfolio outperforms its benchmark in three or fewer quarters over the course of a year is *closest* to:" The answer choices remain the same.
- In the solution to practice problem 12 (page 573 or print), there should be an additional line after the equation for *p*(1): $p(0) = \frac{4!}{(4-0)!0!}0.75^0(1-0.75)^{4-0} = [24/24](1)(0.004) = 0.004$.

  The final line of the solution should read as follows: "*F*(3) = *p*(3) + *p*(2) + *p*(1) **+ *p*(0)** = 0.42 + 0.20 + 0.06 **+ 0.004** = 0.684 or approximately 68 percent"

Volume 2

Reading 16

- In Section 4.3, paragraph beginning "Therefore, we need to understand the forces..." (page 179 of print), the last sentence should read as follows: "Dividing the production function by ***L***, we get the following:"

Reading 17

- In the solution to practice problem 30 (page 255 of print), the line for "Value of the Fisher index" should have a multiplication sign instead of a minus sign: $\sqrt{I_P \times I_L}$

Volume 3

Reading 23

- In Example 3, list item 2 (page 107 of print) should read as follows: "At the end of Year 2, Kolenda has spent a **cumulative** total of $5.4 million."
- In the solution to Example 3, Year 2 section (page 107 of print), the first sentence should read as follows: "Under IFRS, Kolenda would recognize **an incremental $3** million cost of construction, **an incremental $3** million revenue, and thus $0 income."

Reading 24

- In the first table in Example 4 (page 183 of print), the row for "Overhead" should be "**Design, construction, and testing**," with **270** in the "General" column, **450** in the "Project 1" column, and **470** in the "Project 2" column. The lines below for Direct and Indirect should be deleted.

Reading 25

- In the solution to practice problem 15 (page 266 in print), "Cash received from customers" should read as follows: Revenue **+** Decrease in accounts receivable = $37 + **$3** = $40 million. "Cash paid to suppliers should read as follows: Cost of goods sold + **Increase** in inventory **+ Decrease** in accounts payable = $16 + **$4 + $2** = $22 million.

Reading 26

- The footnotes for this reading are missing. Please see the PDF in Candidate Resources for the reading with footnotes.

Reading 28

- In the fifth paragraph of Section 7 (page 454 of print), the second-to-last sentence should read as follows: "Under US GAAP, there is no reversal of impairment losses **for assets held for use**."
- In Example 16, Solution to 5 (page 460 of print) should refer to **Note 11**, not Note 22.

Reading 30

- In the solution to practice problem 5 (page 599 of print), the sentence after the first table should read as follows: "The following illustrates the keystrokes for many financial calculators to calculate sales proceeds of **$4,929,284.72**:"

Reading 32

- In the paragraph between Example 10 and Example 11 (page 700 of print), the second sentence should be deleted: "…as if the company were using the FIFO method. ~~In Example 10, the portion of inventory valued under the LIFO method was a relatively small portion of total inventory; the LIFO reserve (excess of FIFO cost over LIFO) was also relatively small.~~ If the LIFO method is used …"

Volume 4

Reading 35

- In the solution to 12 (page 118 of print), the fourth line should read as follows: "*I*/*YR* = **6.825%**. Solving for *PV* gives the answer $7,999,688."

Reading 37

- The equation for Number of days of receivables (page 160 of print) should be (**Average** accounts receivable)/(Average day's sales on credit).
- The equation for Number of days of inventory (page 161 of print) should be (**Average** inventory)/(Average day's cost of goods sold).
- The equation for Number of days of payables (page 161 of print) should be (**Average** accounts payable)/(Average day's purchases)
- Answer choice C for practice problem 2 (page 196 of print) should be **75.7**.
- Answer choice A for practice problem 3 (page 196 of print) should be **0.80**.
- The solution to practice problem 2 (page 199 of print) should read as follows:

  C is correct.
  Number of days of inventory = **[(2,300 + 2,000)/2]/($20,000/365) = 39.238 days**
  Number of days of receivables = $2,500/($25,000/365) = 36.5 days
  Operating cycle = **39.238** + 36.5 days = **75.738 days**
  Note: The net operating cycle is **45.2 days**.
  Purchases = $20,000 + $2,300 – $2,000 = $20,300
  Number of days of payables = $1,700/($20,000/365) = 30.567 days
  The net operating cycle is **75.738** – 30.567 = **45.171 days**
- The solution to practice problem 3 (page 199 of print) should read as follows:

  A is correct.
  Number of days of inventory = **[($2,000 + $1,500)/2]/($30,000/365) = 21.292 days**
  Number of days of receivables = $3,000/($40,000/365) = 27.375 days
  Operating cycle = **21.292** + 27.375 days = **48.667 days**
  Purchases = $30,000 + $2,000 – $1,500 = $30,500
  Number of days of payables = $4,000/($30,500/365) = 47.869 days
  The net operating cycle is **48.667** – 47.869 = **0.798 days**

Reading 40

- In the first paragraph of Example 3 (page 325 of print), the last sentence should read as follows: "…estimate Mr. Miles' expected return and risk if he invests 25 percent and 75 percent in the **market** and if he decides to borrow 25 percent and 75 percent of his initial investment and invest the money in the market."

Volume 5

Reading 50

- In the fifth paragraph of Section 5.1 (page 330 of print), the fifth sentence should read as follows: "A make-**whole** call provision is less detrimental …"

Volume 6

Reading 57

- In Exhibit 6 (page 69 of print), the negative signs should be removed in the boxes for “Long derivative” (second row, far right) and “Short asset” (third row, far right).