

CFA 一级易错题

1. Which of the following statements about commodity investing is invalid?

- A. Few commodity investors trade actual physical commodities.
- B. Commodity producers and consumers both hedge and speculate.
- C. Commodity indexes are based on the price of physical commodities.

【正确答案】C

【答案解析】C is correct. In order to be transparent, investable, and replicable, commodity indexes typically use the price of futures contracts on the commodities included in the index rather than the prices of the physical commodities themselves. A is incorrect because trading in physical commodities is primarily limited to a smaller group of entities that are part of the physical supply chain. Thus, most commodity investors do not trade actual physical commodities but, rather, trade commodity derivatives. B is incorrect because although supply chain participants use futures to hedge their forward purchases and sales of the physical commodities, those commodity producers and consumers nonetheless both hedge and speculate on commodity prices.

2. Brodeur, CFA, is CEO of LeTour, a global company that makes electric cars.

Brodeur and LeTour disclose to the public and regulators that the company will use Brodeur's personal social media account to disseminate information to LeTour investors and the investing public. After the media reports that the company is having difficulty producing and delivering its cars to buyers, Brodeur posts on his social media

that the company is “considering taking LeTour private at \$420 a share. Funding is secure.” Previously, Brodeur had met with a large sovereign wealth fund (SWF) that expressed general interest in investing in the company and taking the company private. But Brodeur and the SWF had not reached any agreement or determined a share purchase price. Brodeur was also in discussions with investment banks but had not yet retained any advisers to assist with taking the company private. After the post, LeTour’s stock price increased more than 6% on significantly increased volume and closed at \$380 per share, 10% higher than on the previous day. When asked about the specific stock price in the post, Brodeur admitted that he had not discussed pricing with any potential investor but chose the price as a joke. Brodeur’s actions are

A.inappropriate because the post was a misrepresentation of the facts.

B.inappropriate because not all investors use social media, so Brodeur is selectively disclosing information and putting some investors at a disadvantage.

C.appropriate because his post said only that he was “considering” taking the company private and thus contained only speculative, nonmaterial information.

【正确答案】A

【答案解析】A is correct. This case relates to Standard I(C): Professionalism, Misrepresentation, which states that CFA Institute members and candidates must not knowingly make any misrepresentation relating to professional or investment activities. Brodeur’s post was based on assumptions and contrary to the facts. Among other things, he (1) had not reached any agreement with the SWF, (2) had never discussed a share price of \$420, (3) had set the price as a joke, and (4) had not formally retained any legal or financial advisers to assist with taking the company

private. Unlike market participants reading his post, Brodeur knew that his supposed “secure” funding was based on a general conversation regarding a potential investment of an unspecified amount in the context of an undefined transaction structure. Because of the uncertainties that would need to be resolved before going private could be possible, Brodeur knew or should have known that his statements were false and misleading. The online or interactive aspects of social media do not remove the need to be open and honest about the information being distributed.

B is incorrect. Disseminating information to investors using social media might be appropriate and ethical under certain conditions. Distribution channels to make information public do not need to be guaranteed to reach all investors, but they must be designed to effectively make the information public. As long as the information shared reaches all clients or is available to the investing public, social media platforms would be comparable with other traditional forms of communication, such as press releases or email communication. But because the information was misleading, Brodeur’s use of social media was not appropriate.

C is incorrect. The post can be considered “material” information and not speculative because (1) the source of the post was the company’s CEO, (2) the subject matter was dramatic and elemental, and (3) investors would want to know the information before making an investment decision.

3. The value of a test statistic is best described as the basis for deciding whether to:

A. reject the null hypothesis.

B. accept the null hypothesis.

C.reject the alternative hypothesis.

【正确答案】A

【答案解析】A is correct. Calculated using a sample, a test statistic is a quantity whose value is the basis for deciding whether to reject the null hypothesis.

4.A least likely reason for investors to include commodity derivatives in their investment portfolios is:

A.commodity' s ability to help diversify portfolios

B.it eliminates the need to understand the physical supply chain and general supply - demand dynamics of a commodity.

C.the tendency for commodity prices to be positively correlated with inflation.

【正确答案】B

【答案解析】B is correct. Because the prices of commodity derivatives are, to a significant extent, a function of the underlying commodity prices, it is important to understand the physical supply chain and general supply - demand dynamics of a commodity.

A is incorrect because commodity can help diversify portfolios.

C is incorrect because commodity prices tend to be positively correlated with inflation.

5.An investment management firm has been hired by ETV Corporation to work on an additional public offering for the company. The firm' s brokerage unit now has a “sell” recommendation on ETV, but the head of the investment banking department has asked the head of the brokerage unit to change the recommendation from “sell” to

“buy.” According to the Standards, the head of the brokerage unit would be permitted to:

- A. Increase the recommendation by no more than one increment (in this case, to a “hold” recommendation)
- B. Place the company on a restricted list and give only factual information about the company.
- C. Assign a new analyst to decide if the stock deserves a higher rating.

【正确答案】B

【答案解析】The correct answer is B. This question relates to Standard I(B) –

Independence and Objectivity. When asked to change a recommendation on a company stock to gain business for the firm, the head of the brokerage unit must refuse in order to maintain his independence and objectivity in making recommendations. He must not yield to pressure by the firm’s investment banking department. To avoid the appearance of a conflict of interest, the firm should discontinue issuing recommendations about the company. Answer A is incorrect; changing the recommendation in any manner that is contrary to the analyst’s opinion violates the duty to maintain independence and objectivity. Answer C is incorrect because merely assigning a new analyst to decide whether the stock deserves a higher rating will not address the conflict of interest

6. Green Glory Corp., a garden supply wholesaler, reported cost of goods sold for the year of \$80 million. Total assets increased by \$55 million, including an increase of \$5 million in inventory. Total liabilities increased by \$45 million, including an increase of \$2

million in accounts payable. The cash paid by the company to its suppliers is most likely closest to:

A.\$73 million

B.\$77 million

C.\$83 million

【正确答案】C

【答案解析】C is correct. Cost of goods sold of \$80 million plus the increase in inventory of \$5 million equals purchases from suppliers of \$85 million. The increase in accounts payable of \$2 million means that the company paid \$83 million in cash (\$85 million minus \$2 million) to its suppliers.

7.A firm reports sales of €50,000 for the year ended 31 December 2012. Its accounts receivable balances were €6,000 at 1 January 2012 and €7,500 at 31 December 2012. The company's cash collections from sales for 2012 is closest to:

A.€48,500.

B.€51,500.

C.€42,500.

【正确答案】A

【答案解析】A is correct. Cash collections from sales equals beginning receivables plus sales less ending receivables: $€6,000 + €50,000 - €7,500 = €48,500$

8.Which of the followings is most likely not a suspicious sign when analyzing a company's financial reports?

A.Net income is higher than CFO continuously

B.Large portion of barter transactions

C.Revenue increases every year

【正确答案】C

【答案解析】When net income is consistently higher than cash provided by operations, one possible explanation is that the company may be using aggressive accrual accounting policies to shift current expenses to later periods.

Barter transactions are difficult to value properly and may result in bias in revenue recognition.

Whether revenue is higher or lower than the previous period is not sufficient to determine if there is bias in revenue recognition.

9.Which of the following is most likely a part of the feedback step in the portfolio management process?

A.Performance measurement

B.Developing the investment policy statement

C.Portfolio construction

【正确答案】A

【答案解析】A is correct. Performance measurement, along with portfolio monitoring and rebalancing, is part of the feedback loop.

B is incorrect. Developing the investment policy statement is part of the planning step.

C is incorrect. Portfolio construction is part of the execution step.

10. The information provided by a balance sheet item is limited because of uncertainty regarding:

- A. measurement of its cost or value with reliability.
- B. the change in current value following the end of the reporting period.
- C. the probability that any future economic benefit will flow to or from the entity.

【正确答案】B

【答案解析】B is correct. Balance sheet information is as of a specific point in time, and items measured at current value reflect the value that was current at the end of the reporting period. For all financial statement items, an item should be recognized in the financial statements only if it is probable that any future economic benefit associated with the item will flow to or from the entity and if the item has a cost or value that can be measured with reliability.

11. Which of the following is most likely to be a feature common to both forward and futures contracts?

- A. Daily marking to market of contracts
- B. Standardization of the contract's terms and conditions
- C. Their use for hedging or speculation

【正确答案】C

【答案解析】C is correct. Both forward and futures contracts can be used for hedging an exposure or speculating on the particular price direction of the underlying security.

A is incorrect. Daily marking to market is a feature associated only with futures contracts.

B is incorrect. Standardized contract terms and conditions are associated only with futures contracts.

12. An investment has a 50% probability of returning 10% and a 50% probability of returning 6%. An investor prefers this uncertain investment over a guaranteed return of 8%. This preference most likely indicates that the investor is risk:

A. seeking

B. averse

C. neutral

【正确答案】A

【答案解析】A is correct. The expected value of the uncertain investment is 8%, which is equal to the guaranteed return of 8%. Only a risk-seeking person would be willing to accept the uncertain investment.

13. A zero-coupon bond matures in 10 years. At a market discount rate of 5% per year and assuming annual compounding, the price of the bond per 100 of par value is closest to:

A. 51.30.

B. 51.30.

C. 61.39.

【正确答案】C

【答案解析】C is correct. The price of the zero-coupon bond is closest to 61.39. The price is determined in the following manner: $PV = 100 / [(1+r)]^N$

where:

PV = present value, or the price of the bond

r = market discount rate, or required rate of return per period

N = number of evenly spaced periods to maturity

$$PV=100/[(1+0.05)]^{10}=61.39$$

14.If Investor A has a lower risk aversion coefficient than Investor B, on the capital allocation line, will Investor B's optimal portfolio most likely have a lower expected return?

A.Yes

B.No, because Investor B has a higher risk tolerance

C.No, because Investor B has a lower risk tolerance

【正确答案】A

【答案解析】A is correct. Investor B has a higher risk aversion coefficient, thus a lower risk tolerance and a lower expected return on the capital allocation line.

15.Asset-based valuation models are best suited to companies where the capital structure does not have a high proportion of:

A.debt.

B.intangible assets.

C.current assets and liabilities.

【正确答案】B

【答案解析】B is correct. Intangible assets are hard to value. Therefore, asset-based

valuation models work best for companies that do not have a high proportion of intangible assets.

16. Convergence of incomes over time between emerging market countries and developed countries is most likely the result of:

- A. total factor productivity.
- B. diminishing marginal productivity of capital.
- C. the exhaustion of non-renewable resources.

【正确答案】B

【答案解析】B is correct. Diminishing marginal productivity of capital means that as a country accumulates more capital per worker, the incremental boost to output declines. Thus, all else equal, economies grow more slowly as they become more capital intensive. Given the relative scarcity and hence high marginal productivity of capital in developing countries, these economies tend to grow more rapidly than developed countries. This dynamic leads to convergence in income levels over time.

17. In the binomial model, the difference between the up and down factors best represents the:

- A. volatility of the underlying.
- B. moneyness of an option.
- C. pseudo probability.

【正确答案】A

【答案解析】A is correct. The volatility of the underlying is captured in the binomial

model by the difference between the up and down factors.

B is incorrect. The moneyness of an option is given by the difference between price of the underlying and exercise price.

C is incorrect. The difference between the up and down factors is only one part (the denominator) of the formula for the pseudo probabilities.

18. Comparison of a company's financial results to other peer companies for the same time period is called:

A. technical analysis.

B. time-series analysis.

C. cross-sectional analysis.

【正确答案】C

【答案解析】C is correct. Cross-sectional analysis involves the comparison of companies with each other for the same time period. Technical analysis uses price and volume data as the basis for investment decisions. Time-series or trend analysis is the comparison of financial data across different time periods.

19. Compared with traditional investments, alternative investments are more likely to have:

A. greater use of leverage.

B. long-only positions in liquid assets.

C. more transparent and reliable risk and return data.

【正确答案】A

【答案解析】 A is correct. Investing in alternative investments is often pursued through such special vehicles as hedge funds and private equity funds, which have flexibility to use leverage. Alternative investments include investments in such assets as real estate, which is an illiquid asset, and investments in such special vehicles as private equity and hedge funds, which may make investments in illiquid assets and take short positions. Obtaining information on strategies used and identifying reliable measures of risk and return are challenges of investing in alternatives.

20. A composite return reflects the performance of:

- A. all portfolios managed by the firm, regardless of investment strategy.
- B. all discretionary portfolios that meet the composite definition.
- C. all discretionary and non-discretionary portfolios that meet the composite definition.

【正确答案】 B

【答案解析】 B is correct. Composites must be defined based on investment mandate, objective, or strategy. Composites can include only discretionary portfolios.

21. Which of the following statements is most accurate about recessions?

- A. If severe, the demand for products of defensive companies will eventually be adversely affected.
- B. Consumers are more likely to defer purchases of products of defensive companies than of cyclical companies.
- C. Non-cyclical companies tend to underperform cyclical companies.

【正确答案】 A

【答案解析】A is correct. The impact of severe recessions usually reaches all parts of the economy and affects cyclical and defensive companies.

B is incorrect. Consumers do not tend to defer purchases from defensive companies during a recession.

C is incorrect. Cyclical companies underperform non-cyclical companies during economic recessions.

22. Marc Davidson, CFA, works as a trust specialist for Integrity Financial. On his own time, Davidson starts a part time consulting business providing advice to Trustees for a fee. He conducts this business on his own time. Davidson asks his assistant to compile a list of Integrity's clients and their contact information. The following month, Davidson is offered a similar role at Integrity's largest competitor, Legacy Trust Services, Inc. After he begins working at Legacy, his new manager arranges for him to meet with a number of prospective clients, many of whom are clients of Integrity. After meeting with Davidson, a number of former Integrity clients decide to transfer their business to Legacy. Did Davidson's action violate the Code and Standards?

A. No.

B. Yes, Davidson's part time consulting business is a violation of the Standards.

C. Yes, both Davidson's part time consulting business and his meetings with Integrity clients are a violation of the Standards.

【正确答案】B

【答案解析】B is correct because members and candidates are required to disclose any compensation arrangement to their employers that involves performing tasks or

services that their employers can charge for. Disclosure is required even if the activities occur during non-work hours.

C is incorrect because being hired by a competing firm does not constitute a violation of Standard IV(A). In addition, Davidson is not utilizing confidential information from Integrity to solicit former clients. Although Davidson had a list of client contacts prepared while at Integrity, his new employer arranges the meetings.

A is incorrect because his consulting business is a violation of Standard IV(A).

23. Which of the following statements regarding commodity derivatives is incorrect?

A. The primary commodity derivatives are futures.

B. Commodities are subject to an almost unimaginable array of risks.

C. Commodity traders and financial traders today are distinct groups within the financial world.

【正确答案】C

【答案解析】C is the correct answer because it is incorrect. Commodity and financial traders have become relatively homogeneous since the creation of financial futures. Historically, commodity traders and financial traders were quite different groups, and there used to be a tendency to think of the commodity world as somewhat separate from the financial world.

A is incorrect. The primary commodity derivatives are futures, but forwards, swaps, and options are also used.

B is incorrect because the commodity market is extremely large and subject to an almost unimaginable array of risks.

24. Which factor is associated with a more favorable quality sovereign bond credit rating?

- A. Issued in local currency, only
- B. Strong domestic savings base, only
- C. Issued in local currency of country with strong domestic savings base

【正确答案】C

【答案解析】C is correct. Bonds issued in the sovereign's currency and a strong domestic savings base are both favorable sovereign rating factors. It is common to observe a higher credit rating for sovereign bonds issued in local currency because of the sovereign's ability to tax its citizens and print its own currency. Although there are practical limits to the sovereign's taxing and currency-printing capacities, each tends to support a sovereign's ability to repay debt. A strong domestic savings base is advantageous because it supports the sovereign's ability to issue debt in local currency to domestic investors.

25. With respect to capital market theory, which of the following assumptions allows for the existence of the market portfolio? All investors:

- A. are price takers.
- B. have homogeneous expectations.
- C. plan for the same, single holding period.

【正确答案】B

【答案解析】B is correct. The homogeneous expectations assumption means that all investors analyze securities in the same way and are rational. That is, they use the same probability distributions, use the same inputs for future cash flows, and arrive at the same valuations. Because their valuation of all assets is identical, they will generate the same optimal risky portfolio, which is the market portfolio.

26.Rebecca Wong is enrolled to take the Level I CFA exam. Her friend William Leung purchased Level I study materials from a well-known CFA review program the previous year. Leung made a photocopy of the previous year's copyrighted materials and sold it to Wong to help her study. Who most likely violated the CFA Institute Code of Ethics or any Standards of Professional Conduct?

A.Both violated.

B.Only Leung violated.

C.Neither violated.

【正确答案】A

【答案解析】Photocopying copyrighted material, regardless of the year of publication, is a violation of Standard I(A) because copyrighted materials are protected by law.

Candidates and members must comply with all applicable laws, rules, and regulations and must not knowingly participate or assist in a violation of laws.

27.The longest-term tranche of a sequential-pay CMO is most likely to have the lowest:

A.average life.

B.extension risk.

C.contraction risk.

【正确答案】C

【答案解析】C is correct. For a CMO with multiple sequential-pay tranches, the longest-term tranche will have the lowest contraction (prepayments greater than forecasted) risk because of the protection against this risk offered by the other tranches. The longest-term tranche is likely to have the highest average life and extension risk because it is the last tranche repaid in a sequential-pay tranche.

28.Which of the following trade restrictions is likely to result in the greatest welfare loss for the importing country?

A.A tariff

B.An import quota

C.A voluntary export restraint

【正确答案】C

【答案解析】C is correct. With a voluntary export restraint, the price increase induced by restricting the quantity of imports (= quota rent for equivalent quota = tariff revenue for equivalent tariff) accrues to foreign exporters and/or the foreign government.

29.The valuation technique under which assets are recorded at the amount that would be received in an orderly disposal is:

A.current cost.

B.present value.

C. realizable value.

【正确答案】C

【答案解析】C is correct. The amount that would be received in an orderly disposal is realizable value.

30. Which of the following concerns would most likely motivate a manager to make conservative accounting choices?

A. Attention to future career opportunities

B. Expected weakening in the business environment

C. Debt covenant violation risk in the current period

【正确答案】B

【答案解析】B is correct. Managers may be motivated to understate earnings in the reporting period and increase the probability of meeting or exceeding the next period's earnings target.

31. Cash flows from taxes on income must be separately disclosed under:

A. IFRS only

B. US GAAP only

C. both IFRS and US GAAP

【正确答案】C

【答案解析】C is correct. Taxes on income are required to be separately disclosed under IFRS and US GAAP. The disclosure may be in the cash flow statement or elsewhere.

32. SebCoe plc, a British firm, is evaluating an investment in a £ 50 million project that will be financed with 50% debt and 50% equity. Management has already determined that the NPV of this project is £ 5 million if it uses internally generated equity. However, if the company uses external equity, it will incur flotation costs of 5.8%. Assuming flotation costs are not tax deductible, the NPV using external equity would be:

A. less than £ 5 million because we would discount the cash flows using a higher weighted average cost of capital that reflects the flotation costs.

B. £ 3.55 million because flotation costs reduce NPV by \$1.45 million.

C. £ 5 million because flotation costs have no impact on NPV.

【正确答案】B

【答案解析】B is correct. Since the project will be financed with 50% equity, the company will issue £ 25 million of new stock. The flotation cost of external equity is $(0.058 \times 25,000,000) = 1,450,000$. The NPV of the project using external equity is the NPV using internal equity less the flotation cost. Adjusting the cost of capital to reflect the flotation cost is not a preferred way to account for flotation costs.

33. Which of the following should be used to test the difference between the variances of two normally distributed population?

A. t-test

B. F-test

C. Paired comparisons test

【正确答案】B

【答案解析】B is correct. An F-test is used to conduct tests concerning the difference between the variances of two normally distributed populations with random independent samples.

34. In assigning credit ratings, the practice of notching by the rating agencies is least likely used to quantify the:

- A. probability of default.
- B. priority of payment in the event of default.
- C. potential severity of loss in the event of default.

【正确答案】A

【答案解析】A is correct. For the rating agencies, the main factor motivating the assignment of a rating is the probability of default. Notching is most likely to be used to address secondary factors such as the priority of payment in the event of default and the potential severity of loss in the event of default. These secondary factors are accounted for via notching the issue's rating up or down relative to the issuer's rating.

35. In defining asset classes as part of the strategic asset allocation decision, pairwise correlations within asset classes should generally be:

- A. equal to correlations among asset classes.
- B. lower than correlations among asset classes.
- C. higher than correlations among asset classes.

【正确答案】C

【答案解析】C is correct. As the reading states, "an asset class should contain

homogeneous assets... paired correlations of securities would be high within an asset class, but should be lower versus securities in other asset classes.”

36. An analyst has gathered the following data about two projects, each with a 12% required rate of return.

	Project Y	Project Z
Initial cost	\$30,000	\$40,000
Life	5 years	4 years
Cash inflows	\$10,000/year	\$15,000/year

If the projects are independent, the company should:

- A. accept Project Y and reject Project Z.
- B. reject Project Y and accept Project Z.
- C. accept both projects.

【正确答案】C

【答案解析】Independent projects accept all with positive NPVs or IRRs greater than cost of capital. NPV computation is easy—treat cash flows as an annuity.

Project Y: $N = 5$; $i = 12$; $PMT = 10,000$; $FV = 0$; $CPT \rightarrow PV = -36,048$, $NPV_A = 36,048 - 30,000 = \$6,048$.

Project Z: $N = 4$; $i = 12$; $PMT = 15,000$; $FV = 0$; $CPT \rightarrow PV = -45,560$, $NPV_B = 45,560 - 40,000 = \$5,560$.

37. Which of the following statements clearly conflicts with the recommended procedures for compliance presented in the CFA Institute Standards of Practice Handbook?

A. Firms should disclose to clients the personal investing policies and procedures established for their employees.

B. Prior approval must be obtained for the personal investment transactions of all employees.

C. For confidentiality reasons, personal transactions and holdings should not be reported to employers unless mandated by regulatory organizations.

【正确答案】C

【答案解析】The correct answer is C. This question asks about compliance procedures relating to personal investments of members and candidates. The statement in answer C clearly conflicts with the recommended procedures in the Standards of Practice Handbook. Employers should compare personal transactions of employees with those of clients on a regular basis regardless of the existence of a requirement by any regulatory organization. Such comparisons ensure that employees' personal trades do not conflict with their duty to their clients, and the comparisons can be conducted in a confidential manner. The statement in answer A does not conflict with the procedures in the Handbook. Disclosure of such policies will give full information to clients regarding potential conflicts of interest on the part of those entrusted to manage their money. Answer B is incorrect because firms are encouraged to establish policies whereby employees clear their personal holdings and transactions with their employers

38. In the case of a normal good with a decrease in own price, which of the following statements is most likely true?

A.Both the substitution and income effects lead to an increase in the quantity purchased.

B.The substitution effect leads to an increase in the quantity purchased, while the income effect has no impact.

C.The substitution effect leads to an increase in the quantity purchased, while the income effect leads to a decrease.

【正确答案】A

【答案解析】A is correct. In the case of normal goods, the income and substitution effects are reinforcing, leading to an increase in the amount purchased after a drop in price.

39.Which of the following would most likely signal that a company may be using aggressive accrual accounting policies to shift current expenses to later periods?

Over the last five-year period, the ratio of cash flow to net income has:

A.increased each year.

B.decreased each year.

C.fluctuated from year to year.

【正确答案】B

【答案解析】B is correct. If the ratio of cash flow to net income for a company is consistently below 1 or has declined repeatedly over time, this may be a signal of manipulation of information in financial reports through aggressive accrual accounting policies. When net income is consistently higher than cash provided by operations, one possible explanation is that the company may be using aggressive accrual

accounting policies to shift current expenses to later periods.

400. From an approved list of 25 funds, a portfolio manager wants to rank 4 mutual funds from most recommended to least recommended. Which formula is most appropriate to calculate the number of possible ways the funds could be ranked?

- A. Permutation formula
- B. Multinomial formula
- C. Combination formula

【正确答案】A

【答案解析】A is correct. The permutation formula is used to choose r objects from a total of n objects when order matters. Because the portfolio manager is trying to rank the four funds from most recommended to least recommended, the order of the funds matters; therefore, the permutation formula is most appropriate.

41. Sensitivity analysis:

- A. shows the range of possible outcomes as specific assumptions are changed
- B. shows the changes in key financial quantities that result from given economic events, such as the loss of customers or a catastrophic event.
- C. is a computer-generated sensitivity or scenario analysis based on probability models for the factors that drive outcomes

【正确答案】A

【答案解析】Sensitivity analysis, also known as “what if” analysis, shows the range of possible outcomes as specific assumptions are changed. Scenario analysis shows

the changes in key financial quantities that result from given economic events, such as the loss of customers or a catastrophic event. Simulation is a computer-generated sensitivity or scenario analysis based on probability models for the factors that drive outcomes.

42. A company redeems \$1,000,000 face value bonds with a carrying value of \$990,000. If the call price is 104 the company will:

- A. reduce bonds payable by \$1,000,000
- B. recognize a loss on the extinguishment of debt of \$50,000
- C. recognize a gain on the extinguishment of debt of \$10,000

【正确答案】B

【答案解析】B is correct. If a company decides to redeem a bond before maturity, bonds payable is reduced by the carrying amount of the debt. The difference between the cash required to redeem the bonds and the carrying amount of the bonds is a gain or loss on the extinguishment of debt. Because the call price is 104 and the face value is \$1,000,000, the redemption cost is 104% of \$1,000,000 or \$1,040,000. The company's loss on redemption would be \$50,000 (\$990,000 carrying amount of debt minus \$1,040,000 cash paid to redeem the callable bonds).

43. Which of the following is an example of agency costs? In each case, management is advocating a substantial acquisition, and management compensation is comprised heavily of stock options.

A.Management believes the acquisition will be positive for shareholder value but negative for the value and interests of the company' s debtholders.

B.Management' s stock options are worthless at the current share price. The acquisition has a high (50%) risk of failure (with zero value) but substantial (30%) upside if it works out.

C.The acquisition is positive for equityholders and does not significantly impair the position of debtholders. However, the acquisition puts the company into a new business where labor practices are harsh and the production process is environmentally damaging.

【 正确答案 】 B

【 答案解析 】

B is correct. Management is advocating an acquisition that is likely to be positive for the value of the company' s options but negative for equityholders given the substantial risk.

A is an example of the debt - equity conflict.

C is an example of stakeholder interests that are not being considered by management.

44.If a company's financial statements have specific exception to applicable accounting principles, an auditor is most likely to issue a:

A.disclaim opinion.

B.cautionary note.

C.qualified opinion.

【正确答案】C

【答案解析】An auditor will issue a qualified opinion if the financial statements make any exceptions to applicable accounting standards and will explain the effect of these exceptions in the auditor's report.

45. Valuation of a swap during its life will least likely involve the:

A. application of the principle of no arbitrage.

B. use of replication.

C. investor's risk aversion.

【正确答案】C

【答案解析】C is correct. Risk neutrality, not risk aversion, is a key element of derivatives pricing, including swaps.

A is incorrect. The statement is true because the principle of no arbitrage is applied in pricing swaps.

B is incorrect. The statement is true because replication is used in pricing swaps.

46. Which of the following statements about the Standard of misconduct is correct?

A. Misconduct applies only to a member or candidate's professional activities.

B. Neglecting to perform due diligence when required is an example of misconduct.

C. A member or candidate commits misconduct by engaging in any illegal activity.

【正确答案】B

【答案解析】Failing to act when required by one's professional obligations, such as neglecting to perform due diligence related to an investment recommendation,

violates Standard I(D) Misconduct. Acts a member commits outside his professional capacity are misconduct if they reflect poorly on the member or candidate's honesty, integrity, or competence (e.g., theft or fraud). Violations of the law that do not reflect on the member or candidate's honesty, integrity, or competence (e.g., an act related to civil disobedience) are not necessarily regarded as misconduct.

47. The process of risk management includes:

- A. maximizing utility.
- B. Risk-adjusted returns.
- C. defining and measuring risks being taken.

【正确答案】C

【答案解析】C is correct. Risks need to be defined and measured so as to be consistent with the organization's chosen level of risk tolerance and target for returns or other outcomes.

48. The cost of which source of capital most likely requires adjustment for taxes in the calculation of a firm's weighted average cost of capital?

- A. Common stock
- B. Preferred stock
- C. Bonds

【正确答案】C

【答案解析】C is correct. Bonds are a form of debt that must be adjusted for taxes when calculating the weighted average cost of capital.

A is incorrect because adjustment for taxes is applicable for the cost of debt and not in the cost of equity.

B is incorrect because adjustment for taxes is applicable for the cost of debt and not in the cost of equity.

49. An aggregate fixed-income index:

A. comprises corporate and asset-backed securities.

B. represents the market of government-issued securities.

C. can be subdivided by market or economic sector to create more narrowly defined indexes.

【正确答案】C

【答案解析】C is correct. An aggregate fixed-income index can be subdivided by market sector (government, government agency, collateralized, corporate), style (maturity, credit quality), economic sector, or some other characteristic to create more narrowly defined indexes.

50. Because of the flotation on the market, the fund manager finds the weights of his portfolio has been changed a lot. Then he rebalances his portfolio, which of the following steps relates to his behavior?

A. The planning step

B. The execution step

C. The feedback step

【正确答案】C

【答案解析】 The Feedback step involves:

1. the portfolio monitoring and rebalancing
2. performance measurement and reporting

51. _____ investing is the umbrella term used to describe investment strategies that incorporate environmental, social, and governance (ESG) factors into their approaches.

- A. ESG
- B. Sustainable
- C. Responsible

【正确答案】 C

【答案解析】 C is correct. Responsible investing is the broadest (umbrella) term used to describe investment strategies that incorporate environmental, social, and governance (ESG) factors into their approach

52. Which of these is most likely to be described as an event risk?

- A. An earthquake
- B. An election
- C. An ongoing civil war

【正确答案】 B

【答案解析】 B is correct. Event risk evolves around set dates, such as elections and new legislation, or other date-driven milestones, such as holidays or political anniversaries known in advance. The other choices could not be known in advance.

An earthquake (A) is an example of an exogenous risk. An ongoing civil war (C) is an example of a thematic risk.

53. The Duties to Employers standard states that members and candidates must not:

- A. accept any gifts that might compromise their independence and objectivity.
- B. deprive their employer of their skills and abilities as related to their employment.
- C. accept compensation competing with their employer's interest and with the written consent of all parties involved.

【正确答案】B

【答案解析】B is correct. The IV.A Loyalty section of the Duties to Employers standard states that members and candidates cannot deprive their employer of the advantage of their skills and abilities in matters related to their employment. A is incorrect because accepting gifts that might compromise a member or candidate's independence and objectivity is addressed by Standard I.B Independence and Objectivity, a section of Professionalism, not under Standard IV Duties to Employers. C is incorrect because IV.B Additional Compensation Arrangements, part of the Duties to Employers standard, permits members and candidates to accept compensation that competes with their employer's interest if they obtain written consent from all parties involved.

54. If a company has a one-day 5% Value at Risk of \$1 million, this means:

- A. 5% of the time the firm is expected to lose at least \$1 million in one day.
- B. 95% of the time the firm is expected to lose at least \$1 million in one day.

C.5% of the time the firm is expected to lose no more than \$1 million in one day.

【正确答案】A

【答案解析】A is correct. The VaR measure indicates the probability of a loss of at least a certain level in a time period.

55.A t-statistic is most appropriate for tests concerning:

- A.mean differences between two dependent samples
- B.test the difference between the variances of two normally distributed populations
- C.a small sample from a normally distributed population with unknown variance

【正确答案】C

【答案解析】A t-statistic is the most appropriate for hypothesis tests of the population mean when the variance is unknown and the sample is small but the population is normally distributed.

A paired comparisons test is appropriate to test the mean differences of two samples believed to be dependent.

An F-test is used to conduct tests concerning the difference between the variances of two normally distributed populations with random independent samples.

56.Which of the following is most likely to increase a business' s operating leverage?

- A.Reducing prices
- B.Borrowing rather than issuing equity
- C.Using casual labor rather than a salaried work force

【正确答案】A

【答案解析】A is correct. Reducing prices decreases the business' s margin, and as such, it increases its sensitivity to changes in demand, revenue, and costs and its operating leverage. The choice between debt and equity financing has no bearing on operating leverage, although it should be noted that interest expenses on debt are contractually determined payments, while dividends are discretionary payments. Using casual labor rather than a salaried work force reduces the fixed employee expenses, which reduces operating leverage.

57. An investor expects to purchase shares of common stock today and sell them after two years. The investor has estimated dividends for the next two years, D_1 and D_2 , and the selling price of the stock two years from now, P_2 . According to the dividend discount model, the intrinsic value of the stock today is the present value of:

- A. next year' s dividend, D_1 .
- B. future expected dividends, D_1 and D_2 .
- C. future expected dividends, D_1 and D_2 .

【正确答案】C

【答案解析】C is correct. According to the dividend discount model, the intrinsic value of a stock today is the present value of all future dividends. In this case, the intrinsic value is the present value of D_1 , D_2 , and P_2 . Note that P_2 is the present value at Period 2 of all future dividends from Period 3 to infinity.

58. A book publisher requires substantial quantities of paper. The publisher and a paper producer have entered into an agreement for the publisher to buy and the

producer to supply a given quantity of paper four months later at a price agreed upon today. This agreement is a:

- A.futures contract.
- B.forward contract.
- C.commodity swap.

【正确答案】B

【答案解析】B is correct. The agreement between the publisher and the paper supplier to respectively buy and supply paper in the future at a price agreed upon today is a forward contract.

59.XY1 Corporation's CFO has decided to pursue a moderate approach to funding the firm's working capital. Which of the following methods would best fit that particular approach?

- A.Finance permanent and variable current assets with long-term financing.
- B.Finance permanent and variable current assets with short-term financing.
- C.Finance permanent current assets with long-term financing and variable current assets with short-term financing.

【正确答案】C

【答案解析】C is correct. In a moderate approach, XY1 would attempt to match the duration of the assets with the liabilities. This would allow the company to use long-term financing for permanent working capital needs while at the same time looking to minimize interest expense through the use of more flexible short-term

financing on an as-needed basis.

60.If the net cost of carry of an asset is negative, then the price of a forward contract on that asset is most likely:

- A.lower than if the net cost of carry was zero.
- B.the same as if the net cost of carry was zero.
- C.higher than if the net cost of carry was zero.

【正确答案】C

【答案解析】C is correct. An asset's forward price is increased by the future value of any costs and decreased by the future value of any benefits: $F_0(T) = S_0(1+r)^T - (\gamma - \theta)(1+r)^T$. If the net cost of carry (benefits less costs) is negative, the forward price is higher than if the net cost of carry was zero.

61.Which of the following least likely describes an advantage of investing in hedge funds through a fund of funds? A fund of funds may provide investors with:

- A.access to due diligence expertise.
- B.lower fees because of economies of scale.
- C.access to managers who can negotiate better redemption terms.

【正确答案】B

【答案解析】B is correct. The fees on funds of funds are usually higher. The fund of funds manager charges a fee, and there is a fee charged by each hedge fund.

A is incorrect because this is an advantage of investing through funds of funds.

C is incorrect because this is an advantage of investing through funds of funds.

62.If the 5-day moving average for AZB Company crossed over its 60-day moving average from underneath, it would be considered a:

- A.bullish indicator.
- B.bearish indicator.
- C.new level of resistance.

【正确答案】A

【答案解析】A is correct. When the short-term moving average crosses above the long-term moving average, it can be viewed as a bullish buy signal. For example, a 5-day short-term moving average (a proxy for short-term momentum) breaking up through a 60-day longer-term moving average (an indicator of intermediate trend) can be used as a buy signal.

63.Which of these is likely lowest on a country' s hierarchy of interests?

- A.Tariff harmonization
- B.Military determination
- C.Cultural program development

【正确答案】C

【答案解析】C is correct. Cultural program development is likely lowest on a country' s hierarchy of interests. Military determination (B) is often a primary source of national security and key to a country' s national interest. Tariff harmonization (A) may improve economic activity and improve cooperation. Cultural programs are important and influential but likely lower priority compared to A and B.

64. The following information is from the annual report of Adidas AG for December 2019:

- Depreciation and amortization: €1,214 million
- Total assets: €20,640 million
- Total debt: €4,364 million
- Shareholders' equity: €7,058 million

The debt/capital of Adidas AG is closest to:

- A. 21.14%
- B. 38.21%
- C. 61.83%

【正确答案】B

【答案解析】B is correct. Total debt is €4,364 million with Total capital = Total debt + Shareholders' equity = €4,364 + 7,058 = €11,422 million. The Debt/Capital = $4,364 / 11,422 = 38.21\%$.

65. Bryan Barrett, CFA, runs an investment advisory service providing advice on gold and other commodities to several large retail banks. Barrett advertises his services in widely read publications to broaden his business to include retail clients. Because the client base for the institutions that Barrett serves is large, he is comfortable stating in the ads that thousands of his clients have benefited from his advice. Does Barrett's advertisement most likely violate any CFA Institute Standards of Professional Conduct?

- A.No.
- B.Yes, related to Misrepresentation.
- C.Yes, related to Communication with Clients.

【正确答案】B

【答案解析】B is correct because Barrett's client base is made up of a small number of large institutions so stating in the advertisement that his client base is a larger number is a misrepresentation and a violation of Standard I(C). In addition, since the advertisement focuses only on the benefits and does not mention the potential risks of these investments it is also potentially misleading to clients.

A is incorrect since the advertisement misrepresents the size of Barrett's client base. The advertisement is also potentially misleading to clients as it focuses only on the benefits and does not mention the potential risks of these investments.

C is incorrect because this Standard has not been violated.

66.Which of the following is most likely a form of internal credit enhancement?

- A.Letter of credit
- B.Surety bond
- C.Over collateralization

【正确答案】C

【答案解析】C is correct. Over collateralization is a form of internal credit enhancement in which more collateral is posted than is needed to obtain or secure financing. It provides an additional credit buffer in the event of default by providing more assets to repay the lender.

A is incorrect because a letter of credit is a credit line provided by a financial institution to reimburse any cash flow shortfalls from the assets backing the issue.

B is incorrect because a surety bond is a guarantee issued by a rated and regulated insurance company to reimburse investors for any losses incurred if the issuer defaults.

67. The following relates to a company's common equity over the course of the year:

Outstanding shares, at start of the year 2,000,000

Stock options outstanding, at start and end of the year (Exercise price: \$5) 100,000

Shares issued on 1 April 300,000

Shares repurchased (treasury shares) on 1 July 100,000

Average market price of common shares for the year \$20/share

If the company's net income for the year is \$5,000,000, its diluted EPS is closest to:

A. \$2.22.

B. \$2.20.

C. \$2.17.

【正确答案】A

【答案解析】

68. Which of the following bonds is most likely to trade at a lower price relative to an otherwise identical option-free bond?

A. Convertible bond

B. Puttable bond

C.Callable bond

【正确答案】C

【答案解析】C is correct. A callable bond benefits the issuer because it gives the issuer the right to redeem all (or part) of the bonds before the maturity date. Thus, the price of a callable bond will typically be lower than the price of an otherwise identical non-callable bond.

A is incorrect because a convertible bond also benefits bondholders as it gives them the right to convert the bonds into the issuer's common stock. All else being equal, the price of a convertible bond will typically be higher than the price of an otherwise identical non-convertible bond.

B is incorrect because a puttable bond benefits bondholders as it gives them the right to sell the bonds back to the issuer before the maturity date. All else being equal, the price of a puttable bond will typically be higher than the price of an otherwise identical non-puttable bond.

69.The repo margin is:

A.negotiated between counterparties.

B.established independently of market-related conditions.

C.structured on an agreement assuming equal credit risks to all counterparties.

【正确答案】A

【答案解析】A is correct. Repo margins vary by transaction and are negotiated bilaterally between the counterparties.

70. An example of a geopolitical multi-tool for furthering national interests is:

A. cabotage.

B. armed conflict.

C. nationalization of key export industries.

【正确答案】A

【答案解析】A is correct. Cabotage is the right to transport passengers or goods within a country by a foreign firm. Many countries—including those with multilateral trade agreements—impose restrictions on cabotage across transportation subsectors, meaning that shippers, airlines, and truck drivers are not allowed to transport goods and services within another country's borders. Allowing cabotage requires coordination on areas like physical security and economic coordination, a highly multilateral (multi-tool) process. B is incorrect because armed conflict is the most extreme example of a national security tool. It can be either internal or external to a country in taking a direct and active approach to wielding influence. C is incorrect because nationalization of key export industries is an economic tool. This process of transferring an activity or industry from private to state control is a non-cooperative approach to asserting economic control.

71. An investment fund has the return frequency distribution shown in the following exhibit.

Return Interval (%)	Absolute Frequency
-10.0 to -7.0	3
-7.0 to -4.0	7
-4.0 to -1.0	10

-1.0 to +2.0	12
+2.0 to +5.0	23
+5.0 to +8.0	5

Which of the following statements is correct?

A. The relative frequency of the bin

“-1.0 to +2.0” is 20%.

B. The relative frequency of the bin “+2.0 to +5.0” is 23%.

C. The cumulative relative frequency of the bin “+5.0 to +8.0” is 91.7%

【正确答案】A

【答案解析】

A is correct. The relative frequency is the absolute frequency of each bin divided by the total number of observations. Here, the relative frequency is calculated as:

$$(12/60) \times 100\% = 20\%.$$

B is incorrect because the relative frequency of this bin is $(23/60) \times 100\% = 38.33\%$.

C is incorrect because the cumulative relative frequency of the last bin must equal 100%

72. If the following three stocks are held in a portfolio, the portfolio's total Return on an equal-weighted basis is closest to:

Stock	Number of Shares Owned	Beginning of Period Price Per Share (\$)	End of Period Price per Share (\$)	Dividend Per-Share during the Period (\$)
A.	500	41	38	2
B.	320	50	52	1.50
C	800	30	32	0.00

A.3.74%

B.5.94%

C.6.37%

【正确答案】A

【答案解析】

A is correct. Equal weighting assigns an equal weight to each constituent security at inception. Therefore, it is the sum of the total return from each security divided by the number of securities in the portfolios.

$$\text{Stock A } (38 - 41 + 2.00) / 41 = -2.44\%$$

$$\text{Stock B } (52 - 50 + 1.50) / 50 = 7.00\%$$

$$\text{Stock C } (32 - 30 + 0) / 30 = 6.67\%$$

Portfolio return with equal weighting: $(-2.44\% + 7.00\% + 6.67\%) / 3 = 3.74\%$

73. A regional government hires Braung, CFA, and his firm to serve as its financial adviser for issuing general obligation bonds. The municipality conducts several bond offerings over the years for constructing municipal facilities, including a maximum-security detention facility and two school buildings. In connection with the bond issues, Braung makes a number of trips to New York City to meet with ratings agencies. The trips are typically planned for a Monday or Friday because the costs for weekend travel are less. Braung's wife accompanies him on the trips, and they typically spend the weekend either before or after the meetings in New York City to enjoy sporting events, theater performances, and museums. Braung often makes a number of train and hotel changes after a trip is booked to accommodate meetings

with other clients. Braung submits his travel expenses to his supervisor, who deducts costs she believes are unrelated to the business purpose of the trip and submits the bills to the municipality for reimbursement. Which of the following expenses can most likely be billed to the government entity issuing the bonds?

A. Braung's accommodation and meal expenses for the weekend days because the travel rates are less expensive over a weekend

B. Tickets to the sporting and theater events, as long as they do not exceed a reasonable amount for business entertainment

C. Flight and hotel change fees that result from the regular course of Braung's business activities

【正确答案】A

【答案解析】

A is correct. This case relates to Standard III(A): Duties to Clients, Loyalty, Prudence, and Care, which states that CFA Institute members and candidates have a duty of loyalty to their clients, must act for their clients' benefit, and must place client interests before their own. Under this standard, investment professionals, including municipal security dealers, must not engage in any deceptive, dishonest, or unfair practice when handling client accounts. The savings in travel fees for booking a weekend travel schedule could be greater than the additional accommodation and meal expenses for Braung to stay in New York City the extra days, making the cost to the client lower. Under these circumstances, Braung would be meeting his duty of loyalty to the client by choosing the most inexpensive travel schedule overall, thus limiting costs to the client. Charging personal theater and sporting event tickets or

travel change fees associated with seeing unrelated clients would not qualify as chargeable expenses to the client. The best scenario would be to detail in writing at the outset of the engagement which expenses would be considered reimbursable.

B is incorrect. In the context of conflicts of interest, the CFA Institute Code and Standards allow members and candidates to accept or provide modest gifts and entertainment in the ordinary course of business (a gift basket at the holidays from a vendor or to a client, for example). But that “ordinary course of business” does not allow investment professionals to charge clients for obviously extraneous entertainment expenses not connected to a business meeting. Charging excessive or lavish expenses for the personal benefit of the investment professional at the expense of the client can constitute a deceptive, dishonest, or unfair practice that violates Standard III(A).

C is incorrect. Although busy investment professionals might be forced by other priorities to change travel arrangements when a client trip has already been scheduled, additional expenses resulting from the change most likely must be borne by the investment professional (Braung) as an overhead cost, not charged to the client. (Under some limited circumstances, those expenses might be charged to the client who necessitates the travel changes.)

74. A stock is priced at \$100.00 and follows a one-period binomial process with an up move that equals 1.05 and a down move that equals 0.97. If 1 million Bernoulli trials are conducted and the average terminal stock price is \$102.00, the probability of an up move (p) is closest to:

A.0.375

B.0.500

C.0.625

【正确答案】C

【答案解析】C is correct. The probability of an up move (p) can be found by solving the equation $(p)uS + (1 - p)dS = (p)105 + (1 - p)97 = 102$. Solving for p gives $8p = 5$, so $p = 0.625$.

75.A central bank will most likely allow the economy to self-correct in periods of:

A.high inflation, fast economic growth, and low unemployment.

B.low inflation, slow economic growth, and high unemployment.

C.high inflation, slow economic growth, and high unemployment.

【正确答案】C

【答案解析】C is correct. This scenario is often referred to as stagflation. Here, the economy is likely to be left to self-correct because no short-term economic policy is thought to be effective.

86.What is the theory that best describes the process by which financial analysts use material public information and nonmaterial nonpublic information as a basis for investment recommendations?

A.Behavior Portfolio Theory

B.Utility Theory

C.Mosaic Theory

【正确答案】C

【答案解析】The correct answer is C. “Standard II(A) - Material Nonpublic Information”

C is correct because the process by which financial analysts combine material public information and nonmaterial nonpublic information as a basis for investment recommendations even if those conclusions would have been material inside information had they been communicated directly to the analyst by the company is known as Mosaic Theory.

77. Which of the following statements is correct with respect to the p-value?

A. It is a less precise measure of test evidence than rejection points.

B. It is the largest level of significance at which the null hypothesis is rejected.

C. It can be compared directly with the level of significance in reaching test conclusions.

【正确答案】C

【答案解析】C is correct. When directly comparing the p-value with the level of significance, it can be used as an alternative to using rejection points to reach conclusions on hypothesis tests. If the p-value is smaller than the specified level of significance, the null hypothesis is rejected. Otherwise, the null hypothesis is not rejected.

78. A benefit of DLT favoring its use by the investment industry is its:

A. scalability of underlying systems.

B. ease of integration with existing systems.

C.streamlining of current post-trade processes.

【正确答案】C

【答案解析】C is correct. DLT has the potential to streamline the existing, often complex and labor-intensive post-trade processes in securities markets by providing close to real-time trade verification, reconciliation, and settlement, thereby reducing related complexity, time, and costs.

79.The two components of credit risk are default probability and:

A.spread risk.

B.loss severity.

C.market liquidity risk.

【正确答案】B

【答案解析】B is correct. The two components of credit risk are default probability and loss severity. In the event of default, loss severity is the portion of a bond's value (including unpaid interest) an investor loses. A and C are incorrect because spread and market liquidity risk are credit-related risks, not components of credit risk.

80.Which of the following is least likely a requirement of the GIPS standards? Firms are required to:

A.have their performance records verified by an independent third party.

B.include all discretionary, fee-paying portfolios in at least one composite.

C.present a minimum of five years of annual investment performance compliant with GIPS standards.

【正确答案】A

【答案解析】A is correct because it is a recommendation but not a requirement that firms obtain independent third-party verification to claim GIPS compliance. Firms are required to include all discretionary, fee-paying portfolios in at least one composite. They must also present a minimum of five years of annual investment performance compliant with GIPS standards.

B is incorrect because it is a requirement.

C is incorrect because it is a requirement.

81. Howard Golub, CFA, is preparing to write a research report on Stellar Energy Corp. common stock. One of the world's largest companies, Stellar is in the business of refining and marketing oil. As part of his analysis, Golub wants to evaluate the sensitivity of the stock's returns to various economic factors. For example, a client recently asked Golub whether the price of Stellar Energy Corp. stock has tended to rise following increases in retail energy prices. Golub believes the association between the two variables is negative, but he does not know the strength of the association. Golub directs his assistant, Jill Batten, to study the relationships between (1) Stellar monthly common stock returns and the previous month's percentage change in the US Consumer Price Index for Energy (CPIENG) and (2) Stellar monthly common stock returns and the previous month's percentage change in the US Producer Price Index for Crude Energy Materials (PPICEM). Golub wants Batten to run both a correlation and a linear regression analysis. In response, Batten compiles the summary statistics shown in Exhibit 1 for 248 months. All the data are in decimal

form, where 0.01 indicates a 1% return. Batten also runs a regression analysis using Stellar monthly returns as the dependent variable and the monthly change in CPIENG as the independent variable. Exhibit 2 displays the results of this regression model.

Exhibit 1 Descriptive Statistics			
	Stellar Common Stock Monthly Return	Lagged Monthly Change	
		CPIENG	PPI CEM
Mean	0.0123	0.0023	0.0042
Standard deviation	0.0717	0.0160	0.0534
Covariance, Stellar vs. CPIENG	-0.00017		
Covariance, Stellar vs. PPICEM	-0.00048		
Covariance, CPIENG vs. PPICEM	0.00044		
Correlation, Stellar vs. CPIENG	-0.1452		

Exhibit 2 Regression Analysis with CPIENG			
Regression Statistics			
R^2	0.0211		
Standard error of the estimate	0.0710		
Observations	248		
	Coefficients	Standard Error	t-Statistic
Intercept	0.0138	0.0046	3.0275
CPIENG (%)	-0.6486	0.2818	-2.3014

Critical t -values

One-sided, left side: -1.651

One-sided, right side: +1.651

Two-sided: ± 1.967

For Batten's regression model, 0.0710 is the standard deviation of:

- A.the dependent variable.
- B.the residuals from the regression.
- C.the predicted dependent variable from the regression.

【正确答案】B

【答案解析】B is correct. The standard error of the estimate is the standard deviation of the regression residuals.

82. The following data apply to two companies producing similar products.

	Company A	Company B
Number of units produced and sold.	1 million	1million
Sale price per unit	\$100	\$100
Variable cost per unit.	\$60	\$50
Fixed operating costs	\$20million	\$ 40 million
Fixed financing expenses	\$10million.	\$ 5 million
Degree of operating leverage (DOL)	?	5.0
Degree of financial leverage (DFL)	2.0.	2.0

Compared with Company A, Company B has:

- A.a lower degree of total leverage
- B.a higher sensitivity of operating income to changes in units sold
- C.the same sensitivity of operating income to changes in net income

【正确答案】B

【答案解析】

	Company A	Company B
DOL	2.0	5.0
DFL	2.0	2.0
DTL	4.0	10.0

The DOL is lower for Company A than Company B, meaning Company A's operating income is less sensitive to a change in the units sold relative to Company B.

83. Which of the following about debt securities is least accurate?

A. Commercial paper is a short-term, unsecured debt instrument, and often reissued or rolled over when it matures.

B. MTNs are offered continuously to investors by an agent of the issuer

C. Participation instruments offers a guarantee of a minimum value at maturity as well as some potential upside gain.

【正确答案】C

【答案解析】A capital protected instrument offers a guarantee of a minimum value at maturity as well as some potential upside gain.

84. Penben Corporation has a defined benefit pension plan. At 31 December, its pension obligation is €10 million and pension assets are €9 million. Under either IFRS or US GAAP, the reporting on the balance sheet would be closest to which of the following?

A. €10 million is shown as a liability, and €9 million appears as an asset.

B. €1 million is shown as a net pension obligation.

C. Pension assets and obligations are not required to be shown on the balance sheet but only disclosed in footnotes.

【正确答案】B

【答案解析】B is correct. The company will report a net pension obligation of €1 million

equal to the pension obligation (€10 million) less the plan assets (€9 million).

85. When total revenue is greater than total variable costs but less than total costs, in the short term a firm will most likely:

- A. exit the market
- B. stay in the market
- C. shut down production

【正确答案】B

【答案解析】B is correct. When total revenue is enough to cover variable costs but not total fixed costs in full, the firm can survive in the short run but would be unable to maintain financial solvency in the long run.

86. The cost of equity is equal to the:

- A. expected market return
- B. rate of return required by stockholders
- C. cost of retained earnings plus dividends

【正确答案】B

【答案解析】B is correct. The cost of equity is defined as the rate of return required by stockholders.

87. After the public announcement of the merger of two firms, an investor makes abnormal returns by going long on the target firm and short on the acquiring firm. This most likely violates which form of market efficiency?

- A.Semi-strong-form only
- B.Semi-strong-form and strong-form
- C.Weak-form and semi-strong-form

【正确答案】B

【答案解析】B is correct. In a semi-strong-form efficient market, prices adjust quickly and accurately to new information. In this case, prices would quickly adjust to the merger announcement, and if the market is a semi-strong-form efficient market, investors acting after the merger announcement would not be able to earn abnormal returns. Therefore, the market is not semi-strong-form efficient. A market that is not semi-strong-form efficient is also not strong-form efficient. Thus, violating the semi-strong-form efficiency also implies violating the strong-form efficiency. However, the market could still be weak-form efficient because past prices are not being used to make abnormal profits. Thus, we cannot say that the weak-form market efficiency has been violated.

A is incorrect. A market that is not semi-strong-form efficient is also not strong-form efficient. Thus, violating the semi-strong-form efficiency also implies violating the strong-form efficiency.

C is incorrect. The market could still be weak-form efficient, as past prices are not being used to make abnormal profits. Thus, we cannot say that the weak-form market efficiency has been violated.

88. When making a decision about investments involving a statistically significant result, the:

A.economic result should be presumed to be meaningful.

B.statistical result should take priority over economic considerations.

C.economic logic for the future relevance of the result should be further explored.

【 正确答案 】 C

【 答案解析 】 C is correct. When a statistically significant result is also economically meaningful, one should further explore the logic of why the result might work in the future.

85.Albright works full time for Frank & Company as a fixed-income security analyst.

Albright has been asked by a business contact at KDG Enterprises to accept some analytical work from KDG on a consulting basis. The work would entail investigating potential distressed debt securities in the small-cap market. Albright should most appropriately:

A.accept the work as long as she obtains consent to all the terms of the engagement from Frank & Company.

B.not accept the work as it violates the Code and Standards by creating a conflict of interest.

C.accept the work as long as she obtains written consent from KDG and does it on her own time.

【 正确答案 】 A

【 答案解析 】 Albright may accept work for which she receives outside compensation and that may compete with her employer only if she obtains her employer's consent.

Under Standard IV(A) Loyalty, she must obtain her employer's consent for her

consulting work before beginning the work.

89. With which sector of the economy would analysts most commonly associate credit cycles?

A. Exports

B. Construction and purchases of property

C. Food retail

【正确答案】B

【答案解析】B is correct. Credit cycles are associated with availability of credit, which is important in the financing of construction and the purchase of property.

90. Income tax expense reported on a company's income statement equals taxes payable, plus the net increase in:

A. deferred tax assets and deferred tax liabilities.

B. deferred tax assets, less the net increase in deferred tax liabilities.

C. deferred tax liabilities, less the net increase in deferred tax assets.

【正确答案】C

【答案解析】C is correct. Higher reported tax expense relative to taxes paid will increase the deferred tax liability, whereas lower reported tax expense relative to taxes paid increases the deferred tax asset.

91. William, CFA, who is the manager of a hedge fund, has been purchasing large quantities of Craeger Industrial Products' common stock while at the same time

shorting put options on the same stock. William did not notify her clients of the trades, although they are aware of the fund's general strategy to generate returns. Which of the following statements is most likely correct? William:

- A. did not violate the Code and Standards.
- B. violated the Code and Standards by manipulating the prices of publicly traded securities.
- C. violated the Code and Standards by failing to disclose the transactions to clients before they occurred.

【正确答案】A

【答案解析】William's trades are most likely an attempt to take advantage of an arbitrage opportunity that exists between Craeger's common stock and its put options. She is not manipulating the prices of securities in an attempt to mislead market participants, which would violate Standard II(B) Market Manipulation. She is pursuing a legitimate investment strategy. Participants in her hedge fund are aware of the fund's investment strategy, and thus William did not violate the Code and Standards by not disclosing this specific set of trades in advance of trading.

92. JOOVI Inc. has recently purchased and installed a new machine for its manufacturing plant. The company incurred the following costs:

The total cost of the machine to be shown on JOOVI' s balance sheet is closest to:

A.\$14,180

B.\$14,980

C.\$15,480

【正确答案】B

【答案解析】B is correct. Only costs necessary for the machine to be ready to use can be capitalized. Therefore, Total capitalized costs = 12,980 + 1,200 + 700 + 100 = \$14,980

93.With regard to venture capital, which of the following statements is most likely true regarding venture capital?

A.Investments typically are in later stage and more established companies.

B.Investors tend to have short time horizons.

C.Investors require a higher return than investors in publicly traded equity.

【正确答案】C

【答案解析】C is correct. The historical standard deviations of annual return for venture capital are higher than that of common stocks. Investors should therefore require a higher return in exchange for accepting this higher risk, along with the illiquidity of venture capital investing.

A is incorrect because the venture capital strategy typically invests in start-up or early stage companies, not later stage companies.

B is incorrect because venture capital investments require long time horizons.

100.If a country has regulations that conflict with GIPS, firms that wish to claim GIPS compliance:

- A.may not do so because GIPS do not permit exceptions or partial compliance.
- B.must establish a subsidiary in a location where local law does not conflict with GIPS.
- C.must comply with local regulations and disclose the nature of the conflict in the presentation.

【正确答案】C

【答案解析】Firms must always comply with the laws and regulations of the country in which they reside. In cases where local regulations conflict with GIPS, a firm can still claim GIPS compliance if they disclose the conflict fully in an otherwise compliant presentation.