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**QUESTION 1**

With regard to real estate, all properties must be included in at least one _____.

- A. account
- B. investment type
- C. composite
- D. sector
- E. portfolios

Correct Answer: C

Consistent with the general requirements for all composites, all properties with discretionary fee-paying investors must be included in at least one account. Because of the unique nature of individual real estate investments, however, composites containing single properties are appropriate in many cases.

QUESTION 2

An insurance agent has appointments with four prospective clients tomorrow. From past experience the agent knows that the probability of making a sale on any appointment is 1 out of 5. Using the rules of probability, what is the likelihood that the agent will sell a policy to 3 of the 4 prospective clients?

- A. 0.410
- B. None of these answers
- C. 0.250
- D. 0.026
- E. 0.500

Correct Answer: D

This is a binomial probability. The probability of getting r successes out of n trials where the probability of success each trial is p and probability of failure each trial is q (where $q = 1 - p$) is given by: $n!(p^r)[q^{(n-r)}]/r! (n-r)!$. Here $n = 4$, $r = 3$, $p = 0.20$ and $q = 0.80$. Therefore we have $4!(0.2^3)(0.8^1)/3!1! = 0.026$.

QUESTION 3

The NAV of an open-ended fund is \$6.35. The fund charges a 9% sales charge and no redemption charges. The price at which you can purchase a share of the fund equals _____.

- A. none of these answers
- B. \$6.98



C. \$6.92

D. \$6.35

Correct Answer: B

The offer price i.e. the price at which you can buy a share equals $NAV / (1 - \text{load charge}) = 6.35 / (1 - 0.09) =$

\$6.98

Be careful NOT to calculate the offer price as $NAV * (1 + \text{load charge})$. The sales charge is expressed as an percentage of the amount you deposit. In this example, you deposit \$6.98 and get a share worth \$6.35 =

$\$6.98 * (1 - 0.09)$

QUESTION 4

Accounting rules specify that interest must be capitalized for assets that are

A. not being used in the earning activities of the enterprise and not undergoing the activities necessary to get them ready for use.

B. routinely produced.

C. being constructed or otherwise being produced as discrete projects for an enterprise's own use.

D. none of these answers.

E. in use or ready for their intended use in the earning activities of the enterprise.

Correct Answer: C

Interest costs must be capitalized only for assets constructed for internal use, or for sale or lease as discrete projects.

QUESTION 5

The value of an existing single-family home used for residential purposes will most likely be calculated using the:

A. cost approach.

B. income approach

C. sales comparison approach

Correct Answer: C

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