CFA-LEVEL-1 Q&As

CFA Level I Chartered Financial Analyst

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QUESTION 1

The price range at which a technician would expect a substantial increase in demand for a stock is

A. the support level.

B. the resistance level.

C. the peak level.

D. the demand level.

Correct Answer: A

Demand level is not a real term. Technicians believe that a support level on a stock will develop after it has experienced substantial price gains. They reason that at some price range (the support level), other investors who did not buy the stock the first time it went up will now buy it after a small price reversal.

QUESTION 2

Which of the following is NOT true about Standard IV (A.2) - Research Reports?

A. None of these answers.

B. The analyst must separate fact from statistical conjecture to be in compliance with the standard.

C. As long as the analyst has carried out adequate investigation, she can omit from the report certain aspects of the investigations that she deems unimportant.

D. The report must contain a basic description of the characteristics of the investment under consideration.

Correct Answer: A

Standard IV (A.2) - Research Reports

QUESTION 3

A firm has long-term assets worth 3,812 and total assets worth 5,937. It has a total equity of 3,934 and long term debt of 879. The firm\\'s current ratio equals ________.

A. 1.32

B. 0.92

C. 1.03

D. 1.89

Correct Answer: D

The firm\\'s current assets equal 5,937 - 3,812 = 2,125. The total liabilities equal total assets - total equity = 5,937 -

3,934 = 2,003. Thus, the current liabilities equal 2,003 - 879 = 1,124. The current ratio is then equal to current assets/current liabilities = 2125/1124 = 1.89

QUESTION 4

The financial analyst may ________.

A. not accept gifts from issuers of securities under any circumstances

B. accept modest gifts

C. accept any gift, as long as it is disclosed

D. none of these answers

Correct Answer: B

According to Standard IV (A.3) - Independence and Objectivity - modest gifts that do not exceed $100 and entertainment are acceptable, but special care should be taken by member analysts and investment managers to resist lavish gifts such as tickets, favors, job referrals and so on, which may be tied in with subtle pressures for favors possibly detrimental to clients.

QUESTION 5

Consider the following three investments:

Future valueyearsinterest rate 1.$50,000 89% per year 2.$20,000 612% per year 3.$35,000 37% per year

The present values of the 3 investments are:

A. $28,193, $12,145, $31,422

B. $99,628, $39,476, $42,877

C. $25,093, $10,133, $28,570

D. $24,192, $11,876, $27,864

Correct Answer: C

Future value = Present value*(1+r)^N for annual compounding. Therefore,

Future valueyearsratePresent Value 1.50,000 89% 50,000/(1.09)^8 = 25,093 2.20,000 612% 20,000/(1.12)^6 = 10,133 3.35,000 37% 35,000/(1.07)^3 = 28,570

Note that the future value must always be greater than the present value.