

作答时间: 180 分钟

详解: 请观看视频 **Mock Test I Morning**

Mock Test I Morning

Questions 1-18 Ethical and Professional Standards

1	<p>Steve was recently terminated as one of a team of managers of an equity fund. The fund had two small cap managers and terminated one of them to reduce costs. While interviewing with prospective employers, Steve presents, with written permission of the firm, the performance history of the fund to demonstrate his past success.</p> <p>A. Steve did not violate the Code and Standards. B. Steve violated the Code and Standards by claiming the performance of the entire fund as his own. C. Steve violated the Code and Standards by including the historical results of his prior employer.</p>		
2	<p>Maria President, CFA has been accused of professional misconduct by one of his competitors. Maria has been an activist opposing abortion. As the result of her participation in nonviolent protests, Maria has been arrested two years ago for blocking the traffic in downtown. By not disclosing the arrestment to her clients, did Maria most likely violate any CFA Institute Standards of Professional Conduct?</p> <p>A. No B. Yes, related to Misconduct C. Yes, related to Misrepresentation</p>		

<p>3</p>	<p>Nathan is a buy-side analyst. Looking for an attractive company to recommend as a buy, he analyzes several companies by studying their financial reports and visiting their operations. He also talks to some customers and suppliers to find out the market share and cost structures. And he discovers Sunshine Manufacturing (SM), may be in financial trouble due to the sharp decline in products demand. Based on this information and on a profit-and-loss analysis, Nathan believes that SM's next quarter earnings will drop substantially. He issues a sell recommendation for SM. Immediately after receiving that recommendation, investment managers start reducing the SM stock in their portfolios.</p> <p>A. Nathan did not violate the Code and Standards. B. Nathan violated the Standard II (A) Material Nonpublic Information. C. Nathan violated the Standard III (A) Loyalty, Prudence, and Care.</p>	
<p>4</p>	<p>Which statement about a manager's use of client brokerage commissions complies the Code and Standards?</p> <p>A. Client brokerage commissions should be used to benefit the client and should be commensurate with the value of the brokerage and research services received. B. Manager use that client's brokerage commissions to purchase goods and services for that client without the client's approval. C. Client brokerage commissions may be directed to pay for the investment manager's operating expenses.</p>	

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5	<p>Jeff updates his online biography sat for the Level III CFA exam this past weekend with the following statement: "In finishing the CFA Program, I improved my skills related to analyzing attractive stocks and fund managers. I will be eligible for the CFA charter upon completion of the required work experience."</p> <p>A. Jeff violated the Code and Standards by claiming he improved his skills through the CFA Program.</p> <p>B. Jeff violated the Code and Standards by incorrectly stating that he is eligible for the CFA charter.</p> <p>C. Jeff did not violate the Code and Standards with his resume update.</p>	
6	<p>With respect to the Global Investment Performance Standards, which of the following is <i>not</i> one of the nine sections containing investment performance provisions?</p> <p>A. Real Estate.</p> <p>B. Derivatives.</p> <p>C. Wrap fee/Separately Managed Accounts (SMA) portfolios</p>	
7	<p>Bill Owens is an equity analyst with Wells Fargo Brokerage who covers the energy industry. He has concluded that the stock of United Natural Gas Company (UNGC) is overpriced at its current level, but he is concerned that a negative research report will hurt the good relationship between UNGC and the investment banking division of his firm. In fact, a senior manager of Wells Fargo Brokerage has just sent him a copy of a proposal his firm has made to UNGC to underwrite a debt offering. Owens needs to produce a report right away and issued a favorable rating on UNGC.</p> <p>A. Owens did not violate the Code and Standards.</p> <p>B. Owens violated the Standard I (B) Independence and Objectivity.</p> <p>C. Owens violated the Standard V (A) Diligence and Reasonable Basis.</p>	

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8	<p>Johnson has been hired by Paper Industries, Inc., to manage its pension fund. His duty of loyalty, prudence, and care is owed to:</p> <p>A. The management of Paper. B. The participants and beneficiaries of Paper’s pension plan. C. The shareholders of Paper.</p>	
9	<p>Which of the following statements concerning why the Global Investment Performance Standards (GIPS) were created is most likely correct? The GIPS standards were created to:</p> <p>A. provide clients certainty in what is presented and allow them to make reasonable comparisons. B. establish a standardized, industry wide approach for investment firms to follow. C. identify unethical investment firms that do not follow GIPs guidelines.</p>	
10	<p>An investment banking department of a brokerage firm often receives material nonpublic information that could have considerable value if used in advising the firm’s brokerage clients. In order to conform to the Code and Standards, which one of the following is the <i>least</i> recommended to the brokerage firm?</p> <p>A. An employee should be on only one side of the firewall at any time. B. Monitor the exchange of information between the investment banking department and the brokerage operation. C. Establish physical and informational barriers within the firm to prevent the exchange of information between the investment banking and brokerage operations.</p>	

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11	<p>France is scheduled an on-site visit to the facilities of Hills Industries. France expects to use the information he obtains there to complete his research report on Hills stock. France learns that Hills plans to pay all of France’s expenses for the trip, including costs of meals, hotel room, and air transportation. Which of the following actions would be the <i>best</i> course for France to take under the Code and Standards?</p> <p>A. Accept the expense-paid trip and write an objective report. B. Pay for all travel expenses, including costs of meals and incidental items. C. Accept the expense-paid trip but disclose the value of the services accepted in the report.</p>		
12	<p>Ashley and Burge, who recently started their own investment advisory business, have registered to take the Level III CFA examination. Ashley’s business card reads, “Olivia Asheley, CFA Level II.” Burge has not put anything about the CFA designation on her business card, but promotional material that she designed for the business describes the CFA requirements and indicates that Burge participates in the CFA Program and has completed Levels I and II. According to the Standards:</p> <p>A. Ashley has violated the Standards, but Burge has not. B. Burge has violated the Standards, but Ashley has not. C. Both Ashley and Burge have violated the Standards.</p>		

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13	<p>Li Wang is a portfolio manager. One of her firm's clients - Sears has told Wang that he will compensate her beyond the compensation provided by her firm on the basis of the total return of his portfolio each year. Which of the following is most recommended under the Code and Standards?</p> <p>A. Accept the additional compensation and then notify her employer.</p> <p>B. Turn down the additional compensation because it will create undue pressure on her to achieve strong short-term performance.</p> <p>C. Obtain permission from her employer prior to accepting the compensation arrangement.</p>		
14	<p>Gary Shuman is a representative with a registered broker/dealer. Shuman is approached by a stock promoter for Chic Company, who offers to pay Shuman additional compensation for sales of Chic Company's stock to Shuman's clients. Shuman accepts the stock promoter's offer but does not disclose the arrangements to his clients or to his employer and sells shares of the stock to his clients. Which of the following is correct?</p> <p>A. Shuman violated the Standard VI(A) Disclosure of Conflicts by failing to disclose the arrangement to his employer.</p> <p>B. Shuman violated the Standard VI(A) Disclosure of Conflicts by failing to disclose the arrangement to clients.</p> <p>C. Shuman violated the Standard VI(A) Disclosure of Conflicts by failing to disclose the arrangement to both employer and clients.</p>		

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15	<p>According to the Fundamentals of Compliance section of the Global Investment Performance Standards, issues that a firm must consider when claiming compliance include all of the following <i>except</i>:</p> <p>A. Replicating performance. B. Properly defining the firm. C. Claim of compliance</p>		
16	<p>To encourage ethical behavior, it would be <i>least</i> appropriate for a financial services firm to do which of the following?</p> <p>A. Implement a whistleblowing policy B. Adhere to the local customs and culture only. C. Create, implement and monitor a corporate code of ethics.</p>		
17	<p>Mike Carl, CFA, is a research analyst covering the Manufacturing industry. Along with other analysts, Mike visits the Express Manufacturing Company. During the visit, Mike overhears an unidentified employee state that an incident just happened to a core equipment and production will be slowed down for a couple of weeks. Mike immediately files a sell recommendation on Express without any additional research. Has Mike violated any CFA Institute Standards?</p> <p>A. Yes, with respect to client confidentiality. B. Yes, with respect to diligence and reasonable basis. C. Yes, with respect to material nonpublic information.</p>		

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18	<p>The Global Investment Performance Standards most likely require:</p> <p>A. The definition of the firm must include the firm’s offices in all countries and regions.</p> <p>B. Nondiscretionary portfolios to be included in composites.</p> <p>C. Aggregate groups of portfolios that represent a similar investment strategy to represent performance.</p>		
<i>Questions 19-32 Quantitative Methods</i>			
19	<p>In analyzing a price chart, high or increasing volume <i>most likely</i> indicates which of the following?</p> <p>A. Predicts a reversal in the price trend.</p> <p>B. Predicts that a trendless period will follow.</p> <p>C. Confirms a rising or declining trend in prices.</p>		
20	<p>Which of the following statements <i>least accurately</i> describes the IRR and NPV methods?</p> <p>A. A project’s NPV may be positive even if the IRR is less than the cost of capital.</p> <p>B. A project with an IRR equal to the cost of capital will have an NPV of zero.</p> <p>C. Investor should always select the project with the greatest NPV when the IRR and NPV rules provide conflicting decisions.</p>		
21	<p>Linda plans to send a child to college for four years starting 18 years from now. She estimates tuition costs at \$40,000 per year, payable at the beginning of each year, by the time her child goes to college. If she starts next year and makes 17 payments into a savings account paying 5% annually, what annual payments must she make?</p> <p>A. 5,489</p>		

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	<p>B. 6,672 C. 5,273</p>		
22	<p>Which of the following statements <i>least likely</i> to be accurate about the power of a test?</p> <p>A. The probability of correctly rejecting the null. B. Equates to $1 - P$ (Type I error). C. Equates to $1 - P$ (Type II error).</p>		
23	<p>ABC Manufacturer is considering the purchase of a new product line for a cost of \$10 million. This system is expected to generate a positive cash flow of \$1.3 million per year in perpetuity. What is the NPV of the proposed investment if the appropriate discount rate is 14.9%?</p> <p>A. -\$1,275,168 B. \$1,275,168 C. \$1,142,857</p>		
24	<p>Which of the following statements most likely represents a characteristic of the money-weighted rate of return? It is:</p> <p>A. Not affected by the timing of cash flows. B. Used to measure the compound rate of growth of \$1 over a stated measurement period. C. Defined as the internal rate of return on an investment portfolio, taking into account all inflows and outflows.</p>		

25	<p>An analyst gathered the following information:</p> <table border="1" data-bbox="174 320 1099 480"> <thead> <tr> <th>Portfolio</th> <th>Mean Return (%)</th> <th>Standard Deviation of Returns (%)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>6</td> <td>10</td> </tr> <tr> <td>2</td> <td>18</td> <td>30</td> </tr> <tr> <td>3</td> <td>15</td> <td>20</td> </tr> </tbody> </table> <p>If the risk-free rate of return is 3%, the portfolio that had the <i>best</i> risk-adjusted performance based on the Sharpe ratio is:</p> <p>A. Portfolio 1. B. Portfolio 2. C. Portfolio 3.</p>	Portfolio	Mean Return (%)	Standard Deviation of Returns (%)	1	6	10	2	18	30	3	15	20		
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26	<p>Which of the following is the <i>least</i> likely characteristic of the normal probability distribution? The normal probability distribution:</p> <p>A. has kurtosis of 3.0. B. has the same value for mean, median, and mode. C. is more suitable as a model for asset prices than for returns.</p>														
27	<p>Which of the following is generally true of the head and shoulders pattern?</p> <p>A. Volume is not important in interpreting the data. B. The right shoulder is the first signal that the trend may be coming to an end. C. Head and shoulders patterns are generally followed by a downtrend in the security's price.</p>														

28	<p>Which of the following statements regarding correlation and covariance is <i>least</i> likely correct?</p> <p>A. The covariance of A with itself is equal to the variance of A; that is, $\text{Cov}(R_A, R_A) = \text{Var}(R_A)$.</p> <p>B. The covariance may range from negative infinity to positive infinity.</p> <p>C. The correlation between two random variables is their covariance standardized by the variance of the dependent variable.</p>		
29	<p>A technical analyst – Derek believes that a graph of LPL’s share prices over the past five months reveals a classic head and shoulders pattern. The share price peaked at US\$89, and she estimates the neckline at US\$67. At today’s close, the shares traded at US\$60. Based on the head and shoulders pattern, what action should Derek take to seek profits?</p> <p>A. Buy the LPL stock at current price \$60</p> <p>B. Sell short the LPL stock at current price \$60</p> <p>C. Take a long position at the LPL stock</p>		
30	<p>Which of the following is least likely a component of the required rate of return on a security?</p> <p>A. Market risk premium</p> <p>B. Liquidity risk premium</p> <p>C. Maturity risk premium</p>		

31	<p>Chi-square table, partial:</p> <table border="1" data-bbox="302 343 952 686"> <thead> <tr> <th><i>Degrees of Freedom</i></th> <th colspan="4"><i>Probability in right tail</i></th> </tr> <tr> <th></th> <th><i>0.975</i></th> <th><i>0.95</i></th> <th><i>0.05</i></th> <th><i>0.025</i></th> </tr> </thead> <tbody> <tr> <td>30</td> <td>16.791</td> <td>18.493</td> <td>43.773</td> <td>46.979</td> </tr> <tr> <td>50</td> <td>32.357</td> <td>34.764</td> <td>67.505</td> <td>71.420</td> </tr> <tr> <td>60</td> <td>40.482</td> <td>43.188</td> <td>79.082</td> <td>83.298</td> </tr> <tr> <td>80</td> <td>57.153</td> <td>60.391</td> <td>101.879</td> <td>106.629</td> </tr> <tr> <td>100</td> <td>74.222</td> <td>77.929</td> <td>124.342</td> <td>129.561</td> </tr> </tbody> </table> <p>Lyle Rodney, CFA, is analyzing the standard deviation of monthly returns for a large cap equity fund since its establishment seven years ago. To test whether the actual standard deviation is significantly less than 6%, Fritzer calculates a Chi-square test statistic of 48.97 and uses a significance level of 5%. Fritzer should:</p> <p>A. Reject the null hypothesis and conclude that the standard deviation is statistically significantly less than 6%</p> <p>B. Fail to reject the null hypothesis and conclude that the standard deviation is not statistically significantly less than 6%</p> <p>C. Reject the null hypothesis and conclude that the standard deviation is not statistically significantly less than 6%</p>	<i>Degrees of Freedom</i>	<i>Probability in right tail</i>					<i>0.975</i>	<i>0.95</i>	<i>0.05</i>	<i>0.025</i>	30	16.791	18.493	43.773	46.979	50	32.357	34.764	67.505	71.420	60	40.482	43.188	79.082	83.298	80	57.153	60.391	101.879	106.629	100	74.222	77.929	124.342	129.561	
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32	<p>A Treasury bill with a face value of \$100,000 and 180 days until maturity is selling for \$98,000. What is the T-bill's bank discount yield?</p>																																				

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	<p>A. 4.5%</p> <p>B. 4%</p> <p>C. 5%</p>		
<i>Questions 33-44 Economics</i>			
33	<p>The price elasticity of demand for mobile phones is -0.76. If sellers increase the price, total revenue will:</p> <p>A. Decrease because demand is inelastic.</p> <p>B. Increase because demand is inelastic.</p> <p>C. Increase because demand is elastic.</p>		
34	<p>The demand and supply for Good Z is given by the following equation:</p> <p>$Q_{Dz} = 9,160 - 500 P_z$</p> <p>$Q_{Sz} = -886 + 200 P_z$</p> <p>Which of the following statement regarding excess demand or supply is the most accurate if price is \$14?</p> <p>A. Excess demand of 246 units.</p> <p>B. Excess demand of 372 units.</p> <p>C. Excess supply of 149 units.</p>		
35	<p>If an excise tax is paid by the buyer instead of the seller, which of the following statements is most likely to be true? The price (including tax):</p> <p>A. Paid will be higher than if the seller had paid the tax.</p> <p>B. Received will be the same as if the seller had paid the tax.</p> <p>C. Received will be lower than if the seller had paid the tax.</p>		
36	<p>The market supply function for carpets is given by $Q_S = -18 + 1.5P$. Calculate the value of the producer surplus is the market price of a carpet is 60.</p> <p>A. 1728</p> <p>B. 1028</p> <p>C. 349</p>		
37	<p>Which of the following statements regarding Giffen good is <i>least accurate</i>?</p> <p>A. Demand curve is positively sloped.</p>		

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	<p>B. Income and substitution effects are in the same direction.</p> <p>C. Income effect is larger than the substitution effect.</p>															
38	<p>Cindy Zhong has a total budget of \$120 per month to spend on beef and lamb. The price of beef is \$20 per pound, and the price of lamb is \$12 per pound. Assume Q_b is the quantity of beef and Q_l is the quantity of lamb that Cindy buys per month, which of the following statements regarding Cindy's budget constraint is <i>most accurate</i>?</p> <p>A. Cindy's budget constraint can be stated as $120 = 12Q_b + 20Q_l$</p> <p>B. With quantity of lam measured on the vertical axis, the slope of the budget constraint is equal to -1.67</p> <p>C. Cindy's maximum utility is achieved along the highest indifference curve below the budget constraint line.</p>															
39	<p>Indifference curves for two goods <i>least likely</i>:</p> <p>A. Are convex toward the origin.</p> <p>B. Slope downward.</p> <p>C. Intersect.</p>															
40	<p>RST Enterprises produces speakers. The quantity of speakers sold and their total cost of production is listed below:</p> <table border="1" data-bbox="179 986 607 1289"> <thead> <tr> <th>Quantity</th> <th>Total Cost</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>0</td> </tr> <tr> <td>10</td> <td>\$500</td> </tr> <tr> <td>20</td> <td>\$900</td> </tr> <tr> <td>30</td> <td>\$1400</td> </tr> <tr> <td>40</td> <td>\$2000</td> </tr> <tr> <td>50</td> <td>\$2650</td> </tr> </tbody> </table> <p>If the market is perfectly competitive, and the equilibrium price of a unit is \$60,</p>	Quantity	Total Cost	0	0	10	\$500	20	\$900	30	\$1400	40	\$2000	50	\$2650	
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	<p>how many units will a profit maximizing speaker manufacturer produce?</p> <p>A. 30</p> <p>B. 40</p> <p>C. 50</p>		
41	<p>A profit maximizing firm is in a perfectly competitive industry. If the price of a product is greater than average variable cost and less than average total cost, in the short run the firm should:</p> <p>A. Continue operating because the firm is generating profit.</p> <p>B. Continue operating because shutting down will increase the firm's losses.</p> <p>C. Shut down because the firm is generating losses.</p>		
42	<p>For country Z the annual GDP increased from \$120 billion to \$340 billion from the beginning to the ending years of a decade. Given that the GDP deflator increased from 105 to 210 over that time period, real GDP for country Z during the decade increased by approximately:</p> <p>A. 35%</p> <p>B. 42%</p> <p>C. 183%</p>		
43	<p>If money neutrality holds, an increase in the money supply is <i>most likely</i> to increase:</p> <p>A. the price level</p> <p>B. the velocity of money</p> <p>C. real output</p>		
44	<p>Country A's central bank periodically adjusts the target exchange rate of its domestic currency against a foreign currency for differences between the two countries' inflation rates. This exchange rate regime is best described as:</p> <p>A. A conventional fixed peg arrangement.</p>		

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	<p>B. A crawling peg arrangement. C. Management of exchange rates within crawling bands.</p>		
<i>Questions 45-68 Financial Reporting & Analysis</i>			
45	<p>Which of the following activities is <i>least likely</i> to be considered a role of financial reporting and analysis?</p> <p>A. Evaluating a subsidiary of a parent company. B. Deciding whether to extend credit to a customer. C. Evaluating the performance of a company's auditor.</p>		
46	<p>Which of the following statements regarding auditors is <i>least accurate</i>? A company's auditors:</p> <p>A. are employed by the board of directors. B. certify that the financial statements are free from error. C. have a duty to ensure that accounting estimates used are reasonable.</p>		
47	<p>Information about management and director compensation would <i>least likely</i> be found in the:</p> <p>A. auditor's report B. proxy statement C. notes to the financial statements</p>		
48	<p>Given the following data:</p> <p>Beginning retained earnings \$200 million Net Income \$50 million Dividends paid \$20 million Contributed capital \$300 million Liabilities \$250 million</p> <p>Total assets at year-end are:</p> <p>A. \$750 million</p>		

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	<p>B. \$780 million. C. \$800 million</p>		
49	<p>RST Inc. sells a customer goods on 30 days credit for \$20,000. The goods cost RST \$12,000 to produce. At the time of the sale, RST's assets increase by:</p> <p>A. \$8,000 B. \$12,000 C. \$20,000</p>		
50	<p>When, at the end of an accounting period, a revenue has been recognized in the financial statements but no billing has occurred and no cash has been received, the accrual is to:</p> <p>A. Accrued revenue, an asset. B. Deferred revenue, an asset. C. Accrued revenue, a liability.</p>		
51	<p>Which of the following statements regarding relationships among financial statements is <i>least</i> accurate?</p> <p>A. A \$28,000 increase in retained earnings and a \$10,000 decrease in common stock will lead to an \$18,000 increase in Owner's equity. B. A \$10,000 use of cash for repurchase of stock shown on the cash flow statement will be reflected as a \$10,000 decrease in common stock on the balance sheet. C. A \$28,000 net income shown on income statement will lead to a \$28,000 increase in retained earnings, regardless of the amount of common dividends declared.</p>		

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52	<p>The segment of an accounting system that reports business transaction by account is the:</p> <ul style="list-style-type: none"> A. Trial balance B. General ledger C. General journal 	
53	<p>Bing Li is asked to explain the role of financial statement data in equity analysis. She makes the following statements:</p> <p>Statement 1: An analyst needs to understand the various accruals, adjustments, and management assumptions that go into the financial statements, much of which is contained in the footnotes to the statements and Management’s Discussion and Analysis.</p> <p>Statement 2: It is vital that an analyst has a thorough understanding of accounting treatments, as the accrual process uses management discretion, and as a result, could be used to manipulate the company’s financial performance.</p> <p>Are Li’s statements accurate?</p> <ul style="list-style-type: none"> A. Neither of these statements is accurate. B. Only one of these statements is accurate. C. Both of these statements are accurate. 	
54	<p>When preparing financial reports, companies are most likely to make tradeoffs between which of the following?</p> <ul style="list-style-type: none"> A. Timeliness and verifiability B. Relevance and materiality C. Relevance and faithful representation 	
55	<p>Which of the following statements regarding standard-setting bodies and regulatory authorities underlying financial reporting is <i>most accurate</i>?</p>	

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	<p>A. Accounting standards boards are typically independent, private, not-for-profit organizations.</p> <p>B. The U.S. SEC does not have the authority to overrule the FASB to issue authoritative financial reporting guidance.</p> <p>C. Most companies prepare Form 10-K annually but it is not a requirement of the SEC.</p>	
56	<p>Which of the following is <i>least likely</i> to be a characteristic of an effective financial reporting framework?</p> <p>A. Comprehensiveness</p> <p>B. Comparability</p> <p>C. Consistency</p>	
57	<p>Trans Aid sells items over the internet for individuals on a consignment basis. Trans Aid receives the items from the owner, lists them for sale on the internet, and receives a 15% commission for any items sold. Trans Aid collects the full amount from the buyer and pays the net amount after commission to the owner. Unsold items are returned to the owner after 90 days. During 2014, Trans Aid had the following information:</p> <ul style="list-style-type: none"> • Total sales price of items sold during 2014 on consignment was \$1,000,000. • Total commissions retained by Trans Aid during 2014 for these items was \$150,000. <p>How much revenue should Trans Aid report on its 2014 income statement?</p> <p>A. \$150,000</p> <p>B. \$850,000</p> <p>C. 1,000,000</p>	
58	<p>Heshenyuan, Inc. uses the percentage of completion method to account for its long-term construction projects. The firm incurred costs of \$350,000 in the first year of a contract and \$200,000 in its second year. The contracted selling price was \$1,500,000, and the estimated cost to complete the project was</p>	

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	<p>\$1,000,000, including costs already incurred. What revenue and earnings should the firm report in the second year?</p> <table> <thead> <tr> <th></th> <th>Earnings</th> <th>Revenue</th> </tr> </thead> <tbody> <tr> <td>A.</td> <td>\$275,000</td> <td>\$825,000</td> </tr> <tr> <td>B.</td> <td>\$100,000</td> <td>\$300,000</td> </tr> <tr> <td>C.</td> <td>\$275,000</td> <td>\$300,000</td> </tr> </tbody> </table>		Earnings	Revenue	A.	\$275,000	\$825,000	B.	\$100,000	\$300,000	C.	\$275,000	\$300,000	
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B.	\$100,000	\$300,000												
C.	\$275,000	\$300,000												
59	<p>RST, Inc. uses the cost recovery method to recognize revenue. It sells \$100,000 of goods in 2011, agreeing that the client can pay in installments of \$70,000 in 2011 and \$30,000 in 2012. The goods cost \$60,000 for RST to manufacture. What revenue and gross profit should RST report in 2012?</p> <table> <thead> <tr> <th></th> <th>Revenue</th> <th>Gross profit</th> </tr> </thead> <tbody> <tr> <td>A.</td> <td>\$70,000</td> <td>\$12,000</td> </tr> <tr> <td>B.</td> <td>\$30,000</td> <td>\$12,000</td> </tr> <tr> <td>C.</td> <td>\$30,000</td> <td>\$30,000</td> </tr> </tbody> </table>		Revenue	Gross profit	A.	\$70,000	\$12,000	B.	\$30,000	\$12,000	C.	\$30,000	\$30,000	
	Revenue	Gross profit												
A.	\$70,000	\$12,000												
B.	\$30,000	\$12,000												
C.	\$30,000	\$30,000												
60	<p>Under IFRS, a loss from the destruction of property in a flood would most likely be classified as:</p> <ul style="list-style-type: none"> A. An extraordinary item B. Continuing operations. C. Discontinued operations. 													
61	<p>Which of the following items for a financial services company is least likely to be considered an operating item on the income statement?</p> <ul style="list-style-type: none"> A. Interest income B. Financial expenses. C. Income tax expense. 													
62	<p>Compared to a company that uses the FIFO method, during periods of rising prices a company that uses the LIFO method will most likely appear more:</p>													

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	<p>A. Profitable B. Liquid C. Efficient</p>														
63	<p>RST Enterprises manufactures mugs and prepares its financial statements in accordance with IFRS. Its 2014 production and cost records are listed as follows:</p> <table data-bbox="163 526 1111 774"> <tr> <td>Raw materials:</td> <td>\$9,000,000</td> </tr> <tr> <td>Direct labor:</td> <td>18,000,000</td> </tr> <tr> <td>Storage of finished goods inventory</td> <td>500,000</td> </tr> <tr> <td>Production overhead:</td> <td>1,800,000</td> </tr> <tr> <td>Abnormal waste</td> <td>30,000</td> </tr> <tr> <td>Transportation for raw materials:</td> <td>1,000,000</td> </tr> </table> <p>What will be the capitalized inventory cost in 2014?</p> <p>A. 11,800,000 B. 29,800,000 C. 30,300,000</p>	Raw materials:	\$9,000,000	Direct labor:	18,000,000	Storage of finished goods inventory	500,000	Production overhead:	1,800,000	Abnormal waste	30,000	Transportation for raw materials:	1,000,000		
Raw materials:	\$9,000,000														
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Abnormal waste	30,000														
Transportation for raw materials:	1,000,000														
64	<p>The following information is provided regarding KLM Enterprises that manufactures tables:</p> <table border="1" data-bbox="163 1109 851 1284"> <tr> <td colspan="2">\$ million</td> </tr> <tr> <td>Cost of ending inventory computed using FIFO</td> <td>4.3</td> </tr> <tr> <td>Net realizable value</td> <td>4.1</td> </tr> <tr> <td>Current replacement cost</td> <td>3.8</td> </tr> </table> <p>Compared to using the U.S. GAPP, the cost of goods sold (\$ million)</p>	\$ million		Cost of ending inventory computed using FIFO	4.3	Net realizable value	4.1	Current replacement cost	3.8						
\$ million															
Cost of ending inventory computed using FIFO	4.3														
Net realizable value	4.1														
Current replacement cost	3.8														

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	<p>calculated under IFRS is <i>most likely</i>:</p> <p>A. 0.3 higher</p> <p>B. The same</p> <p>C. 0.3 lower</p>					
65	<p>Which of the following statement about expenses and intangible assets is <i>least accurate</i>?</p> <p>A. advertising fees are generally expensed as incurred</p> <p>B. Intangible assets are initially entered on the balance sheet at their purchase prices when they are acquired from an outside entity</p> <p>C. In most countries, research and development costs are capitalized</p>					
66	<p>On January 1, Heshengyuan, a Chinese company that prepares its financial statements according to IFRS arranged financing for the construction of a new manufacturing plant. The company</p> <table border="1" style="width: 100%;"> <tr> <td>borrowed CNY4,000,000 at an interest rate of 6%</td> </tr> <tr> <td>issued CNY4,000,000 of preferred shares with a cumulative dividend rate of 5%</td> </tr> <tr> <td>Temporarily invested CNY2,000,000 of the loan proceeds during the first six months of construction and earned 7% on that amount.</td> </tr> </table> <p>The amount of financing costs to be capitalized to the cost of the plant in the first year is closest to:</p> <p>A. CNY170,000</p> <p>B. CNY240,000</p> <p>C. CNY370,000</p>	borrowed CNY4,000,000 at an interest rate of 6%	issued CNY4,000,000 of preferred shares with a cumulative dividend rate of 5%	Temporarily invested CNY2,000,000 of the loan proceeds during the first six months of construction and earned 7% on that amount.		
borrowed CNY4,000,000 at an interest rate of 6%						
issued CNY4,000,000 of preferred shares with a cumulative dividend rate of 5%						
Temporarily invested CNY2,000,000 of the loan proceeds during the first six months of construction and earned 7% on that amount.						
67	<p>Which of the following statements regarding component depreciation is <i>most</i></p>					

	<p><i>accurate?</i> Component depreciation:</p> <ul style="list-style-type: none"> A. is required under U.S. GAAP. B. is permitted under IFRS but seldom used. C. involves depreciating an asset based on separate useful lives of its components. 												
68	<p>In the period when a deferred tax liability reverses, tax expense on the income statement is:</p> <ul style="list-style-type: none"> A. equal to taxes payable on the tax return. B. greater than taxes payable on the tax return. C. less than taxes payable on the tax return. 												
<p><i>Questions 69-78 Corporate Finance</i></p>													
69	<p>Which method of calculating the firm's cost of equity is most likely to incorporate the long-run return relationship between the firm's stock and the market portfolio?</p> <ul style="list-style-type: none"> A. Dividend discount model B. Capital asset pricing model C. Bond yield plus risk premium approach 												
70	<p>A project has the following annual cash flows:</p> <table border="1" data-bbox="181 922 1099 1074"> <thead> <tr> <th>Year 0</th> <th>Year 1</th> <th>Year 2</th> <th>Year 3</th> <th>Year 4</th> </tr> </thead> <tbody> <tr> <td>-\$4,662,005</td> <td>\$22,610,723</td> <td>-\$41,072,26</td> <td>\$33,116,55</td> <td>-\$10,000,00</td> </tr> </tbody> </table> <p>Which of the following discount rates <i>most likely</i> produces the highest net present value (NPV)?</p> <ul style="list-style-type: none"> A. 8% B. 15% C. 10% 	Year 0	Year 1	Year 2	Year 3	Year 4	-\$4,662,005	\$22,610,723	-\$41,072,26	\$33,116,55	-\$10,000,00		
Year 0	Year 1	Year 2	Year 3	Year 4									
-\$4,662,005	\$22,610,723	-\$41,072,26	\$33,116,55	-\$10,000,00									

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71	<p>Which of the following is the <i>least</i> appropriate method for an external analyst to use to estimate a company's target capital structure for determining the weighted average cost of capital (WACC)?</p> <p>A. Using statements made by the company's management regarding capital structure policy B. Using the company's current capital structure at book value weights C. Using average's of comparable companies' capital structure</p>		
72	<p>A firm's price-to-earnings ratio (P/E) is 12.5. The firm has decided to repurchase shares using external funds that have an after-tax cost of 10%. After the repurchase, the earnings per share (EPS) will <i>most likely</i>:</p> <p>A. decrease. B. increase. C. remain unchanged.</p>		
73	<p>The per unit contribution margin for a product is \$10. Assuming fixed costs of \$12,000, interest costs of \$3,000, and taxes of \$2,000, the operating breakeven point (in units) is <i>closest</i> to:</p> <p>A. 1,000. B. 1,200. C. 1,417.</p>		
74	<p>Based on best practices in corporate governance procedures, it is <i>most</i> appropriate for a company's compensation committee to:</p> <p>A. Include some non-independent members. B. Rely on management to communicate compensation philosophy to shareholders. C. Be aware of any final payments to which executives might be entitled.</p>		
75	<p>The unit contribution margin for a product is \$20. A firm's fixed costs of</p>		

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	<p>production up to 300,000 units is \$500,000. The degree of operating leverage (DOL) is <i>most likely</i> the lowest at which of the following production levels (in units):</p> <p>A. 200,000. B. 100,000. C. 300,000.</p>		
76	<p>Other factors held constant, the reduction of a company's average accounts payable because of suppliers offering less trade credit will <i>most likely</i>:</p> <p>A. Decrease the operating cycle. B. Not affect the operating cycle. C. Increase the operating cycle.</p>		
77	<p>For a 90-day US Treasury bill selling at a discount, which of the following methods <i>most likely</i> results in the highest yield?</p> <p>A. Money market yield (MMY) B. Bond equivalent yield (BEY) C. Discount-basis yield (DBY)</p>		
78	<p>The market price of a company's stock is \$5 per share with 50 million shares outstanding. The company decides to use its cash reserves to undertake a \$10 million share buyback. Just prior to the buyback, the company reports total assets of \$650 million and total liabilities of \$450 million. The company's book value per share after the share buyback is closest to:</p> <p>A. \$3.96. B. \$4.23.</p>		

C. \$3.76.

Questions 79-90 Equity Investments

79 A stop-buy order is *most likely* placed when a trader:

- A. Wants to limit the loss on a long position.
- B. Thinks that the stock is overvalued.
- C. Wants to limit the loss on a short position.

80 A market has the following limit orders standing on its book for a particular stock:

Buyer	Bid (# of shares)	Limit Price(\$)	Seller	Offer Size(# of)	Limit Price(\$)
1	500	18.5	1	200	20.2
2	300	18.9	2	300	20.35
3	400	19.2	3	400	20.5
4	200	20.1	4	100	20.65
5	100	20.15	5	200	20.7

If a trader submits an immediate-or-cancel limit buy order for 700 shares at a price of \$20.50, the average price the trader would pay is *closest* to:

- A. \$20.35.
- B. \$20.65.
- C. \$19.90.

81	<p>Returns from a depository receipt are least likely affected by which of the following factors?</p> <p>A. Exchange rate movements B. Market conditions C. Number of depository receipts</p>												
82	<p>The following data pertain to a company that can be appropriately valued using the Gordon growth model. The dividend is expected to grow indefinitely at the existing sustainable growth rate.</p> <table border="1" data-bbox="271 555 889 849"> <tr> <td>EPS growth rate (three-year average)</td> <td>7.50%</td> </tr> <tr> <td>Current dividend per share</td> <td>\$3.00</td> </tr> <tr> <td>Return on equity</td> <td>15%</td> </tr> <tr> <td>Dividend payout ratio</td> <td>40%</td> </tr> <tr> <td>Investors' required rate of return</td> <td>16%</td> </tr> </table> <p>The stock's intrinsic value is <i>closest</i> to:</p> <p>A. \$46.71. B. \$38.61. C. \$37.24.</p>	EPS growth rate (three-year average)	7.50%	Current dividend per share	\$3.00	Return on equity	15%	Dividend payout ratio	40%	Investors' required rate of return	16%		
EPS growth rate (three-year average)	7.50%												
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Dividend payout ratio	40%												
Investors' required rate of return	16%												
83	<p>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?</p>												

	<p>A. Semi-strong form only B. Semi-strong and strong forms C. Weak and semi-strong forms</p>																				
84	<p>The data for two stocks in an index are as follows:</p> <table border="1" data-bbox="174 523 1097 775"> <thead> <tr> <th>Stock</th> <th>Shares Outstanding</th> <th>Percent of Shares in Market Float</th> <th>Beginning of Period Price (\$)</th> <th>End of Period Price (\$)</th> <th>Dividends per Share (\$)</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>5,000</td> <td>90</td> <td>40</td> <td>45</td> <td>1.00</td> </tr> <tr> <td>B</td> <td>2,000</td> <td>100</td> <td>68</td> <td>60</td> <td>0.50</td> </tr> </tbody> </table> <p>Assuming the beginning value of the float-adjusted market-capitalization-weighted equity index is 100, the ending value is <i>closest</i> to:</p> <p>A. 102.58. B. 103.69. C. 102.06.</p>	Stock	Shares Outstanding	Percent of Shares in Market Float	Beginning of Period Price (\$)	End of Period Price (\$)	Dividends per Share (\$)	A	5,000	90	40	45	1.00	B	2,000	100	68	60	0.50		
Stock	Shares Outstanding	Percent of Shares in Market Float	Beginning of Period Price (\$)	End of Period Price (\$)	Dividends per Share (\$)																
A	5,000	90	40	45	1.00																
B	2,000	100	68	60	0.50																
85	<p>The advantages to an investor owning convertible preference shares of a company <i>most likely</i> include:</p> <p>A. an opportunity to receive additional dividends if the company's profits exceed a pre-specified level. B. less price volatility than the underlying common shares. C. preference dividends that are fixed contractual obligations of the</p>																				

	company.												
86	<p>Participating preference shares are <i>least likely</i> to entitle the shareholders to participate in:</p> <ul style="list-style-type: none"> A. corporate decisions through voting rights. B. additional distribution of the company’s assets upon liquidation. C. additional dividends if the company’s profits exceed a predetermined level. 												
87	<p>The index weighting that results in portfolio weights shifting away from securities that have increased in relative value toward securities that have fallen in relative value whenever the portfolio is rebalanced is <i>most</i> accurately described as:</p> <ul style="list-style-type: none"> A. float-adjusted market-capitalization weighting. B. equal weighting. C. fundamental weighting. 												
88	<p>An investor who wants to estimate the enterprise value multiple (EV/EBITDA) of a company has gathered the following data:</p> <table border="1" data-bbox="271 906 965 1222"> <tr> <td>Market value (MV) of debt</td> <td>\$10 million</td> </tr> <tr> <td>Market capitalization</td> <td>\$45 million</td> </tr> <tr> <td>Cash and short-term investments</td> <td>\$3 million</td> </tr> <tr> <td>EBITDA</td> <td>\$14 million</td> </tr> <tr> <td>Firm’s marginal tax rate</td> <td>40%</td> </tr> </table> <p>The company’s EV/EBITDA multiple is <i>closest</i> to:</p> <ul style="list-style-type: none"> A. 2.5. B. 5.8. C. 3.7. 	Market value (MV) of debt	\$10 million	Market capitalization	\$45 million	Cash and short-term investments	\$3 million	EBITDA	\$14 million	Firm’s marginal tax rate	40%		
Market value (MV) of debt	\$10 million												
Market capitalization	\$45 million												
Cash and short-term investments	\$3 million												
EBITDA	\$14 million												
Firm’s marginal tax rate	40%												

89	<p>Which of the following statements regarding a commodity index is <i>most</i> accurate?</p> <p>A. Commodity index returns differ from the changes in the prices of their underlying commodities.</p> <p>B. Commodity indices commonly use an equal weighting method.</p> <p>C. Commodity indices in the same markets will share similar risk and return profiles.</p>																				
90	<p>A fund manager compiles the following data on two companies:</p> <table border="1" data-bbox="176 528 1050 908"> <thead> <tr> <th></th> <th>Company A</th> <th>Company B</th> </tr> </thead> <tbody> <tr> <td>Return on assets (ROA)</td> <td>10.9%</td> <td>9.0%</td> </tr> <tr> <td>Return on equity (ROE)</td> <td>15.4%</td> <td>14.3%</td> </tr> <tr> <td>Dividend payout ratio</td> <td>0.35</td> <td>0.30</td> </tr> <tr> <td>Required rate of return</td> <td>13.0%</td> <td>12.4%</td> </tr> <tr> <td>Weighted average cost of capital</td> <td>11.8%</td> <td>11.7%</td> </tr> </tbody> </table> <p>The <i>best</i> conclusion the fund manager can make is that Company A's stock is more attractive than Company B's stock because of its:</p> <p>A. higher dividend growth rate.</p> <p>B. smaller price-to-earnings ratio (P/E).</p> <p>C. greater financial leverage.</p>		Company A	Company B	Return on assets (ROA)	10.9%	9.0%	Return on equity (ROE)	15.4%	14.3%	Dividend payout ratio	0.35	0.30	Required rate of return	13.0%	12.4%	Weighted average cost of capital	11.8%	11.7%		
	Company A	Company B																			
Return on assets (ROA)	10.9%	9.0%																			
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Weighted average cost of capital	11.8%	11.7%																			
<i>Questions 91-96 Derivative Investments</i>																					
91	<p>An investor is long an in-the-money American call option on a dividend paying stock. Would this option most likely ever be exercised early?</p> <p>A. No.</p> <p>B. Yes, if its time value is high enough.</p> <p>C. Yes, if it pays a high enough dividend.</p>																				

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92	<p>An investor establishes a short position in a futures contract on Day 0 when the price per contract is \$100. The investor deposits \$5 per contract to meet the initial margin requirement. The maintenance margin requirement per contract is \$3. The Day 1 settlement price is 103. How much would the investor be required to deposit per contract on Day 2?</p> <p>A. \$2 B. \$1 C. \$3</p>		
93	<p>The effects on the price of a put option from an increase in volatility and an increase in exercise price are:</p> <p>A. Increase Decrease B. Decrease Decrease C. Increase Increase</p>		
94	<p>An arbitrageur will <i>most likely</i> execute a trade when:</p> <p>A. transaction costs are low. B. costs of short selling are high. C. prices are consistent with the law of one price.</p>		
95	<p>Which of the following is <i>most likely</i> to be a destabilizing consequence of speculation using derivatives?</p> <p>A. Increase defaults by speculators and creditors. B. The creation of trading strategies that result in asymmetric performance C. Market price swings resulting from arbitrage activities</p>		

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96	<p>Suppose that the current stock price is \$52 and the risk-free rate is 5%. You have found a quote for a 3-month call option with an exercise price of \$50. The Call price is \$5.50, but due to light trading in the put options, there was not a listed quote for the 3-month, \$50 put. Estimate the price of the 3-month put option.</p> <p>A. \$2.9 B. \$8.1 C. 4.1</p>	
<i>Questions 97-108 Fixed Income Investments</i>		
97	<p>A bond issued by Alibaba in China, denominated in US dollars but not registered with the SEC, and sold to an institutional investor in the Middle East, is most likely an example of a:</p> <p>A Eurobond B global bond C foreign bond</p>	
98	<p>A capital-indexed bond is adjusted for changes in the Consumer Price Index (CPI). The Semi-annual pay bond is issued with a par value of \$1,000, maturity in 10 years, and a coupon of 10%. Following a 2% increase in the CPI during the first six months after the bond's issuance, on the first coupon payment date, the bond's:</p> <p>A. Principal amount increases to 1,020. B. Coupon payment is equal to 50. C. Coupon rate increases to 12%.</p>	
99	<p>Which type of call bond option offers the greatest flexibility as to when the issuer can exercise the option?</p>	

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	<p>A. A Bermuda call B. An American call C. A European call</p>														
100	<p>An interbank offered rate: A. is used as a reference rate for interest rate swaps. B. is a single reference rate. C. applies to borrowing periods of up to 10 years.</p>														
101	<p>Which of the following statements relating to commercial paper is least accurate? A. Commercial paper is a source of interim financing for long-term projects. B. Eurocommercial paper is most likely issued on an interest-bearing basis. C. US commercial paper rather than Eurocommercial paper is negotiable.</p>														
102	<p>Which of the following three bonds will <i>most likely</i> experience the greatest percentage change in price if the market discount rates for all three bonds increase by 100 basis points?</p> <table border="1" data-bbox="174 965 1093 1141"> <thead> <tr> <th>Bond</th> <th>Coupon Rate</th> <th>Time to Maturity (years)</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>6%</td> <td>10</td> </tr> <tr> <td>B</td> <td>6%</td> <td>5</td> </tr> <tr> <td>C</td> <td>8%</td> <td>5</td> </tr> </tbody> </table> <p>A. Bond A B. Bond B C. Bond C</p>	Bond	Coupon Rate	Time to Maturity (years)	A	6%	10	B	6%	5	C	8%	5		
Bond	Coupon Rate	Time to Maturity (years)													
A	6%	10													
B	6%	5													
C	8%	5													
103	<p>A 5-year, 8% semiannual coupon payment corporate bond is priced at 91.507 per 100 of par value. The bond's yield-to-maturity, quoted on a semiannual</p>														

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	<p>bond basis, is 10.211%. An analyst has been asked to convert to a monthly periodicity. Under this conversion, the yield-to-maturity is closest to:</p> <p>A. 10%</p> <p>B. 10.472%</p> <p>C. 10.211%</p>	
104	<p>From a lender's perspective, balloon risk can best be described as a type of:</p> <p>A. Interest rate risk</p> <p>B. Extension risk</p> <p>C. Contraction risk</p>	
105	<p>In the event of default, which of the following bonds would most likely have the highest recovery rate?</p> <p>A. Senior secured debt</p> <p>B. First mortgage</p> <p>C. Junior subordinate debt</p>	
106	<p>Deb Ely purchases a 6% annual coupon bond with 20 years remaining until maturity at a price equal to par value. Her investment horizon is 8 years. The bond's approximate modified duration is 11.470 years. The duration gap at the time of purchase is <i>closest</i> to:</p> <p>A. 3.470</p> <p>B. 4.158</p> <p>C. -7.842</p>	
107	<p>A 9-year bond has an annual coupon rate of 3%. It has a yield-to-maturity of 5% and is currently priced at 85.784357 per 100 of par value. Which of the following most closely presents the estimated price value of a basis point for the bond?</p> <p>A. 0.0086</p> <p>B. 0.0648</p> <p>C. 0.1295</p>	
108	<p>Which of the following statements relating to yield volatility is most</p>	

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	<p>accurate? If the term structure of yield volatility is downward sloping, then:</p> <ul style="list-style-type: none"> A. Short-term rates are higher than long-term rates. B. Short-term bonds will always experience greater price fluctuation than long-term bonds. C. Long-term yields are more stable than short-term yields. 		
<i>Questions 109-114 Alternative Investments</i>			
109	<p>The most likely impact of adding commodities to a portfolio of equities and bonds is to:</p> <ul style="list-style-type: none"> A. increase risk. B. enhance return. C. reduce exposure to inflation. 		
110	<p>Which of the following is most likely to be correct for National Council of Real Estate Investment Fiduciaries (NCREIF) Index?</p> <ul style="list-style-type: none"> A. This index has a relative higher standard deviation of returns than other real estate index methods. B. This index has the lowest variance of returns of the various real estate index methods. C. This index is exposed to sample selection bias. 		
111	<p>A hedge fund begins the year with \$20 million and earns a 25% return for the year. The fund charges a 1.5% management fee on end-of-year fund value and a 20% incentive fee on the return, net of the management fees, that is in excess of a 6% fixed hurdle rate. The fund's investors' return for the year, net of fees, is closest to:</p> <ul style="list-style-type: none"> A. 19.7%. B. 20.6%. 		

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	C. 21.3%.										
112	Which classification of hedge funds is <i>least likely</i> to use a short position in stock as a part of its strategy? A. Market-neutral funds. B. Emerging-market funds. C. Distressed securities funds.										
113	If the price of a commodity futures contract is below the spot price, it is most likely that the: A. convenience yield exceeds storage costs. B. cost of carry exceeds the convenience yield. C. roll yield is negative.										
114	Which of the following is the <i>least accurate</i> approach used to value closely held companies? Basing the value of company on the: A. present value of future economic income. B. historic cost of the assets of similar companies. C. average market price of similar companies recently sold.										
<i>Questions 115-120 Portfolio Management</i>											
115	With respect to the formation of portfolios, which of the following statements is <i>least accurate</i> ? A. Portfolios affect risk less than returns. B. Portfolios affect risk more than returns. C. Diversification allows an investor to reduce portfolio risk without necessarily reducing the portfolio's expected return.										
116	A portfolio manager creates the following portfolio:										
	<table border="1"> <thead> <tr> <th>Security</th> <th>Weight (%)</th> <th>Expected Deviation (%)</th> <th>Standard</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	Security	Weight (%)	Expected Deviation (%)	Standard						
Security	Weight (%)	Expected Deviation (%)	Standard								

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	1	45	18		
	2	55	13		
	<p>If the covariance of returns between the two securities is 0.034, the expected standard deviation of the portfolio is <i>closest</i> to:</p> <p>A. 14.9%. B. 15.7%. C. 16.9%.</p>				
117	<p>A portfolio with equal parts invested in a risk-free asset and a risky portfolio will most likely lie on:</p> <p>A. the efficient frontier. B. the security market line. C. a capital allocation line.</p>				
118	<p>Which of the following return calculating methods is <i>best</i> for evaluating the annualized returns of a buy-and-hold strategy of an investor who has made annual deposits to an account for each of the last five years?</p> <p>A. Geometric mean return. B. Arithmetic mean return. C. Money-weighted return.</p>				
119	<p>A stock is trading at \$30, and is forecasted to trade at \$33.6 in 1 year. Assume the risk-free rate of return is 2%, the market risk premium is 6%, and the beta of the stock is 0.8. Determine whether the stock is undervalued, overvalued, or properly valued.</p> <p>A. The stock is overvalued, and it plots above the SML. B. The stock is undervalued, and it plots above the SML.</p>				

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	C. The stock is undervalued, and it plots below the SML.		
120	<p>In defining asset classes as part of the strategic asset allocation decision, pairwise correlations within asset classes should generally be:</p> <p>A. equal to correlations among asset classes.</p> <p>B. lower than correlations among asset classes.</p> <p>C. higher than correlations among asset classes.</p>		