

Mock Exam 3

Questions

Here is the morning session for 2017 CFA® Level 1 Mock Exam. It is important to mention that time management should not be an underestimated element of the candidate's preparation plan. To maximize the simulation, the candidates should try to answer the 120 questions in a maximum of 180 minutes without looking at the answers (1.5 minute per question).

Time	Topic	Questions
27	Ethical and Professional Standards	1-18
21	Quantitative methods	19-32
18	Economics	33-44
36	Financial Reporting and Analysis	45-68
15	Corporate Finance	69-78
18	Equity Investments	79-90
18	Fixed Income Investments	91-102
9	Derivatives	103-108
9	Alternative Investments	109-114
9	Portfolio management	115-120

180 minutes

120 questions

Ethical and Professional Standards 1-18

1.

Which of the following statements are components of the CFA Institute Code of Ethics?

I. Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.

II. Preserve the confidentiality of information communicated by clients, prospects or employers about the investment matters.

III. Practice and encourage others to practice in a professional and ethical manner that will reflect credit on themselves and the profession.

A. Only I

B. Only I & III

C. I, II & III

2.

David Liam, CFA manages portfolios for several wealthy clients. Liam met Mr. Goel, one of his clients, over lunch. David advises Mr. Goel to double his investment in JKF Corp as the operational restructuring is expected to bring in higher profitability. In order not to violate Standard V: Investment Analysis, Recommendation and Action, what should David most likely do when he reaches his office?

A. David should identify other clients for whom investment in JKF is suitable and should inform them about the expected increase in profitability.

B. David should first verify the suitability of the investment and then execute the order.

C. David should record the details of his meeting and investment recommendation.

3.

Amir Karimili, CFA has been very vocal about his views on the CFA exam testing policies. Karimili claims that “Because there are a lot of CFA Charterholders, the CFA Institute deliberately fails students to save the prestige of CFA Charter from dilution”. Which of the following is most accurate about Karen’s behaviour?

- A. Karen has violated Standard VII(A): Conduct as Members and Candidates in the CFA Program.
- B. Karen has violated Standard V(B): Communication with Clients and Prospective Clients
- C. Karen has not violated any standard.

4.

When a firm is being verified for Compliance with GIPS, which of the following is a verifier most likely to do?

- I. A verifier must attest that the procedures and processes followed by the firm for performance presentation are in accordance with GIPS.
 - II. A verifier should clearly distinguish the composites for which the verification is done and not done.
- A. Only I
 - B. Only II
 - C. Both I & III

5.

Leena McCaroll and Eric Smith are both friends and work for the same investment management firm. McCaroll is a CFA level 2 candidate. While introducing herself to the clients, she usually mentions that she expects to pass the CFA level 2 exam in June. Eric Smith on his business card mentions that he has passed both level 1 and 2 CFA exams at his first attempts, which is a fact. Are Leena or Eric in violation of any standard?

- A. Both Leena McCaroll and Eric Smith are in violation of Standard VII(B) : Reference to CFA Institute, the CFA Designation and the CFA Program
- B. Only Leena McCaroll is in violation of Standard VII(B) : Reference to CFA Institute, the CFA Designation and the CFA Program
- C. Neither Leena McCaroll nor Eric Smith is in violation of any standard.

6.

Ravi Mehra is an Indian citizen working in India for the US branch of a Canadian bank. Referral fees are allowed in the U.S. and in Canada but not in India. What should Ravi Mehra, CFA do if his company offers referral fees?

- A. Mehra should accept the referral fees and disclose the referral fees.
- B. Mehra should accept the referral fees and there is no requirement to make any disclosure as referral fees are allowed in US and Canada.
- C. Mehra should not accept the referral fees.

7.

Aly Nabil, CFA covers the real estate sector of Middle East. Emar Group, a Real Estate company in Dubai, has gotten a few phone calls by Nabil who is trying to estimate the value of the company. Emar runs 878 Hotel in Dubai and recently offered Nabil to have a trip to Dubai and stay at 878 at the expense of Emar Group. Which of the following is the most appropriate action that Nabil should take so that he does not violate any standard?

- A. Aly should accept the offer and inform his supervisor about the offer.
- B. Aly should decline the offer.
- C. Aly should accept the offer and mention it in his research report.

8.

Laura Haldon, CFA has been working for a full service brokerage firm. She recently met a client and after understanding all the requirements of the client she informs the client that her firm can provide the client all the services he needs. Given the abovementioned information, has Haldon violated Standard I (C) : Misrepresentation?

- A. Yes, Haldon cannot make such commitments.
- B. No, Haldon is not in violation as this was only an oral communication.
- C. No, Haldon is not in violation if her commitment was based on facts.

9.

Marco Triaelli, CFA works for a large bank in New York City. He has recently been arrested for participating in a non-violent protest against capitalism. Has Triaelli violated any standard?

- A. Yes, Triaelli has violated Standard I(D): Professional Misconduct.
- B. Yes, Triaelli has violated Standard IV(A): Duties to Employer.
- C. No, Triaelli has not violated any Standard.

10.

Robert Walker, CFA decided to buy stock of Raymond Inc. However, since the stock is thinly traded Walker is worried that buying the stock in large volume will result in a price surge. In order to avoid the surge in price, Walker decides to do the transaction by getting into a series of block trade. Walker has most likely:

- A. Violated Standard II(B): Market manipulation by getting into a transaction-based manipulation.
- B. Not violated any standard.
- C. Violated Standard II(B): Market Manipulation by getting into an information-based manipulation.