

Errata for CFA Program Level III Mock Exams

Updated 16 May 2013

*** We will do our best to answer your inquiry concerning the Mock and/or Sample Exams. Please note that after Friday, 24 May, 2013 due to the closeness of the exam we cannot guarantee that we will get an answer to you before you sit for your exam on 1 June, 2013.*

To be fair to all candidates, CFA Institute does not respond directly to individual candidate inquiries. If you have a question concerning CFA Program content, please contact CFA Institute (info@cfainstitute.org) to have potential errata investigated. Corrections below are in **bold** and new corrections will be shown in **red**.

Errata

Question #4: *The question should read as follows:*

“Kim’s relationship with Miriam is **consistent** with the CFA Institute Standards of Professional Conduct” changed from “Kim’s relationship with Miriam is *inconsistent* with the CFA Institute Standards of Professional Conduct ...”

Question #9: *The question should read as follows:*

“C is correct because Section D, Risk Management, Compliance and Support of the Asset Manager Code states that portfolio information provided to clients should be reviewed by an independent third party. The compliance department would be considered an independent third party because compliance is not involved with compiling or presenting the information to clients. According to Section F, Disclosures, disclosures should be truthful, accurate, complete, and understandable. It is unlikely clients would easily understand complicated calculations. Section F, Disclosures calls for communications with clients to be on an ongoing and timely basis. *Annual communication would not be considered timely.*”

Should be changed to:

“Section F, Disclosures calls for communications with clients to be on an ongoing and timely basis. **Communication to clients only when they ask for it would not be consistent with the Code. It is recommended communication be at least on a quarterly basis.**”

Questions 13 to 18 Risk Management Laura Hackett Case Scenario: *the 2nd paragraph of the Vignette should read as follows:*

Alpha Asset Management Inc., another of Hackett’s clients, hired her to identify and separate its **financial** risk exposures into categories. Alpha was incorporated during the current year and focuses on one investment strategy to generate returns. Alpha issues debt with a maturity of less than one year and invests the proceeds in emerging market debt. Hackett creates a list of Alpha’s **financial** risk categories.

Question #14: *The question feedback should read as follows:*

A is correct because although the company is exposed to political risk via its investment in emerging market debt, this risk is not a type of **financial** risk. **Financial** risks include risks associated with interest rates, exchange rates, stock prices, and commodity prices.

Question #38: *The question should read as follows:*

There are two correct answers, B and C. So distractor C is being replaced. A & B remain the same as before.

The new set of choices should read:

- A. USD 6,956,000
- B. USD 11,030,000
- C. USD 16,551,724**

The correct answer is B.

Questions 55 to 60 Global Investment Performance Standards Bud Walter Case Scenario:

Note #4 in the vignette should read as follows:

4. Gross-of-fees returns are presented before investment management fees **but after custodial fees and trading expenses**. All clients pay an investment management flat fee of 75 basis points on the month-end account value plus a 10 basis point performance fee whenever the composite return exceeds the benchmark return by 100 basis points.

Question #58: *The question feedback should read as follows:*

A is correct. Only direct trading expenses should be deducted in calculating gross-of-fees returns. Custodial fees should not be considered a component of direct trading expenses. Thus, gross-of-fees returns should be calculated before custodial fees are deducted, not after.