CFA-LEVEL-1 Q&As

CFA Level I Chartered Financial Analyst

Pass CFA CFA-LEVEL-1 Exam with 100% Guarantee

Free Download Real Questions & Answers **PDF** and **VCE** file from:

https://www.geekcert.com/cfa-level-1.html

100% Passing Guarantee
100% Money Back Assurance

Following Questions and Answers are all new published by CFA Official Exam Center

QUESTION 1

Fundamental Responsibilities is dealt with under:

A. Standard I

B. Standard III

C. None of these answers

D. Standard V

E. Standard II

F. Standard IV

Correct Answer: A

Fundamental Responsibilities is dealt with under Standard I.

QUESTION 2

Under an inflationary, LIFO environment with stable inventories, which of the following is true compared to FIFO?

Working Capital Taxes Current Ratio

I. Higher Lower Lower

II. Lower Lower Lower

III. Higher Lower Lower

IV.

Lower Higher Higher

A.

II

B.

I

C.

IV

D.

III

Correct Answer: A

With rising prices and stable inventories, the COGS is higher under LIFO than under FIFO, thus lower net income and lower taxes. Ending inventory is valued lower under LIFO than under FIFO and hence, a lower current asset value and lower working capital and current ratio.

QUESTION 3

Which of the following figures is not expressly incorporated into the Degree of Operating Leverage, as based on the "unit sales" calculation.

A. Average sales price

B. Total variable operating costs per unit

C. Price

D. Common shares outstanding

E. Total fixed operating costs

F. Sales in units

Correct Answer: D

The Degree of Operating Leverage (DOL) measures the percentage change in EBIT that results from a given change in sales. The DOL can be calculated using several methods, including one that is based on unit sales. This version of the DOL equation is as follows: {DOL = [(Sales in units(average sales price variable cost per unit) / (sales in units(average sales price - variable cost per unit) - total fixed operating costs]}. Of the choices listed, only the number of common shares outstanding is not incorporated into the DTL equation. In fact, the number of common shares outstanding is not factored into any of the equations used to calculate DOL.

QUESTION 4

What is the value of a preferred stock with company earnings of $30 and a required rate of return of 10%?

A. $600

B. $283

C. $129

D. $300

E. Not enough information

Correct Answer: E

The value of a preferred stock is the present value of its dividends, which is equal to the annual dividend divided by the required rate of return. Since the annual dividend is not given, one cannot answer this question.

QUESTION 5

Willier is the research analyst responsible for following Company X. All the information he has accumulated and documented suggest that the outlook for the firm\\'s new products is poor, so the stock should be rated a weak hold. During lunch, however, Willier overhears a financial analyst from another firm offer opinions that conflict with Willier\\'s forecasts and expectations. Upon returning to his office, Willier releases a strong buy recommendation to the public. Willier:

A. violated the Standards by failing to distinguish between facts and opinions in his recommendation.

B. was in full compliance with the Standards.

C. violated the Standards because he did not have a reasonable and adequate basis for his recommendation.

D. violated the Standards because he did not seek approval of the change from his firm\\'s compliance department.

Correct Answer: C

The question deals with Standard IV (A.1), Reasonable Basis and Representations. Willier\\'s actions in changing the recommendation based on the opinion of another financial analyst is not an adequate basis for the recommendation. This question does not illustrate a violation of the need to distinguish between facts and opinions. Seeking approval from the firm for a change in a recommendation is a matter of policy set by the firm, not by the Standards.