# 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.passapply.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**

The table below lists information on price per share and shares outstanding for three stocks ?Rocking, Payton, and Strand.

| | As of Beginning of Year | | | |
|---|---|---|---|---|
| As of End of Year | | | | |
| Stock | | | | |
| Price per Share ($) | # Shares Outstanding | Price per Share ($) | # shares Outstanding | |
| Rocking | 10 | 10,000 | 15 | 10,000 |
| Payton | 50 | 5,000 | 50 | 5,000 |
| Strand | 100 | 500 | 85 | 500 |

Using the information in the table, determine which of the following statements is FALSE?

A. The geometric return is less than 11.7%.

B. If the three stocks comprise an index, a change in Stock Payton would have the biggest impact if the index was market-value weighted.

C. An investor creating a price-weighted index of these three stocks would need to change his holdings at year-end to reflect the price changes.

D. If the three stocks comprise an index, a change in Stock Strand would have the biggest impact if the index was price-weighted.

Correct Answer: C

A price-weighted index assumes that the investor holds an equal number of shares of each stock in the index. Since the number of stocks did not change, the investor would not need to change his holdings. The other statements are true. A price-weighted index is most influenced by the stock with the highest per-share price (Strand). A market-value weighted index is most influenced by the stock with the largest market capitalization (Payton). The geometric return is always less than the arithmetic return (see calculation). The arithmetic and geometric return are calculated as follows:

Arithmetic return = sum of: (1 + stock return) divided by the number of stocks minus 1, or [(1.5 + 1.0 + 0.85) / 3] – 1 = 0.117, or 11.7%. Thus, the geometric average must be less than 11.7%. Check of geometric average: = product of (1+ stock return), all to the 1/n power (or nth root) minus 1. = [(1.5)*(1.0)*(0.85)]1/3- 1 = 0.084, or 8.4%

**QUESTION 2**

Which of the following variables are hypothesized to affect the aggregate profit margin?

A. All of these answers

B. Rate of inflation

C. Unit labor costs

D. Foreign competition

Correct Answer: A

Economists Finkel and Tuttle hypothesized that 4 variables affect the aggregate profit margin. (1) Capacity utilization rate (+); (2) Unit labor costs (-); (3) Rate of inflation (+); (4) Foreign competition.

**QUESTION 3**

John\\'s great-grandfather left him $50 when he died 80 years ago in an account paying 8% per year, compounded annually. How much would the account hold for John now?

A. $407.76

B. $24,229.78

C. $24,113.90

D. $22,504.51

E. $23,597.74

Correct Answer: E

On the BAII Plus, press 80 N, 8 I/Y, 50 PV, 0 PMT, CPT FV. On the HP12C, press 80 n, 8 i, 50 PV, 0 PMT, FV. Note that the answer will be displayed as a negative number. Make sure that the BAII Plus has the P/Y value set to 1.

**QUESTION 4**

If you buy a house costing $120,000 and pay for it over 30 years, what is your monthly payment, if your loan\\'s interest rate is 7% per year, compounded monthly and the first payment is due next month?

A. $4,371.83

B. $8,400.00

C. $798.36

D. $665.30

E. $804.39

Correct Answer: C

On the BAII Plus, press 360 N, 7 divide 12 = I/Y, 120000 PV, 0 FV, CPT PMT. On the HP12C, press 360 n, 7 ENTER 12 divide i, 120000 PV, 0 FV, PMT. Note that the answer will be displayed as a negative number. Make sure the BAII Plus has the value of P/Y set to 1.

**QUESTION 5**

All else equal, which of the following is/are true?

I. The stock price increases as the dividend growth rate increases.

II. The stock price increases as the expected rate of return increases.

III. The stock price increases as the current dividend increases.

IV.

The payout ratio increases as current earnings increase.

A.

III only

B.

I, II and IV

C.

I only

D.

II and IV

E.

IV only

F.

I, III and IV

G.

I and III

H.

II only

Correct Answer: G

The Dividend Discount Model implies, in standard notation, that Po = D1/(k-g). This equation serves to justify the choices. It should be noted that in this question, the phrase, "all else equal" is critical. In III, for e.g., you cannot expect the stock price to rise solely because dividend increases (indeed, the priceshould fall because part of the firm is being paid out as cash). The "all else equal" stipulates that the growth rate of dividend and expected return remain constant, which is what causes the stock price to rise.