



# CFA-LEVEL-1<sup>Q&As</sup>

CFA Level I Chartered Financial Analyst

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### QUESTION 1

The \_\_\_\_\_ of portfolio performance over time is a measure of the variability or dispersion of the historical returns around their central tendency or mean return.

- A. variance
- B. standard deviation
- C. mean variance
- D. mode

Correct Answer: B

Standard deviation is also a useful measure of the relative volatility of fund categories.

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### QUESTION 2

All of the following are often characteristics of intangible assets except:

- A. they are often non-separable from a company.
- B. the value of the assets portrayed in the financial statements tends to increase for companies performing a lot of RandD.
- C. they have indefinite benefit periods.
- D. they experience large valuation changes based on competitive circumstances.

Correct Answer: B

The value of intangible assets on the balance sheet can only increase when the assets are purchased from another company. This is to encourage conservatism on the balance sheet.

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### QUESTION 3

Mutual fund A is a 7% load-fund, which you expect to have a rate of return of about 17%. Mutual fund B is a no-load fund, which is expected to have a rate of return of around 9%. If your investment horizon is 1 year, which fund should you invest in and what is your expected net rate of return?

- A. A; 8.8%
- B. A; 9.35%
- C. B; 9.0%
- D. none of these answers

Correct Answer: C



With fund A, a deposit of \$100 will give you shares worth \$93 after the load charge is taken into account. This amount is expected to grow to  $93 \times (1 + 0.17) = \$108.81$ . Thus, the net return with fund A is expected to be 8.8%. Hence, for a 1-year horizon, you should select fund B, which is expected to return 9%.

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#### QUESTION 4

Wendy Jones, CFA, is reviewing a current bond holding. The bond's duration is 10 and its convexity is 200. Jones believes that interest rates will fall by 100 basis points. Calculate the bond's percentage price change based on a 100 basis point decline.

- A. -8.0%.
- B. +8.0%.
- C. +12.0%.

Correct Answer: C

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#### QUESTION 5

When formulating an investment policy for a client, which of the following falls under "investor objectives?"

- A. investable funds
- B. time horizon
- C. risk tolerance
- D. proxy voting
- E. liquidity needs
- F. none of these answers

Correct Answer: C

Risk tolerance is considered under "investor objectives." Liquidity needs, time horizon, proxy voting and investable funds are considered under "investor constraints."

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