

2010 CFA Program: Level I Errata 5 March 2010

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**.

The short scale method of numeration is used in the CFA Program curriculum. A billion is 10^9 and a trillion is 10^{12} . This is in contrast to the long scale method where a billion is 1 million squared and a trillion is 1 million cubed. The short scale method of numeration is the prevalent method internationally and in the finance industry.

Candidates for the 2010 exam (both June and December) will be tested on the **GIPS standards that appear in the 2010 curriculum. The revised GIPS do not take effect until 1 January 2011.** For your convenience, the current Global Investment Performance Standards, including the GIPS Glossary, can be found at: <http://www.cfapubs.org/doi/pdf/10.2469/ccb.v2005.n5.4002>.

Volume 1

- *Study Session 3, Reading 9:* In the second line of the first full paragraph on p. 455, **delete the comma** after “European-style options.” The reference is to European options not having an analytic solution (such as the Asian call option discussed on the same page) rather than to all European options. In the third line of solution 15.C (p. 472), **change** $Y = \ln X$ to read $X = \ln Y$.
- *Study Session 3, Reading 10:* In the first line of the last paragraph on p. 487, change “limit” to “**interval**” (“The endpoints of a confidence **interval** are referred to ...”).
- *Study Session 3, Reading 11:* In the next-to-last line of p. 540, **insert a minus sign** before the second 1.714 (“... if $t < -1.714$.”)

Volume 2

- *Study Session 4, Reading 13:* In Figure 12 on p. 31, the word “notebook” should be replaced with “desktop” on both the x and y axes.
- *Study Session 5, Reading 21:* On p. 270, in the third line of *Max’s Numbers*, **insert “total”** before “wage rate” (... if the **total wage rate** is \$12 an hour).

Volume 3

- *Study Session 7, Reading 31:* The third line of Example 6 (p. 121) should begin with “2006” instead of 2005 (At the beginning of **2006**, ...).
- *Study Session 8, Reading 34:* Near the bottom of Exhibit 10 (p. 277), the “Cash balance, 31 December 2005” should be a **positive 1,163** (i.e., delete the parentheses).
- *Study Session 8, Reading 35:* **Note that the numbers in Exhibit 5A (p. 316) do not necessarily sum to the column totals because of rounding.**
- *Study Session 9, Reading 39:* In the third line of Problem 1A (p. 545), the “present value of future minimum lease payments” should be **\$13,581** (instead of \$13,851).

Volume 4

- *Study Session 11, Reading 44*: In the last paragraph of section 4.6 (p. 17), **delete “which we will discuss later.”** Capital rationing can result in mutually exclusive projects, discussed on p. 20.
- *Study Session 11, Reading 45*: In the vignette for problems 19–22 (p. 82), candidates should note that the market value of equity is shown in *Billions*, while the market value of debt is shown in *Millions*.
- *Study Session 11, Reading 47*: In Reading 47, the equations properly reflect the preference for using average total assets and average shareholders’ equity. However, since information was not provided to get averages for the year 2003 for Office Depot or for Staples, the author elected to use year-end numbers for more consistent comparison.
- *Study Session 12, Reading 51*: In Exhibit 7 (p. 280), the Estimated Future Rate of Return for **Stock B should be 6.25** and for **Stock D should be 4.84**. Carrying this correction to Exhibit 8, Estimated Return and Estimated Return Minus $E(R_i)$ should be **6.25 and –2.75 for Stock B** and for Stock D the numbers should be **4.84 and –5.76**.

Volume 5

- *Study Session 15, Reading 62*: In the first line of p. 309, **replace “disinflation”** with “deflation.” In the solutions to 4.A.i and 4.B.i (p. 351), **remove the percent sign** from the calculation of inflation adjustment.
- *Study Session 16, Reading 64*: Problem 15 (p. 430) should be worked **after studying Reading 65**.
- *Study Session 16, Reading 65*: There are a number of errors in this reading:
 - In the table at the top of p. 486, the last column heading should be “PV of Cash Flow” and the second to last column heading should just be “Cash Flow.”
 - The final line of the solution for practice question 9 (top of p. 517) should refer to **Exhibit 12** (instead of Exhibit 8).
 - In the last formula for solution 11.A (p. 517), the **exponent** should be **1/12** (instead of $1 > 12$) and the final solution should be 0.034943.
- *Study Session 16, Reading 66*: On p. 561, the final sentence of the solution to 2 (“In addition, the two bonds ...”) should be **moved to the end of the solution to 3**.

Volume 6

- *Study Session 17, Reading 70*: In the next-to-last line of the solution to 18 (p. 128), the call option with an exercise price of \$80 is **in-the-money** \$10 (instead of out-of-the-money).
- *Study Session 17, Reading 71*: In Solution C of Example 1 (p. 139), the Counterparty pays the domestic party $\$50,000,000 + \$1,380,822 = \$51,380,822$ (instead of ...222). **In the last line of the solution to 12 (p. 155), the dealer must pay instead of the asset manager.**
- *Study Session 17, Reading 72*: On p. 164, the first formula under Section 2.1.2 should read $p_T = X - S_T$ (i.e., insert the subscript T for the last variable).
- *Study Session 18, Reading 73*: There are a number of edits to this reading:
 - Candidates should **delete Example 7** (p. 222) and **delete problem 14** (pp. 249 and 260); these items are no longer part of the reading assignment.
 - In the fourth line of solution 1.B (p. 255), 1.093 should appear as **1.09³**.