Curriculum Errata Notice

2024 Level II CFA Program

UPDATED 22 APRIL 2024

This document outlines the errors submitted to CFA Institute that have been corrected.

Due to the nature of our publishing process, we may not be able to correct errors submitted after 1 September 2024 in time for the publication of the following year's print materials. However, we update all errors in the Learning Ecosystem (LES) and in this document at the end of each month.

We recommend checking either the LES or this document regularly for the most current information. Depending on when you purchase the print materials, they may or may not have the errors corrected.

All errors can be submitted via http://cfa.is/Errata

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Quantitative Methods

Basics of Multiple Regression and Underlying Assumptions

Lesson	Location	PDF Pg	Revised	Correction	
Basics of Multiple Regression	Knowledge Check Solution 1	9	29 Jan 2024	Replace: If the market excess return, SMB, and HML are each zero, then we expect a return on the portfolio of 1.534%.	With: If the market excess return, SMB, and HML are each zero, then we expect a return on the portfolio of **1.5324%**.

Evaluating Regression Model Fit and Interpreting Model Results

Lesson	Location	PDF Pg	Revised	Correction	
Goodness of Fit	Exhibit 1	28	29 Jan 2024	Replace cell in column “Coefficient” and row “Intercept”: 2.1876	With: **–2.1876**
Goodness of Fit	Knowledge Check, Solution	31	29 Jan 2024	Replace: The lower adjusted R^2 is consistent with the |*t*-statistic| for ADV’s coefficient < 1.0 (i.e., 0.3302) and the coefficient not being different from zero at typical significance levels (P-value = 0.7429).	With: The lower adjusted R^2 is consistent with the |*t*-statistic| for ADV’s coefficient < 1.0 (i.e., **0.3320**) and the coefficient not being different from zero at typical significance levels (P-value = 0.7429).

Lesson	Location	PDF Pg	Revised	Correction	
Testing Joint Hypotheses for Coefficients	Equation with heading: One-sided coefficient test, right side	34	29 Jan 2024	Replace: H_0: $b_j \geq B_j$, H_a: $b_j > B_j$	With: H_0: $b_j \leq B_j$, H_a: $b_j > B_j$

Quantitative Methods

Model Misspecification

Lesson	Location	PDF Pg	Revised	Correction	
Violations of Regression Assumptions: Multicollinearity	Practice Problems Exhibit 2	72	22 March 2024	Replace: Model B Durbin-Watson 5.088 4.387 No	With: Model B Durbin-Watson **3.088** **2.387** No

Quantitative Methods

Extensions of Multiple Regression

Lesson	Location	PDF Pg	Revised	Correction	
Dummy Variables in a Multiple Linear Regression	Equation 3	87	29 Jan 2024	Replace: $Y_i = b_0 + d_0Db_i + b_1X_i + \varepsilon_i$.	With: $Y_i = b_0 + \mathbf{d_0D\cancel{b_i}} + b_1X_i + \varepsilon_i$.
Dummy Variables in a Multiple Linear Regression	Equation 5	89	22 March 2024	Replace: $Y_i - b_0 + d_0D_1 + b_1X_i + d_1D_iX_i + \varepsilon_i$.	With: $\boldsymbol{Y_i =} b_0 + d_0D_1 + b_1X_i + d_1D_iX_i + \varepsilon_i$.
Dummy Variables in a Multiple Linear Regression	Question Set, Question 3	93	29 Jan 2024	Replace Option A: The average return for a regulated firm is 0.5% lower than for a non-regulated firm, holding the market share constant. ______________________________ Replace Option C: For each increase in market share, a regulated firm has a 0.3 lower return on assets than a non-regulated firm.	With: The average return for a regulated firm is **at least 0.5% lower** than for a non-regulated firm, holding the market share constant. ______________________________ With: For each increase in market share**, a regulated firm will have an increasingly lower ROA than an unregulated firm**.

Lesson	Location	PDF Pg	Revised	Correction	
Dummy Variables in a Multiple Linear Regression	Question Set, Solution to 3	93	29 Jan 2024	Replace: A is correct because the coefficient on REG is –0.5. ______________________________ C is correct because the sum of coefficients is –0.3 = –0.5REG + 0.4MKTSH –0.2REG_MKTSH).	With: A is correct because the coefficient on REG is –0.5. **As MKTSH approaches 0, we see that the regulated firm has 0.5% less return. Or, if the Market Share Contribution to return is the same, that is, 0.2*MKTSH(Regulated) = 0.4*MKTSH(Non-regulated), then the regulated firm has 0.5% less return.** ______________________________ C is correct because the sum of coefficients is –0.3 = –0.5REG + 0.4MKTSH –0.2REG_MKTSH). **If MKTSH increases by 1%, for both regulated and non-regulated, the regulated firm will have a return that is 0.2% less, 0.2(1%) - 0.4(1%) = -0.2%. The 0.5% return of the non-regulated does not get included, since we are looking at the change in the return, based on a 1% increase in MKTSH.**
Multiple Linear Regression with Qualitative Dependent Variables	Knowledge Check, Solution 2	99	22 March 2024	Replace: Therefore, the marginal impact of increasing the NPM variable by 1%, rounded to two decimal places, is a decrease in the probability of a share buyback of 29.00% − 29.06% = −0.07%; differently put, it increases the probability of a share buyback.	With: Therefore, the marginal impact of increasing the **DE variable** by 1%, rounded to two decimal places, is a decrease in the probability of a share buyback of 29.00% − 29.06% = −0.07%; differently put, it **decreases** the probability of a share buyback.
Multiple Linear Regression with Qualitative Dependent Variables	Practice Problem 9	109	22 March 2024	Replace: $P = \frac{1}{1 + \exp\left\{-\begin{bmatrix}-2.0350 + (-0.7667)(0.2911) + (-0.0089)(92.9093)+ \\ (-0.1113)(2.3068) + (0.0292)(15.1743) + (0.0390)(2.0711)+ \\ (0.3432)(1.6060) + (-0.0502)(7.6489)\end{bmatrix}\right\}}$	With $P = \frac{1}{1 + \exp\left\{-\begin{bmatrix}-2.0350 + (-0.7667)(0.2911) + (-0.0089)(92.9093)+ \\ (-0.1113)(2.3068) + (0.0292)(15.1743) + \mathbf{(-0.0390)}(2.0711)+ \\ (0.3432)(1.6060) + (-0.0502)(7.6489)\end{bmatrix}\right\}}$
Multiple Linear Regression with Qualitative Dependent Variables	Solution 13	110	22 March 2024	Replace: Probability of being a winning fund $= 0.3595 = \frac{1}{1 + \exp[-(-1.9589) + (0.3453)(4.0)]}$.	With: Probability of being a winning fund $= 0.3595 = \frac{1}{1 + \exp[-(-1.9589) + (0.3453)(4.0)]]}$

Quantitative Methods

Time-Series Analysis

Lesson	Location	PDF Pg	Revised	Correction	
Trend Models and Testing for Correlated Errors	Second paragraph	124	29 Jan 2024	Replace: Because the value of the Durbin–Watson statistic (1.09) is below this critical value, we can reject the hypothesis of no positive serial correlation in the errors.	With: Because the value of the Durbin–Watson statistic (**1.2145**) is below this critical value, we can reject the hypothesis of no positive serial correlation in the errors.
Mean Reversion and Multiperiod Forecasts	Exhibit 13	131	22 March 2024	Replace: Coefficient / Standard Error / t-Statistic Intercept 1.3346 / 0.2134 / 6.2540	With: Coefficient / Standard Error / t-Statistic Intercept **0.13346** / 0.2134 / **0.6254**
Seasonality in Time-Series Models	Exhibit 27	154	22 March 2024	Replace: If sales grew by 1% last quarter and by 2% four quarters ago, then the model would predict that sales growth this quarter will be 0.0107 − 0.0154(0.01) + 0.7549(0.02) = 0.0256, or 2.56%.	With: If sales grew by 1% last quarter and by 2% four quarters ago, then the model would predict that sales growth this quarter will be 0.0107 − **0.1540(0.01)** + 0.7549(0.02) = **0.0243, or 2.43%**.
Other Issues in Time Series	Solution 10	191	22 March 2024	Replace: To see whether this result is significantly less than 2.0, refer to the Durbin–Watson table in Appendix E at the end of this volume, in the column marked k = 1 (one independent variable) and the row corresponding to 80 observations. We see that d_l = 1.61.	With: To see whether this result is significantly less than 2.0, refer to the Durbin–Watson table in Appendix E at the end of this volume, in the column marked k = 1 (one independent variable) and the row corresponding to 80 observations. We see that d_l = **1.55**.

Quantitative Methods

Machine Learning

Lesson	Location	PDF Pg	Revised	Correction	
Hierarchical Clustering	LOS	241	29 Jan 2024	Replace: describe neural networks, deep learning nets, and reinforcement learning	With: **describe unsupervised machine learning algorithms—including principal components analysis, k-means clustering, and hierarchical clustering—and determine the problems for which they are best suited**
Case Study: Clustering Stocks Based on Co-Movement Similarity	LOS	245	29 Jan 2024	Replace: describe neural networks, deep learning nets, and reinforcement learning	With: **describe unsupervised machine learning algorithms—including principal components analysis, k-means clustering, and hierarchical clustering—and determine the problems for which they are best suited**
Deep Neural Networks	LOS	254	29 Jan 2024	Add as the LOS statement: describe neural networks, deep learning nets, and reinforcement learning	
Case Study: Deep Neural Network–Based Equity Factor Model	LOS	256	29 Jan 2024	Add as the LOS statement: describe neural networks, deep learning nets, and reinforcement learning	
Choosing an Appropriate ML Algorithm	LOS	265	29 Jan 2024	Add as the LOS statement: describe supervised machine learning algorithms—including penalized regression, support vector machine, k-nearest neighbor, classification and regression tree, ensemble learning, and random forest—and determine the problems for which they are best suited” and “describe unsupervised machine learning algorithms—including principal components analysis, k-means clustering, and hierarchical clustering—and determine the problems for which they are best suited	

Lesson	Location	PDF Pg	Revised	Correction	
Practice Problems	Problem 6, Option C	273	29 Jan 2024	Replace: Statements 1, 3 and 3.	With: Statements 1, **2,** and 3.
Practice Problems	Solution to 10	276	29 Jan 2024	Replace: A is correct. It is the least accurate answer because neural networks with many hidden layers—at least 3, but often more than 20 hidden layers—are known as deep learning nets.	With: A is correct. It is the least accurate answer because neural networks with many hidden layers—at least **2**, but often more than 20 hidden layers—are known as deep learning nets.

Economics

Currency Exchange Rates: Understanding Equilibrium Value

Lesson	Location	PDF Pg	Revised	Correction	
Purchasing Power Parity	Second sentence at top of page	407	22 March 2024	Replace: Each chart plots the inflation differential (horizontal axis) against the percentage change in the exchange rate (vertical axis).	With: Each chart plots the inflation differential (**vertical** axis) against the percentage change in the exchange rate (**horizontal** axis).
Purchasing Power Parity	Last paragraph of the page	407	22 March 2024	Replace: Note that the Brazilian Real-USD exchange rate changes rapidly in the period 1990-1993, mirroring the very large differences in relative inflation between hyperinflationary Brazil and low inflation rate United States.	With: Note that the Brazilian Real-USD exchange rate changes rapidly in the period **1980-1993**, mirroring the very large differences in relative inflation between hyperinflationary Brazil and low inflation rate United States.
Purchasing Power Parity	Exhibit 3 Title	408	22 March 2024	Replace axis headings: DEM/USD and US less German Real Interest Rates	With: **REAL/USD** and **Differences in Inflation Rates**
Monetary and Fiscal Policies	Second paragraph	425	22 March 2024	Replace: With floating exchange rates and high capital mobility, a domestic currency will appreciate given a restrictive domestic monetary policy and/or an expansionary fiscal policy. Similarly, a domestic currency will depreciate given an expansionary domestic monetary policy and/or a restrictive fiscal policy. In Exhibit 4, we show that the combination of a restrictive monetary policy and an expansionary fiscal policy is extremely bullish for a currency when capital mobility is high; likewise, the combination of an expansionary monetary policy and a restrictive fiscal policy is bearish for a currency.	With: With floating exchange rates and high capital mobility, a domestic currency will appreciate given a restrictive domestic monetary policy and/or an expansionary fiscal policy **that results in higher real interest rates.** Similarly, a domestic currency will depreciate given an expansionary domestic monetary policy and/or a restrictive fiscal policy **that results in lower real interest rates.** In Exhibit 4, we show that the combination of a restrictive monetary policy and an expansionary fiscal policy **(high real rates)** is extremely bullish for a currency when capital mobility is high; likewise, the combination of an expansionary monetary policy and a restrictive fiscal policy **(lower real rates)** is bearish for a currency.

<table>
<tr><th>Lesson</th><th>Location</th><th>PDF Pg</th><th>Revised</th><th>Correction</th></tr>
<tr><td>Monetary and Fiscal Policies</td><td>Exhibit 5</td><td>426</td><td>29 Jan 2024</td><td>Replace:
<table>
<tr><th></th><th>Expansionary Monetary Policy</th><th>Restrictive Monetary Policy</th></tr>
<tr><td>Expansionary Fiscal Policy</td><td>Indeterminate</td><td>Domestic currency appreciates</td></tr>
<tr><td>Restrictive Fiscal Policy</td><td>Domestic currency depreciates</td><td>Indeterminate</td></tr>
</table>
With:
<table>
<tr><th></th><th>Expansionary Monetary Policy</th><th>Restrictive Monetary Policy</th></tr>
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Economics

Economic Growth

Lesson	Location	PDF Pg	Revised	Correction
Factors Favoring and Limiting Economic Growth	Example 1 Question 1	466	29 Jan 2024	Replace: Singapore $[(\$66{,}189/\$4{,}299)^{1/68}] - 1 = 4.6\%$ With: Singapore $[(\$66{,}189/\$4{,}299)^{1/68}] - 1 =$ **4.1%**

Financial Statement Analysis

Intercorporate Investments

Lesson	Location	PDF Pg	Revised	Correction	
Amortization of Excess Purchase Price, Fair Value Option, and Impairment	2nd to last paragraph	19	29 Jan 2024	Replace: Both IFRS and US GAAP prohibit the reversal of impairment losses even if the fair value later increases.	With: ~~Both IFRS and US GAAP prohibit the reversal of impairment losses even if the fair value later increases.~~
Practice Problems	Question 17 and Solution	51, 59		Remove the following Question 17: Compared to accounting principles currently in use, the pooling method BetterCare used for its Statewide Medical acquisition has *most* likely caused its reported: A. revenue to be higher. B. total equity to be lower. C. total assets to be higher. ____________________ Remove the following Solution to 17: B is correct. Statewide Medical was accounted for under the pooling of interest method, which causes all of Statewide's assets and liabilities to be reported at historical book value. The excess of assets over liabilities generally is lower using the historical book value method than using the fair value method (this latter method must be used under currently required acquisition accounting). It would have no effect on revenue.	

Financial Statement Analysis

Employee Compensation: Post-Employment and Share-Based

Lesson	Location	PDF Pg	Revised	Correction	
Financial Reporting for Share-Based Compensation	Knowledge Check Solution 3	75	22 March 2024	Replace: Share-based compensation reserve (equity) -7,728. Paid in capital (equity) +30,888. Cash inflow from financing activities of JPY 23,160 million.	With: Share-based compensation reserve (equity) -7,728. Paid in capital (equity) **+33,888**. Cash inflow from financing activities of JPY **26,160** million.
Share-Based Compensation Tax and Share Count Effects, Note Disclosures	Example 4 Solution	80-81	29 Jan 2024	Replace: Basic shares outstanding 176,401,000 Effect of dilutive securities: 1,571,667 Diluted shares outstanding: 177,972,667 ——— Replace: RSUs: Unvested RSUs 3,028,000 Minus: Assumed repurchases of 1,456,333** Dilutive shares: 1,571,667 ——— Replace: = 1,456,333 assumed repurchases	With: Basic shares outstanding 176,401,000 Effect of dilutive securities: **1,456,333** Diluted shares outstanding: **177,857,333** ——— With: RSUs: Unvested RSUs 3,028,000 Minus: Assumed repurchases of **1,571,667**** Dilutive shares: **1,456,333** ——— With: = **1,571,667** assumed repurchases
Share-Based Compensation and Financial Statement Modeling	Example 8	85	22 March 2024	Replace table row: Total operating expenses 33,260 20,561 1,330	With: Total operating expenses 33,260 20,561 **13,330**

Lesson	Location	PDF Pg	Revised	Correction	
Financial Reporting for Post-Employment Benefits	Example 10 Question 2	95	29 Jan 2024	Replace: • Benefit obligation at the beginning of the year of 97 • Fair value of plan assets at the beginning of the year of 1,010	With: • Benefit obligation at the beginning of the year of **JPY 97 million** • Fair value of plan assets at the beginning of the year of **JPY 1,010 million**
Financial Modeling and Valuation Considerations for Post-Employment Benefits	Practice Problem 9	104	22 March 2024	Replace choice A: 9. If XYZ prepared its financial statements under US GAAP, the total amount recognized by XYZ on the income statement related to its DB plan for fiscal year 2024 (assuming the company chooses not to immediately recognize the actuarial loss and assuming there is no amortization of past service costs or actuarial gains and losses) would be closest to: A. 28.	Replace choice A: 9. If XYZ prepared its financial statements under US GAAP, the total amount recognized by XYZ on the income statement related to its DB plan for fiscal year 2024 (assuming the company chooses not to immediately recognize the actuarial loss and assuming there is no amortization of past service costs or actuarial gains and losses) would be closest to: **A. 20.**
Financial Modeling and Valuation Considerations for Post-Employment Benefits	Solution 9	111	22 March 2024	Replace: A is correct. Under US GAAP—assuming the company chooses not to immediately recognize the actuarial loss and assuming there is no amortization of past service costs or actuarial gains and losses—the components of periodic pension cost that would be reported in P&L include the current service cost of 200, the interest expense on the pension obligation at the beginning of the period of 2,940 [= 7.0% × (42,000 +120)], and the expected return on plan assets, which is a reduction of the cost of 3,120 (= 8.0% × 39,000). Summing these three components gives 28.	With: A is correct. **Under US GAAP—assuming the company chooses not to immediately recognize the actuarial loss and assuming there is no amortization of past service costs or actuarial gains and losses—the components of periodic pension cost that would be reported in P& L include the current service cost of 200, the interest expense on the pension obligation at the beginning of the period of 2,940 [= 7.0% × 42,000], and the expected return on plan assets, which is a reduction of the cost of 3,120 (= 8.0% × 39,000). Summing these three components gives 20.**

Financial Statement Analysis

Financial Statement Modeling

Lesson	Location	PDF Pg	Revised	Correction	
Modeling Operating Costs: Cost of Goods Sold and SG&A	Example 5 Solution 2	426	22 March 2024	Replace: The projected beauty EBIT is EUR2,689 million, while the projected mass market EBIT is EUR5,937 million, assuming mass market sales of EUR14,937 million, gross margin of 60.75%, A&P % of 15.4%, and SG&A/Other % of 23.6%.	With: The projected beauty EBIT is EUR2,689 million, while the projected mass market EBIT is **EUR 3,249 million,** assuming mass market sales of EUR14,937 million, gross margin of 60.75%, A&P % of 15.4%, and SG&A/Other % of 23.6%.

Corporate Issuers

Cost of Capital: Advanced Topics

Lesson	Location	PDF Pg	Revised	Correction
Mini-Case 2	Question and Answers	150	22 March 2024	Missing question and answer content can be found here: Link to PDF

Corporate Restructuring

Lesson	Location	PDF Pg	Revised	Correction	
Corporate Evolution, Actions, and Motivations	Exhibit 1 table headers	158	22 March 2024	Replace: Stage in Life Cycle | Start-Up | Start-Up | Maturity | Decline	With: Stage in Life Cycle | Start-Up | **Growth** | Maturity | Decline

Lesson	Location	PDF Pg	Revised	Correction	
Evaluating Investment Actions	Example 11 Solution 3	198	22 March 2024	Replace: Hapalla AG's offer of BRL45 billion to acquire a 25% interest in OHAA values OHAA at BRL180 billion (45/0.25) on an enterprise value basis, or BRL147,359 million in equity value after subtracting cash and cash equivalents at year-end 20X7.	With: Hapalla AG's offer of BRL45 billion to acquire a 25% interest in OHAA values OHAA at BRL180 billion (45/0.25) on an enterprise value basis, or **BRL147,539 million** in equity value after subtracting cash and cash equivalents at year-end 20X7.
Evaluating Investment Actions	Exhibit 31 table	198	22 March 2024	Replace: Gain on sale 0 – 32,000	With: Gain on sale 0 **32,000** 32,000

Equity Valuation

Free Cash Flow Valuation

Lesson	Location	PDF Pg	Revised	Correction	
Non-operating Assets and Firm Value	Solution 4	81	22 March 2024	Replace: Firm value = $\frac{1.1559(1.04)}{0.0889 - 0.04}$ = \$24.583.	With: Firm value = $\frac{1.1559(1.04)}{0.0889 - 0.04}$ = \$24.583 billion

Equity Valuation

Market-Based Valuation: Price and Enterprise Value Multiples

Lesson	Location	PDF Pg	Revised	Correction	
Price/Earnings: Valuation based on Forecasted Fundamentals	Example 8 Solution 1	117-118	22 March 2024	Replace: Value of the stock derived from FCFE = ¥6,980. Forecasted 2014 EPS = ¥720. ¥6,980/¥720 = 9.7 is the justified forward P/E.	With: Value of the stock derived from FCFE = ¥6,980. Forecasted **2020** EPS = ¥720. ¥6,980/¥720 = 9.7 is the justified forward P/E.
Price/Earnings: Using the P/E in Valuation	Example 11	124	22 March 2024	Replace: These data are reported in Exhibit 6, which lists companies in order of descending earnings growth forecast.	With: These data are reported in Exhibit 6~~, which lists companies in order of descending earnings growth forecast~~.
Price/Earnings: Using the P/E in Valuation	Example 11 Solution 1	125	29 Jan 2024	Replace: Among the three companies identified as underpriced (based on their low trailing P/Es), CenturyLink has the highest five-year EPS growth forecast and the lowest PEG ratio.	With: Among the three companies identified as underpriced (based on their low **forward** P/Es), CenturyLink has the highest five-year EPS growth forecast and the lowest PEG ratio.
Price/Earnings: Using the P/E in Valuation	Example 11 Solution 1	125	29 Jan 2024	Replace: Among the other companies in Exhibit 6, Comcast and Charter Communications had the highest EPS growth forecasts and the second and third lowest PEG ratios.	With: Among the other companies in **Exhibit 5**, Comcast and Charter Communications had the highest EPS growth forecasts and the **third lowest and lowest** PEG ratios.

Lesson	Location	PDF Pg	Revised	Correction
Price/Earnings: Using the P/E in Valuation	Example 11	124	29 Jan 2024	Replace: (table A below) With: (table B below)

Replace:

Company	Trailing P/E	Forward P/E	Five-Year EPS Growth Forecast	Forward PEG Ratio	Beta
AT&T	13.20	9.36	1.83%	7.20	0.56
Comcast Corporation	16.23	12.92	11.20	1.45	1.09
CenturyLink	NMF	8.89	8.52	1.04	0.81
China Telecom	13.14	10.31	6.90	1.90	0.81
Charter Communications	70.67	30.32	45.30	1.56	1.24
Verizon	15.03	11.99	2.51	5.99	0.50
Windstream Holdings	19.01	16.29	3.19	5.96	0.45
Mean	24.55	14.30	11.30	3.59	0.78
Median	15.03	11.99	6.90	1.90	0.78

With:

Company	Trailing P/E	Forward P/E	Five-Year EPS Growth Forecast	Forward PEG Ratio	Beta
AT&T	13.20	9.36	1.83%	**5.11**	0.56
Comcast Corporation	16.23	12.92	**11.29**	**1.14**	1.09
CenturyLink	NMF	8.89	8.52	1.04	0.81
China Telecom	13.14	10.31	6.90	**1.49**	0.81
Charter Communications	70.67	30.32	45.30	**0.67**	1.24
Verizon	15.03	11.99	2.51	**4.78**	0.50
Windstream Holdings	19.01	16.29	3.19	**5.11**	0.45
Mean	24.55	14.30	11.30	**2.76**	0.78
Median	15.03	11.99	6.90	**1.49**	0.78

Lesson	Location	PDF Pg	Revised	Correction	
Enterprise Value/EBITDA	Example 34 Solution	164-165	22 March 2024	Replace: CL has only one class of common stock, no preferred shares, and no minority interest. For companies that have multiple classes of common stock, market capitalization includes the total value of all classes of common stock. Similarly, for companies that have preferred stock and/or minority interest, the market value of preferred stock and the amount of minority interest are added to market capitalization. EV also includes the value of long-term debt obligations. Per CL's balance sheet, this is the sum of long-term debt ($6,354 million), the current portion of long-term debt ($0 million), and other non-current liabilities ($2,034 million), or $8,388 million. Typically, the book value of long-term debt is used in EV. If, however, the market value of the debt is readily available and materially different from the book value, the market value should be used. … So, CL's EV is $57,372 million + $8,388 million − $720 million = $65,040 million. … For CL, we conclude that EV/EBITDA = ($65,040 million)/($3,960 million) = 16.4.	With: CL has only one class of common stock, no preferred shares, **but has** minority interest. For companies that have multiple classes of common stock, market capitalization includes the total value of all classes of common stock. Similarly, for companies that have preferred stock and/or minority interest, the market value of preferred stock and the amount of minority interest are added to market capitalization. EV also includes the value of long-term debt obligations. Per CL's balance sheet, this is the sum of long-term debt ($6,354 million), the current portion of long-term debt ($0 million), and other non-current liabilities **($2,269 million**), or **$8,623 million**. Typically, the book value of long-term debt is used in EV. If, however, the market value of the debt is readily available and materially different from the book value, the market value should be used. … So, CL's EV is $57,372 million + **$8,623 million + $299 million** − $720 million = **$65,568 million**. … For CL, we conclude that EV/EBITDA = **($65,568 million**)/($3,960 million) = **16.6**.

Lesson	Location	PDF Pg	Revised	Correction	
Valuation Indicators: Issues in Practice	Practice Problem 22 and solution	195 and 207	10 April 2024	Replace: 22. Based on Exhibits 1 and 2, the normalized earnings per share for Centralino as calculated by Risso should be closest to: A. €2.94. B. €3.21. C. €5.07. ____________________ Replace: Average ROE × BVPS = 0.131 × €22.48 = €2.94.	With: 22. Based on Exhibits 1 and 2, the normalized earnings per share for Centralino as calculated by Risso should be closest to: A. **€2.98.** B. €3.21. C. €5.07. ____________________ With: Average ROE × BVPS = 0.131 × €22.48 = **€2.98**.
Valuation Indicators: Issues in Practice	Practice Problem 30-31, Exhibit 2	199	22 March 2024	Replace: Required rate of ROE	With: Required rate of **return**
Valuation Indicators: Issues in Practice	Solution 22	207	22 March 2024	Replace: The book value of (common) equity, or simply book value, is the value of shareholders' equity less any value attributable to the preferred stock: €1,027 million – €84 million = €943 million. Current book value per share (BVPS) is calculated as €943 million/41.94 million = €22.48. So, normalized EPS is calculated as Average ROE × BVPS = 0.131 × €22.48 = €2.94.	With: The book value of (common) equity, or simply book value, is the value of shareholders' equity less any value attributable to the preferred stock: €1,027 million – **€80 million** = **€947 million**. Current book value per share (BVPS) is calculated as **€947 million**/41.94 million = **€22.58**. So, normalized EPS is calculated as Average ROE × BVPS = 0.131 × **€22.48** = **€2.96**.

Equity Valuation

Residual Income Valuation

Lesson	Location	PDF Pg	Revised	Correction	
Single-Stage and Multistage Residual Income Valuation	Example 11 Solution 2	236	29 Jan 2024	Replace: Current book value per share 15.000 Present value of 6 years' residual income 17.755 Terminal value [PT – BT = (1.8 × BT) – BT] 31.580 Present value of terminal value (at 7.95%) <u>18,856</u> Value per share €52.711	With: Current book value per share 15.000 Present value of 6 years' residual income 17.755 Terminal value [PT – BT = (1.8 × BT) – BT] 31.580 Present value of terminal value (at 7.95%) **<u>19,956</u>** Value per share €52.711

Equity Valuation

Private Company Valuation

<table>
<tr><th>Lesson</th><th>Location</th><th>PDF Pg</th><th>Revised</th><th colspan="2">Correction</th></tr>
<tr><td>Private Company Valuation: Income-Based Approach</td><td>Example 12</td><td>326</td><td>29 Jan 2024</td><td>Replace:

FLI's Normalized Operating Income after Taxes

As of 31 December (in SGD) — As Adjusted
Revenues — 50,000,000
Cost of goods sold — 30,000,000
Gross profit — 20,000,000
SG&A expenses — 3,700,000
EBIT — 16,300,000
Depreciation and amortization — 900,000
Earnings before interest and taxes — 15,400,000

Using FLI's tax rate of 17% and additional information that FLI had capital expenditures of SGD 1,200,000 and increased working capital by SGD 500,000 over the period, Khan solves for a base-year FCFF of SGD 11,982,000:

FCFF = EBIT(1 – Tax rate) + Depreciation(Tax rate) – ΔLT Assets – ΔWorking Capital

SGD 11,982,000
= 16,300,000×(1 – 0.17) + 900,000×0.17 – 1,200,000 – 500,000</td><td>With:

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As of 31 December (in SGD) — As Adjusted
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Fixed Income

The Term Structure and Interest Rate Dynamics

Lesson	Location	PDF Pg	Revised	Correction	
Spot Rates, Forward Rates, and the Forward Rate Model	Example 1 Solution 3 & 4	348	22 March 2024	Replace: 3. Calculate the forward price of a two-year bond to be issued in one year: $F_{A,B–A} = F_{1,3}$. 4. Interpret your answer to Problem 3. Solution: The forward contract price of $DF_{1,2}$ = 0.8262 is the price agreed on today …	With: 3. Calculate the forward price of a two-year bond to be issued in one year: $F_{A,B–A} = \mathbf{F_{1,2}}$. 4. Interpret your answer to Problem 3. Solution: The forward contract price of $\mathbf{F_{1,2}}$ = 0.8262 is the price agreed on today …
YTM in Relation to Spot and Forward Rates	Equations	360	29 Jan 2024	Replace: $DF_1^{new} = \frac{DF_2}{DF_1} = \frac{0.9246}{0.9615} = 0.9616$ $DF_2^{new} = \frac{DF_3}{DF_1} = \frac{0.8890}{0.9615} = 0.9246$ Using Equation 10, the price of the forward contract one year from today is $F_{2,1}^{new} = \frac{DF_2^{new}}{DF_1^{new}} = \frac{0.9246}{0.9615} = 0.9616.$	With: $DF_1^{new} = \frac{DF_2}{DF_1} = \frac{0.9246}{0.9615} = \mathbf{0.9615}$ $DF_2^{new} = \frac{DF_3}{DF_1} = \frac{0.8890}{0.9615} = 0.9246$ Using Equation 10, the price of the forward contract one year from today is $F_{2,1}^{new} = \frac{DF_2^{new}}{DF_1^{new}} = \frac{0.9246}{0.9615} = \mathbf{0.9615}$
YTM in Relation to Spot and Forward Rates	Third paragraph	360	29 Jan 2024	Replace: The price of the forward contract is nearly unchanged.	With: The price of the forward contract **is** unchanged.

Lesson	Location	PDF Pg	Revised	Correction	
Active Bond Portfolio Management	3rd and 4th paragraphs	363	29 Jan 2024	Replace: The 6% five-year bond purchased for 100 returns 120.61 in two years [(6 × 1.02) + 6 + 108.49], which consists of the first year's coupon reinvested at the one-year rate, the second annual coupon, and the capital gain on the sale of the 6% bond with three years to maturity at an unchanged three-year yield of 4% [108.49 = 6/1.04 + 6/(1.04)^2 + 106/(1.04)^3]. The annualized rate of return is 9.823% [solve for r, where (120.61/100) = (1 + r)^2]. The 7% six-year bond purchased at par returns 125.03 in two years [(7 × 1.02) + 7 + 110.89] with an annualized return of 11.817%. The excess return of nearly 2% results from both higher coupon income than the five-year matched maturity bond as well as a larger capital gain on the sale of the 7% bond with four years to maturity at an unchanged four-year yield of 5% [110.89 = 7/1.05 + 7/(1.05)^2 + + 7/(1.05)^3 + 107/(1.05)^4].	With: The 6% five-year bond purchased for 100 returns **117.67** in two years [(6 × 1.02) + 6 + **105.55**], which consists of the first year's coupon reinvested at the one-year rate, the second annual coupon, and the capital gain on the sale of the 6% bond with three years to maturity at an unchanged three-year yield of 4% [**105.55** = 6/1.04 + 6/(1.04)^2 + 106/(1.04)^3]. The annualized rate of return is **8.476%** [solve for r, where (**117.67**/100) = (1 + r)^2]. The 7% six-year bond purchased at par returns **121.23** in two years [(7 × 1.02) + 7 + **107.09**] with an annualized return of **10.10%**. The excess return of nearly 2% results from both higher coupon income than the five-year matched maturity bond as well as a larger capital gain on the sale of the 7% bond with four years to maturity at an unchanged four-year yield of 5% [**107.09** = 7/1.05 + 7/(1.05)^2 + + 7/(1.05)^3 + 107/(1.05)^4].
The Maturity Structure of Yield Curve Volatilities	Equation 15	382	22 March 2024	Replace: Delete extra minus symbol at the end of equation $- - 3.3333\Delta z_{10}$	With: $\mathbf{- 3.3333\Delta} \boldsymbol{z}_{\mathbf{10}}$

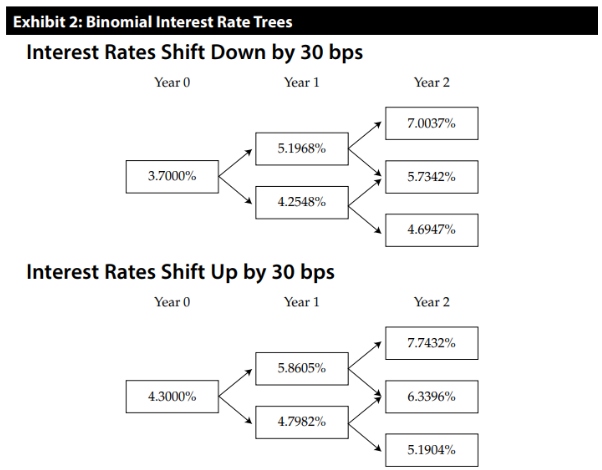
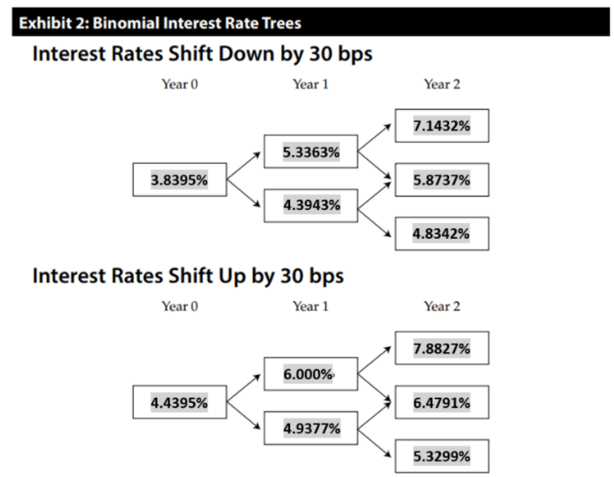
Fixed Income

The Arbitrage-Free Valuation Framework

Lesson	Location	PDF Pg	Revised	Correction	
Term Structure Models	First sentence under The Kalotay-Williams-Fabozzi model subheader	441	22 March 2024	Replace: The Kalotay–Williams–Fabozzi (KWF) model is analogous to the Ho–Lee model in that it assumes constant drift, no mean reversion, and constant volatility.	With: The Kalotay–Williams–Fabozzi (KWF) model is analogous to the Ho–Lee model in that it assumes ~~constant drift~~, no mean reversion, and constant volatility.
Term Structure Models	Practice Problems 11-19	452	22 March 2024	Replace: Statement 1: Increasing the number of paths increases the estimate's statistical accuracy. Statement 2: The bond value derived from a Monte Carlo simulation will be closer to the bond's true fundamental value.	With: **Statement 4:** Increasing the number of paths increases the estimate's statistical accuracy. **Statement 5:** The bond value derived from a Monte Carlo simulation will be closer to the bond's true fundamental value.

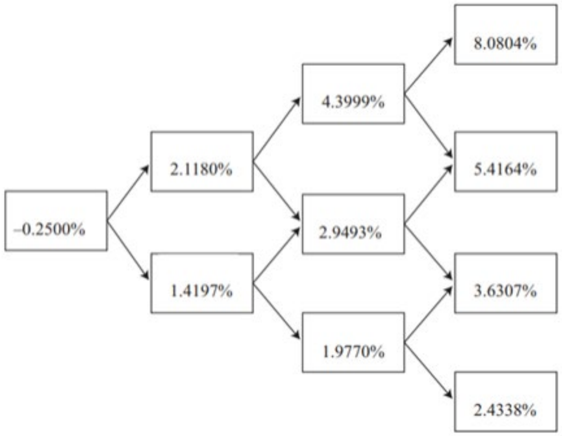
Fixed Income

Valuation and Analysis of Bonds with Embedded Options

Lesson	Location	PDF Pg	Revised	Correction
Comparison of Risk-Return Characteristics	Exhibit 2	531	22 March 2024	Replace:  With: 

Fixed Income

Credit Analysis Model

Lesson	Location	PDF Pg	Revised	Correction	
Modeling Credit Risk and the Credit Valuation Adjustment	Fifth paragraph	545	22 March 2024	Replace: Column 7 gives the expected loss for each date. This is the LGD times the POD. For example, if default occurs on Date 3, the expected loss is 0.6894 per 100 of par value. The exposure is 94.2596. At 40% recovery, the LGD is 56.5558. Assuming no prior default, the POD for that date is 1.2189%. The expected loss of 0.6894 is calculated as 56.5558 times 1.2189%.	With: Column 7 gives the expected loss for each date. This is the LGD times the POD. For example, ~~if default occurs~~ on Date 3, the expected loss is 0.6894 per 100 of par value. The exposure is 94.2596. At 40% recovery, the LGD is 56.5558. Assuming no prior default, the POD for that date is 1.2189%. The expected loss of 0.6894 is calculated as 56.5558 times 1.2189%.
Credit Analysis for Securitized Debt	Exhibit 3	597	22 March 2024	Add tree graphic to Exhibit 3:	
Credit Analysis for Securitized Debt	Question 21	599	22 March 2024	Replace: Based on the research department assumption about the probability of default in Question 10 and her own assumption in Question 11, which action does Ibarra most likely expect from the credit rating agencies?	With: Based on the research department assumption about the probability of default in **Question 18** and her own assumption in **Question 19**, which action does Ibarra most likely expect from the credit rating agencies?

Lesson	Location	PDF Pg	Revised	Correction	
Credit Analysis for Securitized Debt	Solution 17	609	29 Jan 2024	Replace: Valuation of a four-year, 6% coupon bond under no default is computed in the solution to Question 8 as 1,144.63.	With: Valuation of a four-year, 6% coupon bond under no default is computed in the solution to **Question 16** as 1,144.63.

Alternative Investments

Introduction to Commodities and Commodity Derivatives

Lesson	Location	PDF Pg	Revised	Correction	
Commodity Indexes	Practice Problems relates to questions 16-22	211-212		Replace: Statement 1 Roll returns are generally negative when a futures market is in contango. Statement 2 Roll returns are generally positive when a futures market is in backwardation.	With: **Statement 4** Roll returns are generally negative when a futures market is in contango. **Statement 5** Roll returns are generally positive when a futures market is in backwardation.

Ethical and Professional Standards

Guidance for Standards I-VII

Lesson	Location	PDF Pg	Revised	Correction	
Standard IV(A): Recommended Procedures	Text under Incident-Reporting Procedures header	266	29 Jan 2024	Replace: Report potentially unethical and illegal activities in the firm.	With: **Members and candidates should be aware of their firm's policies related to whistleblowing and encourage their firm to adopt industry best practices in this area. Many firms are required by regulatory mandates to establish confidential and anonymous reporting procedures that allow employees to** report potentially unethical and illegal activities in the firm.

Application of the Code and Standards: Level II

Lesson	Location	PDF Pg	Revised	Correction	
JR and Associates	Second to last sentence on page	398	29 Jan 2024	Replace: Ode now has three and a half years of experience in the investment industry.	With: Ode now has **two** and a half years of experience in the investment industry.
JR and Associates	Case Questions Solution 9	403	29 Jan 2024	Replace: B is incorrect. To be a CFA charterholder, Ode needs to have completed the required four years of work experience.	With: B is incorrect. To be a CFA charterholder, Ode needs to have completed the required **three** years of work experience.
JR and Associates	Case Questions Solution 9	403	29 Jan 2024	Replace: C is incorrect. The fact that she has completed all three levels of the CFA Program does not make Ode a CFA charterholder. To be a CFA charterholder, she must also have the required four years of work experience.	With: C is incorrect. The fact that she has completed all three levels of the CFA Program does not make Ode a CFA charterholder. To be a CFA charterholder, she must also have the required **three** years of work experience.