

2018 CFA Program: Level I Errata
21 May 2018

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. The eBook for the 2018 curriculum is formatted for continuous flow, so the text will fit all screen sizes. Therefore, eBook page numbering—which is linked to section heads—does not match page numbering in the print curriculum. Corrections below are in **bold** and new corrections will be shown in **red**; page numbers shown are for the print volumes.

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.

Volume 1

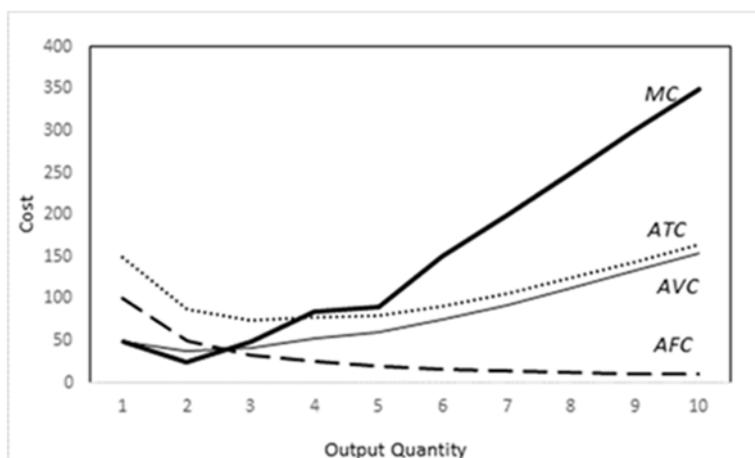
- *Reading 6:* In the Solution to Practice Problem 25 (p. 358 of print), the third line of the equation should appear as:

$$= (\text{£}200,000) / \left[\frac{1 - \frac{1}{(1 + 0.06/12)^{12(5)}}}{0.06/12} \right]$$

- *Reading 8:* In the solution to Practice Problem 15 (p. 472 of print), **absolute value signs "| |" should be used** instead of square brackets. The numbers are correct; only the brackets change.
- *Reading 9:* In the Solution to Practice Problem 22 (bottom of p. 523), the calculation of covariance should show $(10 - \mathbf{16.25})$ instead of 6.25. The final solution is correct as given.
- *Reading 10:* In the second paragraph of Example 5 (p. 538 of print), you want to find the probability that **portfolio return** (instead of risk) is within the 75 bps band.
- *Reading 10:* Practice Problem 12 (page 569) should be replaced with the following: **“If the probability that a portfolio outperforms its benchmark in any quarter is 0.75, the probability that the portfolio outperforms its benchmark in three or fewer quarters over the course of a year is closest to:”** The answer choices remain the same. In the solution (page 577), an additional line for $p(0)$ should follow the calculation of $p(1)$: $p(0) = 4! / [(4 - 0)!0!] \times 0.75^0 \times (1 - 0.75)^{4-0} = [24/24](1)(\mathbf{0.004}) = \mathbf{0.004}$. The final line should read: $F(3) = p(3) + p(2) + p(1) + p(0) = 0.42 + 0.20 + 0.06 + \mathbf{0.004} = 0.684$ or approximately 68 percent.
- *Reading 11:* In Example 6, Solution to 1 (p. 602), the first line should read “Because the population **variance** is unknown ...”
- *Reading 13:* In Example 2 (p. 701), the futures contract **price peak should be \$97.00** instead of \$97.03. In the third bullet under Exhibit 34 (p. 727), Wave 3 often **moves prices 1.618 times higher** than the length of Wave 1 (instead of 1.68 times higher).

Volume 2

- *Reading 14:* Incorrect numbers were used for the generation of Exhibit 14 (p. 34 of print). The numbers on the **y-axis (“Cost”)** should be **400, 350, 300, 250, 200, 150, 100, 50, 0** instead of the 1400–0 shown. A new exhibit with corrected MC line follows:



- *Reading 17:* Solutions to Practice Problems #18 and #19 (p. 255 of print) were reversed during production; solution #18 belongs with question #19, and vice versa.

Volume 3

- *Reading 24:* Practice Problem 17 (p. 209 of print) uses the **same information as in Question 16** (instead of Question 15).
- *Reading 25:* Example 4 (pages 238-239 of print): “Overhead” costs should be “Design, Construction, and Testing” costs to reflect that these costs are development costs to be capitalized rather than expensed.
- *Reading 26:* In the solution to Practice Problem 15 (page 322 of print), all of the parentheses in the last sentence should be removed. It should read “Therefore, the company’s operating cash flow = \$40 – \$22 – Cash paid for salaries – Cash paid for interest – Cash paid for taxes = \$40 – \$22 – \$6 – \$2 – \$4 = \$6 million.”
- *Reading 27:* In Exhibit 17 (p. 374 of print), the numbers for ROE and EBIT Margin were reversed. The correct numbers are **ROE = 5.92%** and **EBIT Margin = 5.29%**.

Volume 4

- *Reading 41:* In the Solution to Practice Problem 7 (p. 357 of print), the final solution is 12.11% (i.e., **remove the square root sign**).
- *Reading 41:* The answer choices for question 13 (p. 352 of print) should be **A. 3.2%; B. 3.4%; C. 3.6%**. The solution (page 357 of print) should be A is correct: $(1 + 0.058)/(1 + 0.0250) - 1 = 3.2\%$.
- *Reading 41:* The answer choices for question 14 (p. 352 of print) should be A. 1.5%; B. 1.8%; C. 2.1%. The solution (page 357) of print should be B is correct. $(1 + 0.043)/(1 + 0.0250) - 1 = 1.8\%$.

Volume 5

- *Reading 53:* In Question 4 of Example 7 (p. 496), change option C to “the ~~decrease~~ **increase** in the price of a mortgage pass-through security is ~~greater~~ **less** than the ~~decrease~~ **increase** in the price ...”
- *Reading 55:* In Solutions to 1 and 2 of Example 10 (p. 641 of print), **delete the word “unsecured”** from “Senior unsecured leverage.” The calculations do not change; only the label.

Volume 6