

2023 CFA Program: Level I Errata

23 January 2023

If you find something in the curriculum that you think is in error, please submit full details via the form at <http://cfa.is/Errata>.

- The eBook for the 2023 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.

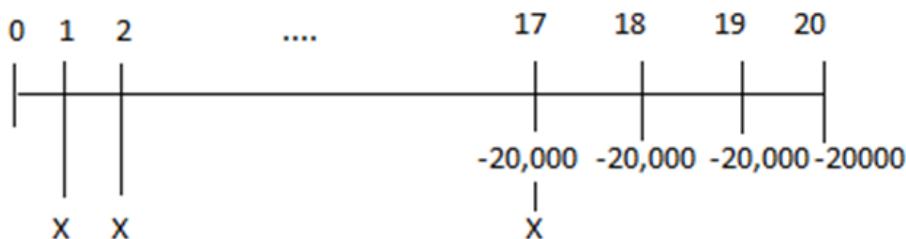
Glossary

- The definition for “Secondary precedence rules” should read, “Rules that determine how to rank orders placed at the same **price**.”

Volume 1

Quant Learning Module 1

- In the Solution to 24 (page 54 of print), the timeline in part “i” should appear as follows:



In part “iii” the last sentence should read, “The present value of the college costs as of $t = 17$ is **74,464**.” and the calculation that follows should read,

$$PV = \$20,000 \left[\frac{1 - \frac{1}{(1.05)^4}}{0.05} \right] \times 1.05 = 74,464$$

In part “iv” the calculation should read,

$$\$74,464 = \frac{(1.05)^{17} - 1}{0.05} = 25.840366X$$

$$X = \$2,881.60$$

In the table below the calculation, \$70,919 should be **\$74,464**.

Quant Learning Module 2

- A paragraph should be added immediately preceding Example 11 (page 113 of print): The harmonic mean only works for non-negative numbers, so when working with returns that are expressed as positive or negative percentages, we first convert the returns into a compounding format, assuming a reinvestment, as $(1 + R)$, as was done in the geometric mean return calculation, and then calculate $(1 + \text{harmonic mean})$, and subtract 1 to arrive at the harmonic mean return.

$$\begin{aligned} (1 + R_{\text{harmonic}}) &= n \sum [1 / (1 + R_n)]_{\text{harmonic}} \\ &= n \sum [1 / (1 + R_n)] - 1 \end{aligned}$$

- Under Exhibit 51 (page 138 of print), the second bullet should read, “The highest frequency of returns occurs within the **0.0 to 0.5** standard deviations from the mean (i.e., **the mode is greater than the mean as the positive returns are offset by extreme negative deviations**).”

Quant Learning Module 3

- In Example 1 (page 177 of print), the Solution to 1 should read, “In the example, if the odds against your second colleague passing the exam are 1 to 4, this means the probability of the event is $4/(1 + 4) = 4/5 = 0.80$.”

Quant Learning Module 6

- In Exhibit 8 (page 365 of print), the Procedure for Method 2 should read, “Compare the **hypothesized parameter’s value** with the bounds of the confidence interval.”

Quant Learning Module 7

- In Section 5 (page 456 of print), Equation 18 should read,

$$s_{\hat{b}_0} = S_e \sqrt{\frac{1}{n} + \frac{\bar{X}^2}{\sum_{i=1}^n (X_i - \bar{X})^2}}$$

And the equation following Equation 18 should read,

$$t_{intercept} = \frac{\hat{b}_0 - B_0}{s_{\hat{b}_0}} = S_e \frac{\hat{b}_0 - B_0}{\sqrt{\frac{1}{n} + \frac{\bar{X}^2}{\sum_{i=1}^n (X_i - \bar{X})^2}}}$$

- In Exhibit 27 (page 456 of print), the equation in Step 5 should read,

$$t_{intercept} = \frac{4.875 - 3.0}{3.4596 \times \sqrt{\frac{1}{6} + \frac{6.1^2}{122.64}}} = \frac{1.875}{3.4596 \times 0.68562} = \mathbf{0.7905}$$

And Step 6 should read, “Do not reject the null hypothesis. There is not sufficient evidence to indicate the intercept is greater than 3%.”

Volume 3

FSA Learning Module 5

- In the Solution to Practice Problem 37 (page 321 of print), the second sentence should read, “No LIFO liquidation occurred during 2018; the LIFO reserve increased from ¥10,120 million in 2017 to ¥19,660 million in 2018.”

Volume 4

Equity Learning Module 6

- In Example 6, the Solution to 2A (page 389 of print), the last calculation should read,

$$V_0 = \left[\frac{¥79.5}{1.01525} + \frac{¥79.5}{1.01525^2} + \frac{¥106}{1.01525^3} + \frac{¥106}{1.01525^4} + \frac{¥132.5}{1.01525^5} + \frac{¥132.5}{1.01525^6} + \frac{¥10,598}{1.01525^6} \right]$$

= ¥10,279

And the sentence below should read, “The difference between the current market price of ¥7,243 and the intrinsic value of ¥10,279 is the implied value of retractable option given to the holders of the Series AA shares.”