

2024 CFA Program: Level II Errata

31 October 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 2024 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

Extensions of Multiple Regression (Quant LM4)

- In the Extensions of Multiple Regression section, please disregard the Cook's D formula as a means to identify data points and the associated content/questions.

Economic Growth (Econ LM2)

- In Example 15, the first sentence in the fourth paragraph in the Solution to 1 (page 525 of print) should read, "The growth rate in total factor productivity (Exhibit 19) is calculated by using a geometric average of the growth rates for **2006–2015** and is equal to **-0.85%**." The calculation in the next paragraph should read:

$$\begin{aligned}\text{Growth in potential GDP} &= \alpha\Delta K/K + (1 - \alpha)\Delta L/L + \Delta A/A \\ &= (0.413)0.04 + (0.587)(-0.0127) + (-0.0085)\end{aligned}$$

The last line of this solution should read, "TFP = **-0.85%**."

- In Example 15, the second-to-last sentence before Exhibit 21 in the Solution to 3 (page 526 of print) should read, "In contrast to capital deepening, TFP made a negative contribution to growth; the average rate of growth for TFP from 2006 to 2015 was **-0.85%**."
- In Example 15, the second calculation in the Solution to 4 (page 527 of print) should read:

$$\text{Steady-state growth rate} = -0.85\% / (1 - 0.413) + (-1.27\%) = -2.7\%$$

Volume 2

Intercorporate Investments (FSA LM1)

- In the lesson “Amortization of Excess Purchase Price, Fair Value Option, and Impairment,” the second-to-last paragraph of the lesson (page 19 of print) should read, “US GAAP prohibits the reversal of impairment losses even if the fair value later increases. However, IFRS permits the reversal of a previous impairment loss, in line with IAS 36, to the extent that the recoverable amount of the net investment subsequently increases. ~~Both IFRS and US GAAP prohibit the reversal of impairment losses even if the fair value later increases.~~”

Employee Compensation: Post-Employment and Share-Based (FSA LM2)

- In Example 4, the first calculation under **Solution** (page 80 of print) should read:

Basic shares outstanding 176,401,000

Effect of dilutive securities: **1,456,333**

Diluted shares outstanding: **177,857,333**

Under “RSUs:” (page 81 of print) it should read:

Unvested RSUs 3,028,000

Minus: Assumed repurchases of **1,571,667****

Dilutive shares: **1,456,333**

**Assumed purchases are calculated as:

Assumed proceeds from cash exercise = 0

Assumed unrecognized share-based compensation expense $(0 + 13,202 \text{ million})/2$

= 6,601 million

$0 + 6,601 \text{ million} / \text{Average share price of } 4,200$

= **1,571,667** assumed repurchases

- In the lesson “Financial Reporting for Post-Employment Benefits,” the first sentence after Equation 1 (page 92 of print) should read, “If the funded status is negative, the plan is an **underfunded** plan and the funded status is reported on the balance sheet as a net pension liability.”

Financial Statement Modeling (FSA LM7)

- In Example 5, the Solution to 2 (page 426 of print), the second sentence should read, “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%.”

Volume 3

Corporate Restructuring (Corporate Issuers LM4)

- In Exhibit 1 (page 158 of print), the second stage should read “Growth” instead of “Start-Up.”
- In Example 11, the first sentence in the Solution to 3 (page 198 of print) should read, “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.”
- In Exhibit 31 (page 198 of print), in the row Gain on Sale, the Transaction value should be **32,000**.

Volume 4

The Term Structure and Interest Rate Dynamics (Fixed Income LM1)

- At the end of the lesson “Yield Curve Movement and the Forward Curve,” the third-from-last calculation (page 360 of print) should read:

$$DF_1^{new} = \frac{DF_2}{DF_1} = \frac{0.9246}{0.9615} = \mathbf{0.9615}$$

The last calculation should read:

$$F_{2,1}^{new} = \frac{DF_2^{new}}{DF_1^{new}} = \frac{0.9246}{0.9615} = \mathbf{0.9615}$$

And the sentence following that calculation should read, “The price of the forward contract is **nearly** unchanged.”

Volume 6

Guidance for Standards I-VII (Ethics LM2)

- In the lesson “Standard IV(A): Recommended Procedures,” part of the text under Incident-Reporting Procedures (page 266 of print) is not appearing. The full paragraph is as follows:

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.