

2024 CFA Program: Pre-Read Errata

29 January 2024

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>.

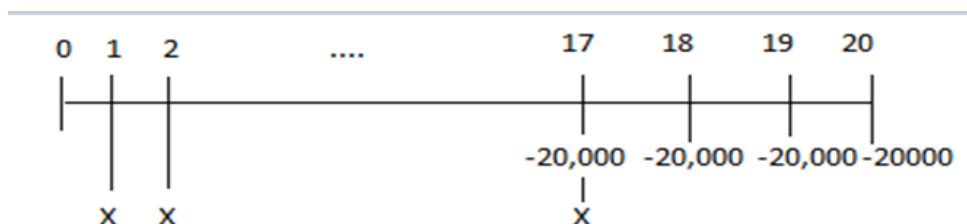
The eBook for the 2024 curriculum is formatted for continuous flow, so the text will fit all screen sizes. Therefore, eBook page numbering—which is linked to section heads—does not match page numbering in the print curriculum.

- 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.

Quantitative Methods

Interest Rates, Present Value, and Future Value (Quant LM1)

- 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,

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

In part “iv” the calculation should read,

$$\mathbf{\$74,464} = \frac{(1.05)^{17} - 1}{0.05} = 25.840366X$$
$$X = \mathbf{\$2,881.60}$$

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

Organizing, Visualizing, and Describing Data (LM2)

- A paragraph should be added immediately preceding Example 10 (page 111 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.

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

Probability Concepts (LM3)

- In Example 1 (page 159 of print), the Solution to 2 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 $4/(1 + 4) = 4/5 = 0.80$.”

Common Probability Distributions (LM4)

- The equation above Exhibit 4 (page 198 of print) should read:

$$F(x) = \begin{cases} 0 & \text{for } x < a \\ \frac{x - a}{b - a} & \text{for } a \leq x \leq b \\ \mathbf{1} & \text{for } x > b \end{cases}$$

- In Exhibit 7 (page 207 of print), the middle column should read: p, np (not p, Np).
- The first sentence of the Solution to Practice Problem 25 (page 235 in print) should read, “**B** is correct, since it is false.”

Basics of Hypothesis Testing (LM6)

- In Exhibit 8 (page 278 of print), the Procedure for Method 2 should read, “Compare the **hypothesized parameter’s value** with the bounds of the confidence interval.”
- In Example 8, Solution to 2 (page 289 of print), in Step 2, the phrase “with $1,304 - 1 = 1,303$ degrees of freedom.” should be deleted.
- Practice Question 13 (page 309 of print) should read, “For each of the following hypothesis tests concerning the population **variance**, state the conclusion.”
- In the solution to Practice Question 3 (page 317 of print), the first sentence should read, “**B** is correct.”

Financial Statement Analysis

Inventories (LM5)

- In the Solution to Practice Problem 20 (page 176 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.”

Non-Current (Long-Term) Liabilities (LM8)

- In Example 4, the Solution to 4 (page 248 of print) should read:

Under the straight-line method, the premium is evenly amortised over the life of the bonds. In this example, the £44,518 premium would be amortised by **£8,903.60** (£44,518 divided by 5 years) each year under the straight-line method. So, the annual interest expense under the straight-line method would be **£41,096.40** (£50,000 less **£8,903.60**).