

2020 CIPM Program: Level 1

23 July 2020

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 2020 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.

Volume I

Reading 4

- In Section 3.1.2 (page 253 of print), the last sentence before Exhibit 3 should read, "Thus, **11.3329** percent continuously compounded is equal to $e^{0.113329} - 1 = .12$ or **12** percent."
- In Practice Problem 1 (page 293 of print), answer choice C should be "**8.42%**"
- The solution to Practice Problem 1 (page 308 of print) should be

C is correct. The semi-annual coupon is $12\% / 2 \times \$1,000 = \60 . There are two months between 1 February and 31 March. The accrued interest from 1 February to 31 March is $\$60 \times 2/6 = \20 . If the bond was purchased on 31 March, the bond investor would pay \$20 in accrued interest. The dirty price (total price) paid on 31 March would be $\$930 + \$20 = \$950$. The clean price at the sale date is \$980 but the seller will receive 5 months of accrued interest which is $\$60 \times 5/6 = \50 . The price return is the change in the dirty prices between June 30 and March 31 divided by the dirty price on March 31:

$$\text{Price return} = \frac{\left[\$980 + \$60 \times \left(\frac{5}{6} \right) \right] - \left[\$930 + \$60 \times \left(\frac{2}{6} \right) \right]}{\left[\$930 + \$60 \times \left(\frac{2}{6} \right) \right]} = \frac{\$1030 - \$950}{\$950} = 8.42\%$$

A is incorrect and is calculated by using clean prices in the numerator. B is incorrect and is calculated by using the clean prices in both the denominator and in the numerator.

Volume 2

Reading 9

- Footnote 12 (page 161 of print), first sentence should read, "Scholz and Wilkens....only to investors with **undiversified** portfolios."
- The paragraph before Exhibit 16 (page 178 of print) should start with "Exhibit 16 provides an illustration of the appraisal ratio."
- In Section 3.8 (page 180 of print): In Equation 23, remove bar from the r_T in the numerator and move the hat closer to the sigma in the denominator. In Equation 24, add a hat to the sigma on the left side of the equation and change the n in the denominator to N .