2017 CFA Program: Level III Errata
1 May 2017

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 2016 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 2
- *Reading 9*: There are a number of corrections in this Reading:
  - In the sentence immediately below Equation 3a (p. 237 of print), change "equal to the initial investment" to "equal to the **current market value of the investment** …"
  - In the paragraph immediately below Exhibit 5 (p. 243 of print), change the first sentence as follows: "In this case, … 5 percent is composed of ~~realized short-term capital gains~~ **interest**; and 45 percent is composed …"
  - In Examples 10 and 11 (pp. 247 and 249 of print), **replace FVIF with FV** in the equations.
- *Reading 10*: In the third paragraph of Section 4.1.1 (p. 289 of print), an annual gifting program of US$13,000 per year tax free, over a 30-year period, transfers **over US$695,000** (instead of $640,000).
- *Reading 12*: There are a number of clarifications in this reading:
  - In the example "Estimating the Present Value of human Capital" (p. 385 of print), the Wage growth rate is **not** part of the calculation of the Total Discount Rate.
  - In the first paragraph of Section 5.2 (p. 433 of print) and in the Data Summary on the next page, **Marion's current and future annual earnings are shown after tax**.

Volume 3
- *Reading 15*: In the paragraph immediately following Example 14 (p. 35 of print), make the following edit: "… the Fed model, which asserts that the stock market is overvalued if the market's ~~current~~ **forward** earnings yield …" In the first two sentences of the solution to Practice Problem 19.A (p. 122), **delete –1.0**. The final answers are correct as given.
- *Reading 16*: There are a number of corrections in this reading:
  - In Example 13 (p. 152 of print), the equations for real stock price index and real earnings should be separate and appear as follows:
    Real stock price index$_t$ = Nominal stock price index$_t$ × CPI$_{2009}$ ÷ CPI$_t$
    Real earnings$_t$ = Nominal earnings$_t$ × CPI$_{2009}$ ÷ CPI$_{t+1}$
    Real stock price index$_{1871}$ = 4.44 × 211.143 ÷ 12.464061 = 75.21424358
    Real earnings$_{1871}$ = 0.4 × 211.143 ÷ 12.654392 = 6.674141278

- o In the solution to Practice Problem 3 (p. 171 of print), the final word should be **profitability** (instead of probability).
- *Reading 17*: The second equation below Exhibit 3 (p. 188 of print), which is the risk-adjusted expected return of Asset Allocation B for the investor, **should have subscripts B** on E(R) and standard deviation (instead of subscripts A). Footnote 59 (p. 209 of print) refers to Exhibit 7; the reference should instead be to **Exhibit 9**.

Volume 5

- *Reading 24*: In the second paragraph after Exhibit 13 (top of p. 48 of print), the GSCI return of –14.41 percent is **lower (worse)** than the return of US or global bonds. In Exhibit 24 (p. 66 of print), the correlation of Short selling with the S&P 500 **should be –0.78** (instead of –0.76).
- *Reading 26*: In the "Outcome and Analysis" for Exhibit 12 (p. 256 of print), if the European stock market and the currency risk are both hedged, the contract will settle in cash and show a profit of €10,400,000**($0.815 – $0.785)** = $312,000. I.e., reverse the numbers within the parentheses.
- *Reading 27*: In Solution B.i of Example 7 (p. 299 of print), **Maximum profit should be X_3 – X_2 … 1.50 – 1.40** instead of X_2–X_1 and 1.40–1.30. The final solution is correct as shown.
- *Reading 28*: In Solution B of Example 4 (p. 366 of print), **insert "(the company)"** after borrower in the second sentence, and **change lender to "company"** in the last sentence of the first paragraph and the first sentence of the second paragraph. In the solution to Practice Problem 6.B (p. 413 of print), Net Cash Flow = –$1,200,000 – $900,000 = **–$2,100,000 (i.e., negative)**.