

**2018 CFA Program: Level III Errata
1 December 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 2018 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 10:* In the numerator of Equation 7 (p. 294 of print), the final component should be multiplied by the size of the gift/size of estate before gift disbursement: $[1 - T_g + (T_g T_e \times g/e)]$.
- *Reading 12:* In the paragraph immediately below Exhibit 11 (p. 438 of print), **delete the phrase** “Because Jacques already has €250,000 of life insurance ... according to this method” The original statement appears to double-count the life insurance.

Volume 3

- *Reading 14:* In the first two sentences of the solution to Practice Problem 19.A (p. 124 of print), **delete –1.0**. The final answers are correct as given.

Volume 4

- *Reading 21:* There is no single convention for how convexity numbers are presented; for example, Bloomberg has historically followed a convention of dividing the “raw” convexity number by 100. It is important to use the raw convexity number when estimating returns. Therefore, in Example 5 Exhibit 7 (p. 25 of print) and ensuing calculations, **change Average Bond Convexity from 0.18 to 18**. There is no change in the solution of –0.96% (or –0.0096). This also applies to Exhibit 2 in Practice Problems 7–12 (p. 41 of print): **Change Average Bond Convexity from 0.22 to 22**. There is no change to the calculated change in price of –0.78%.
- *Reading 23:* There are a number of corrections in this reading:
 - In Exhibit 58 (p. 182 of print), the numbers for **Expected convexity for portfolio** should be **3.586** (instead of 0.9), **3.545** (instead of 0.9), and **1.920** (instead of 0).
 - The revised convexity numbers should be used in calculations in Exhibit 59 (corrections bolded):

	Initial Portfolio (+ 60 bps)	Revised Portfolio (+ 60 bps)
+ E(Change in price based on yield view)	$[-1.305 \times 0.006] + [1/2 \times \mathbf{3.545} \times (0.006)^2] = \mathbf{-0.7766}$	$[-0.979 \times 0.006] + [1/2 \times \mathbf{1.920} \times (0.006)^2] = \mathbf{-0.5839}$
= Total expected return	1.70%	1.73%

In the closing paragraphs of this example, change 1.69% to **1.70%**; change –0.5874 to **–0.5839**, and change –0.7814 to **–0.7766**. In the final paragraph, change 4 bps to **3 bps**.

Volume 5

Volume 6