2018 CFA Program: Level II 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.

There are a variety ways of quoting **foreign exchange rates**: $ to or per £ = $/£ = £: $. The quote £:$ is equivalent to a quote of $/£. Authors use the two different methods of quoting currency exchange rates to ensure readers develop familiarity with both.

Volume 1
- *Reading 10*: In Practice Problem 7.A (p. 379 of print), the **subscript on the political Party** should be *t* instead of *i*.

Volume 2
- *Reading 16*: Footnote 20 (p. 35 of print) should refer to **IFRS 3** instead of IAS 3.
- *Reading 17*: In the first paragraph of Example 2 (p. 82 of print), the table calculation of Final year's estimated salary should use "Years until retirement **–1**" (i.e., insert –1).
- *Reading 18*: In the vignette for Practice Problems 1–6 (p. 180 of print), the last line of the first paragraph should list UAH300 **million** of inventories.
- *Reading 19*: In the paragraph of text between Exhibits 21 and 22 (p. 240 of print), **delete the last sentence** beginning "In addition, …"

Volume 3
- *Reading 22*: Practice Problems 9 and 10 (p. 118 of text) are based on **Exhibit 1 only**. They are not based on Exhibit 2.

Volume 4
- *Reading 29*: There are a number of corrections in this reading:
    - In Exhibits 20 and 21 (pp. 142/143), Net Revenue is shown in **(RUB per hl)** and is **2,326 for 2011**.
    - In the solution to Practice Problem #5 (p. 193), the calculation of SG&A to net sales should show **SG&A Expenses as 19.3 for 2010** (instead of 10.3).
- *Reading 30*: In the text below Exhibit 5 (p. 228 of print), the Period 11 dividend is €0.9943 (= $D_{10} \times 1.05 = $ **€0.9469** $\times 1.05$). In the information for Practice Problems 37-46 (p. 261 of print), the **required rate of return for Venus Company is 8%.**
- *Reading 32*: In Example 16 (p. 399 of print), the second paragraph of text beginning "Suppose the company …" should define lambda as the "percentage of inflation in costs that the company can pass through to **earnings**" instead of "pass through to revenue."

Volume 5

- *Reading 36*: The information in Exhibits 3 and 4 for Practice Problems 1−6 (pps. 102/103 of print) may be placed into a tree similar to the exhibits within the reading. The node labels indicate placement in the tree.
- *Reading 37*: In the information for practice problems 1−10 (p. 182), in the paragraph between Exhibits 2 and 3, the ~~market prices~~ **option-free value** of Pro Star's convertible bond is $1,060. Solution 10 (p. 194) is still correct; the conversion value of the bond is $31 \times \$37.50$ or $1,162.50, which represents its minimum value.
- *Reading 38*: In the solution to Practice Problem 19 (p. 251 of print), calculation of the Total Yield Discount Factor and the Risk-free Discount Factor **should show a minus sign** (negative) before the superscripts.
- *Reading 40*: In Exhibit 21 (p. 341 of print), the **cash flow for Step 3 at Time n′ should be positive** (+). Practice Problem #1 (p. 350 of print) is **based on Exhibit 1** instead of Exhibit 2.
- *Reading 41*: In the paragraph below Exhibit 18 (p. 414 of print), the second sentence should read: "Vega is high when options are at or near the money." (i.e., **delete "and are short dated"**).
- *Reading 42*: In Section 5.1.1 (Bull Spreads), in the paragraph discussing Alternative 2 (p. 460 of print), "… the trader exercises the call struck **at 16**, thereby buying the call …" (i.e., 16 vs. 15).

Volume 6

- *Reading 43*: In the first set of Practice Problems (p. 67 of print), Exhibit 1 should show the **following values for Property #1**. Holding Effective Gross Income unchanged at $5,079,000, no solutions will be affected by the changes to the other numbers:

Gross Potential Rent	$4,750,000
Expense Reimbursement Revenue	$333,333
Other Income (includes % Rent)	$560,000
Potential Gross Income	$5,643,333
Vacancy Loss	($564,333)
Effective Gross Income	$5,079,000

  In Practice Problem #22 (p. 73) and its solution (p. 76), Option B should be £**5,034,600**.