Formatting Conventions Used for Level I Exams

Item Construction

Each item on the Level I multiple choice exam consists of a stem (question, statement, and/or table) and three choices, A, B, and C.

Two basic formats are used:

1. Stems using sentence completion with three unique choices
2. Stems phrased as questions with three unique choices

Example 1 (Stem using sentence completion)

An analyst suspects that a particular company’s U.S. GAAP financial statements may require adjustment because the company uses take-or-pay contracts. The most likely effect of the appropriate adjustments would be to increase that company’s
A. return on assets.
B. debt-to-equity ratio.
C. interest coverage ratio.

Example 2 (Stem phrased as question)

An analyst suspects that a particular company’s U.S. GAAP financial statements may require adjustment because the company uses take-or-pay contracts. Which of the following is most likely to increase as a result of the appropriate adjustments being made to that company’s financial statements?
A. Return on assets.
B. Debt-to-equity ratio.
C. Interest coverage ratio.

Item Stems

The Level I CFA exam does not use except, true, or false in item stems and avoids the use of not in item stems whenever possible. When appropriate, stems will include one of the following qualifiers: most likely, least likely, best described, most appropriate, most accurate, least appropriate, or least accurate. Each stem supports only one item on the exam.

Answer Choices

The Level I CFA exam does not use any of the following choices: all of the above, none of the above, A and B only, B and C only, cannot determine, cannot calculate, or not enough information to determine.

Choices consisting of words or sentences are typically ordered from shortest to longest; choices that are quantitative are ordered from the smallest number to largest number. The choices agree grammatically with the stem; language common to all choices is placed in the stem.