

Question #1 of 180

Question ID: 1612066

Courtney Johnson, CFA, manages equity accounts and recommends Reliable Management to clients who ask about fixed-income investments. Reliable, in turn, provides Johnson with equity research. Johnson has not informed her equity clients, who are always very happy with Reliable's performance, of the arrangement with Reliable. Johnson has violated:

- A) none of the Standards.
 - B) the Standard concerning client referrals.
 - C) the Standard concerning soft dollar arrangements.
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Question ID: 1611980

Normal Corp. has a current ratio above 1 and a quick ratio less than 1. Which of the following actions will increase the current ratio and decrease the quick ratio? Normal Corp.:

- A) buys fixed assets on credit.
 - B) uses cash to purchase inventory.
 - C) pays off accounts payable from cash.
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Question ID: 1611925

An analyst has data on institutional salespeople at an investment banking firm showing how they ranked in total monthly commissions, from first to eighth. To determine whether a high rank in one month indicates a high probability of achieving a high rank in subsequent months, the analyst should use a:

- A) *t*-test.
 - B) nonparametric test.
 - C) mean differences test.
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Question ID: 1612069

Justin Matthews, CFA, is chief financial officer of a bank and serves on the bank's investment committee. The majority of the committee has voted to invest in medium-term euro debt. Matthews feels very strongly that this is a poor strategy and that trends in both the exchange rate and in euro interest rates over the next year will result in large losses on the position. According to the Code and Standards, Matthews should *most appropriately*:

- A) document his difference of opinion with the committee.
 - B) express his concerns to the bank's chief executive officer directly.
 - C) dissociate from the recommendation by asking that his name not be included.
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Question ID: 1611975

For an operating lease, the value of the right-to-use asset and the lease liability on the lessee's balance sheet will be equal in each reporting period over the term of the lease under:

- A) IFRS, but not U.S. GAAP.
 - B) U.S. GAAP, but not IFRS.
 - C) both IFRS and U.S. GAAP.
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Question ID: 1612071

Lisa Crocker, CFA, manages several pension accounts and directs most of her trades to Zeta Brokers, which provides excellent trade execution as well as equities research. Regional Brokers, which also has excellent trading services, has offered to execute trades for Crocker at half the commission rate she pays Zeta, but Regional does not supply equities research. If Crocker declines to switch her business from Zeta to Regional, has she violated any CFA Institute Standards of Professional Conduct?

- A) Yes, because she has not obtained explicit permission from her clients to use Zeta.
- B) No, if the higher commissions are justified by the value of the research services she receives.

- C) Yes, because the Standard concerning loyalty, prudence, and care states that she must minimize trading costs for her accounts.
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Question ID: 1614576

Stakeholder theory is *most accurately* described as the belief that corporate governance should focus on managing:

- A) the activities of a company in the best interests of its owners.
 - B) employee activities in compliance with ethical standards and applicable laws.
 - C) conflicts among different groups that have an interest in a company's activities.
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Question ID: 1611924

Which of the following statements about the central limit theorem is *least accurate*?

- A) The central limit theorem has limited usefulness for skewed distributions.
 - B) The mean of the population and the mean of all possible sample means are equal.
 - C) When the sample size is large, the sampling distribution of the sample means is approximately normal.
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Question ID: 1612074

Isabelle Burns, CFA, is an investment advisor and holds shares of Torex in her personal account because she thinks it is undervalued. According to the CFA Institute Standards of Professional Conduct, Burns may:

- A) recommend Torex to clients but must disclose her investment in Torex.
 - B) not recommend Torex to clients while she has a personal investment in the stock.
 - C) recommend Torex to clients for whom it is suitable without disclosing her investment in Torex.
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Question ID: 1611953

Erbdin Company determines that replacing some of its manufacturing equipment with an updated model would decrease its variable cost of production by 15%. Doing so would be *best* characterized as:

- A) an expansion project.
 - B) a going concern project.
 - C) a business growth investment.
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Question ID: 1611938

Which of the following statements on the economic implications of trade restrictions is *most accurate*?

- A) Quota rents are the amounts received by the domestic government when it charges for import licenses.
 - B) In the importing country, import quotas, tariffs, and voluntary export restraints all decrease producer surplus.
 - C) In the case of a quota, if the domestic government collects the full value of the import licenses, the result is the same as that of a tariff.
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Question ID: 1611970

Rowlin Corporation, which reports under IFRS, wrote down its inventory of electronic parts last period from its original cost of €28,000 to net realizable value of €25,000. This period, inventory at net realizable value has increased to €30,000. Rowlin should revalue this inventory to:

- A) €28,000, and report a gain of €3,000 on the income statement.
 - B) €30,000, and report a gain of €3,000 on the income statement.
 - C) €30,000, and report a gain of €5,000 on the income statement.
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Question ID: 1612078