

LO.a: Describe the key features of the GIPS standards and the fundamentals of compliance.

1. Which of the following is *not* a key feature of the GIPS standards?
 - A. All actual, discretionary, fee-paying and non-fee paying portfolios must be included in at least one composite.
 - B. Firms must use accurate input data, follow certain calculation methodologies and disclose the method used.
 - C. Firms must comply with all requirements of the GIPS standards.
2. Which of the following is *least likely* a feature of the GIPS standards?
 - A. The GIPS standards rely on the integrity of input data.
 - B. Firms must comply with all requirements of the GIPS standards, including any updates, Guidance Statements, interpretations, Questions & Answers (Q&As), and clarifications published by CFA Institute and the GIPS Executive Committee.
 - C. The GIPS standards promote the use of accurate and consistent investment performance data.
3. Which of the following statements is *most likely* correct?
 - A. All actual, discretionary, fee-paying portfolios must be included in at least one composite defined by investment mandate, objective, or strategy.
 - B. Only actual, non-discretionary, non-fee-paying portfolios must be included in at least one composite defined by investment mandate, objective, or strategy.
 - C. Only actual, discretionary, non-fee-paying portfolios must be included in at least one composite defined by investment mandate, objective, or strategy.
4. Which of the following is *most likely* a feature of the GIPS standards? GIPS standards:
 - A. foster the notion of industry “self-regulation” on a global basis.
 - B. encourage fair, global competition among investment firms without creating barriers to entry.
 - C. are ethical standards for investment performance presentation to ensure fair representation and full disclosure of investment performance.
5. Which of the following statements is *most likely* a key feature of the GIPS standards? In order to meet the objectives of fair representation and full disclosure and achieve best practice in the calculation and presentation of performance,
 - A. firms should adhere to the minimum requirements of the GIPS standards, but adhering to the recommendations is optional.
 - B. firms should adhere to the minimum requirements and recommendations of the GIPS standards.
 - C. it is enough if firms comply with the standard related to Performance Presentation in the CFA Institute *Standards of Practice Handbook*.
6. The fundamentals of compliance section under GIPS standards has how many requirements?

- A. 10.
 - B. 16.
 - C. 15.
7. According to the Fundamentals of Compliance section of the GIPS standards, which of the following is *least likely* a requirement for claiming compliance?
- A. Statements referring to the calculation methodology as being “in accordance,” “in compliance,” or “consistent” with the Global Investment Performance Standards, or similar statements, are prohibited.
 - B. Firms must provide a complete list of composite descriptions to any prospective client that makes such a request.
 - C. For periods beginning on or after 1 January 2010, total firm assets must be the aggregate fair value of all fee-paying portfolios managed by the firm.
8. Which of the following requirements under the Fundamentals of Compliance section is *least likely* correct?
- A. Firm must be defined as an investment firm, subsidiary, or division held out to clients or prospective clients as a distinct business entity.
 - B. Total firm assets must exclude assets assigned to a sub-advisor.
 - C. Firms must document their policies and procedures used in establishing and maintaining compliance with the GIPS standards.
9. Which of the following is *not* a requirement under the Fundamentals of Compliance section of the GIPS Standards?
- A. A firm must be properly defined.
 - B. Firms must provide compliant presentation only to existing clients.
 - C. Firms must comply with all applicable laws and regulations regarding the calculation and presentation of performance.
10. Which of the following is *most likely* a requirement under Fundamentals of Compliance section of the GIPS Standards?
- A. The GIPS standards must be applied on a firm wide basis.
 - B. The GIPS standards may be applied only to specific clients’ portfolios or selected composites.
 - C. Firms must comply with the CFA Institute Code and Standards regarding calculation and presentation of performance.
11. Which of the following is *least likely* a requirement under Fundamentals of Compliance section of the GIPS Standards?
- A. Firms must not present performance or performance-related information that is false or misleading.
 - B. Statements referring to the performance of a single, existing client portfolio as being “calculated in accordance with the Global Investment Performance Standards” are

- prohibited, except when a GIPS-compliant firm reports the performance of an individual client's portfolio to that client.
- C. Firms are required to provide a compliant presentation for any composite listed on the firm's list of composite descriptions to any existing client only that makes such a request, and not a prospective client.
12. Which of the following is *least likely* a requirement under Fundamentals of Compliance section of the GIPS Standards?
- A. Historical composite performance may be changed to reflect changes in a firm's organization.
 - B. When the firm jointly markets with other firms, the firm claiming compliance with the GIPS standards must be sure that it is clearly defined and separate relative to other firms being marketed, and that it is clear which firm is claiming compliance.
 - C. If the firm does not meet all the requirements of the GIPS standards, the firm must not represent or state that it is "in compliance with the Global Investment Performance Standards except for . . .".

LO.b: Describe the scope of the GIPS standards with respect to an investment firm's definition and historical performance record.

13. Firms claiming compliance with the GIPS standards are required to present and report GIPS-compliant performance for a minimum period of:
- A. five years.
 - B. three years.
 - C. seven years.
14. According to the Fundamentals of Compliance section, what are firms recommended to provide to each existing client on an annual basis? A compliant presentation of:
- A. all composites of the firm.
 - B. the composite in which the client's portfolio is included.
 - C. the client's portfolio.
15. If a composite has been in existence for less than five years, then for what period is the firm most likely required to present GIPS-compliant performance?
- A. Two years.
 - B. One year.
 - C. Since inception date.
16. GP Asset Management Company is defined as a firm according to GIPS standards. The firm's inception date is 1 January 2013, and it has been in existence for less than five years. After it builds up GIPS-compliant performance for five years until 31 December 2017, is the firm required to add additional years of GIPS-complaint performance?
- A. Yes, one more year.

- B. No, as five years is the minimum requirement.
 - C. Yes, till the firm builds up to a minimum of 10 years of GIPS-complaint performance.
17. PA Asset Management Company is defined as a firm according to GIPS standards. The firm's inception date is 1 January, 1998. It is now 1 January, 2014. The firm claims compliance with GIPS Standards from 1 January, 2000. Is the firm allowed to link non-GIPS compliant performance to GIPS complaint performance?
- A. Yes, if the firm discloses the periods of non-compliance.
 - B. No, since the non-compliant period is before 1 January, 2000.
 - C. No, since non-complaint GIPS performance cannot be linked to GIPS-complaint performance.
18. PA Asset Management Company is defined as a firm according to GIPS standards. The firm's inception date is 1 January, 2000. It is now 1 January, 2014. The firm claims compliance with GIPS Standards from 1 January, 2006. Is the firm allowed to link non-GIPS compliant performance to GIPS complaint performance?
- A. Yes, if the firm discloses the periods of non-compliance.
 - B. No, since the non-compliant period is on or after 1 January, 2000.
 - C. No, since non-complaint GIPS performance cannot be linked to GIPS-complaint performance.

LO.c: Explain how the GIPS standards are implemented in countries with existing standards for performance reporting and describe the appropriate response when the GIPS standards and local regulations conflict.

19. Eritba is a small island nation in the Pacific where laws and regulations exist for calculation and presentation of investment performance. According to the GIPS standards, what laws are firms in Eritba encouraged to comply with for the calculation and presentation of investment performance?
- A. GIPS standards only.
 - B. Applicable law, regulations, and GIPS standards.
 - C. Applicable law and regulations only.
20. Arizu is a land-locked nation where laws and regulations exist for calculation and presentation of investment performance. In some areas relating to real estate and private equity investments, there is a conflict between applicable laws and GIPS Standards. According to the GIPS standards, what laws are the firms in Arizu encouraged to comply with for calculating and presenting investment performance?
- A. GIPS standards.
 - B. Either GIPS or applicable law with a disclosure of the standard being followed.
 - C. Applicable law and regulations with a disclosure of the conflict in the compliant presentation.

LO.d: Describe the nine major sections of the GIPS standards.

21. Which of the following is *least likely* related to the ‘input data’ section of GIPS?
 - A. Input data needs to be compliant.
 - B. Input data needs to be consistent.
 - C. Portfolios must be valued in accordance with the definition of fair value and the GIPS Valuation Principles.

22. Which of the following is *not* one of the nine sections of the provisions of the Global Investment Performance Standards?
 - A. Disclosure.
 - B. Processed Data.
 - C. Real Estate.

23. The composite return is most likely calculated as the:
 - A. Asset-weighted average of the performance of all portfolios in the composite.
 - B. Time-weighted return of the performance of all portfolios in the composite.
 - C. Mean return of the performance of all portfolios in the composite.

24. A firm does not disclose the use of significant leverage in a particular composite strategy. The firm claims compliance with GIPS standards and includes a footnote in the compliant presentation that the firm has been verified by an independent third party. Has the firm violated the GIPS standards?
 - A. Yes.
 - B. No, since leverage is not a mandatory disclosure.
 - C. No, since disclosure is required only for derivatives and short positions.

Solutions

1. A is correct. It is not mandatory for non-fee paying portfolios to be included in at least one composite.
2. C is correct. This is a goal of the GIPS Executive Committee and not a key feature.
3. A is correct. One of the key features of GIPS standards is that all actual, discretionary, fee-paying portfolios must be included in at least one composite defined by investment mandate, objective, or strategy in order to prevent firms from cherry-picking their best performance.
4. C is correct. The other two options are goals of the GIPS Executive Committee.
5. A is correct. To achieve best practice in calculation and presentation of performance, firms should adhere to the minimum requirements and recommendations of GIPS standards.
6. B is correct. There are 16 requirements under Fundamentals of Compliance section.
7. C is correct. The condition for total firm assets is for periods beginning on or after 1 January, 2011, and includes both fee-paying and non-fee-paying portfolios
8. B is correct. They must include assets managed by a sub-advisor.
9. B is correct. Compliant presentation must be provided to prospective clients, as well.
10. A is correct. B is incorrect because the GIPS standards cannot be applied only to certain portfolios or composites. C is incorrect because firms must comply with applicable laws and regulations regarding the calculation and presentation of performance.
11. C is correct. Firms must provide a compliant presentation for any composite listed on the firm's list of composite descriptions to any prospective client that makes such a request.
12. A is correct. Even when there is a change in a firm's organization, the historical composite performance must not be altered.
13. A is correct. GIPS provisions for presentation and reporting require that at least 5 years of compliant performance must initially be shown.
14. B is correct. A compliant presentation must have the composite in which the client's portfolio is included.

15. C is correct. If a firm has been in existence for less than five years, then a firm is required to present compliant presentation since the firm's inception date, or the composite inception date.
16. C is correct. Refer Historical Performance Record section of the GIPS Standards.
17. A is correct. Refer Historical Performance Record section of the GIPS Standards.
18. B is correct. Refer Historical Performance Record section of the GIPS Standards.
19. B is correct. Firms are encouraged to comply with applicable laws, regulatory requirements in addition to the GIPS Standards. This is because compliance with applicable law does not imply compliance with the GIPS Standards.
20. C is correct. Whenever there is a conflict between applicable laws and regulations with the GIPS standards, firms must comply with the applicable laws. The conflict must be disclosed.
21. A is correct. Here is an excerpt from the GIPS input data section: "Consistency of input data used to calculate performance is critical to effective compliance with the GIPS standards and establishes the foundation for full, fair, and comparable investment performance presentations. For periods beginning on or after 1 January 2011, all portfolios must be valued in accordance with the definition of fair value and the GIPS Valuation Principles."
22. B is correct. It is Input Data, not Processed Data.
23. A is correct.
24. A is correct. The extent of leverage for every firm must be disclosed along with the claim of compliance.