




Question #1 of 17

A framework for ethical decision making is *most appropriately* applied to:

- A) determine whether actions are legal. 
- B) reduce the need to maintain a large compliance department. 
- C) aid decision makers in considering alternatives and their potential impacts. 




Explanation

A framework for ethical decision making is a way to help decision makers consider alternatives and their impact on stakeholders.

(Study Session 1, Module 1.1, LOS 1.f)

Question #2 of 17

Which of the following statements about a code of ethics is *most accurate*? A code of ethics:

- A) must include rules-based standards of conduct. 
- B) must include principles-based standards of conduct. 
- C) does not need to include standards of conduct. 




Explanation

A code of ethics may include standards of conduct, but does not require them.

(Study Session 1, Module 1.1, LOS 1.b)

Question #3 of 17

Standards of conduct are *most accurately* described as:

- A) a necessary part of any ethical code. 
- B) giving members of a group a minimum level of acceptable behavior. 
- C) providing the public with the values and general expectations for a group of professionals. 

Explanation

Standards of conduct address specific minimum levels or expected behavior in various circumstances, while a code of ethics communicates provides the values and general expectations for professional behavior. A code of ethics does not necessarily include standards of conduct.

(Study Session 1, Module 1.1, LOS 1.b)

Question #4 of 17

Challenges to ethical behavior are *most likely* to arise from:

A) situational influences.



B) internal motivations.



C) inadequate training.



Explanation

Situational influences, which are factors external to a decision maker, are the most likely source of challenges to ethical behavior.

(Study Session 1, Module 1.1, LOS 1.c)

Question #5 of 17

Ethics *least likely* refers to:

A) a person's beliefs about right and wrong behavior.



B) moral principles to guide behavior.



C) the study of good and bad behavior.



Explanation

An individual's beliefs are not ethics as it is used in the Level I CFA curriculum. Ethics are described as commonly accepted principles of good and bad behavior and the study of good and bad behavior.

(Study Session 1, Module 1.1, LOS 1.a)

Question #6 of 17

Ethics are *most accurately* defined as:

A) a written code of standards.



B) the study of moral principles.



C) a belief about proper conduct.



Explanation

Ethics refers to the study of moral principles. Ethics is broader than written codes of standards or a particular belief about proper conduct.

(Study Session 1, Module 1.1, LOS 1.a)

Question #7 of 17

Which of the following characteristics distinguishes a profession from an occupation? Members of a profession:

A) abide by a code of ethics.



B) view their work as a calling.



C) are better compensated for their services.



Explanation

One of the defining characteristics of a profession according to the Level I CFA curriculum is that its members agree to abide by a common code of ethics.

(Study Session 1, Module 1.1, LOS 1.b)

Question #8 of 17

Unethical behavior by individuals in the investment industry is *most likely* to:

A) increase the overall profits of financial services firms.



B) decrease the rate of economic growth.



C) decrease financing costs for businesses.



Explanation

Unethical behavior in the investment industry can divert capital away from its highest valued uses, which decreases the growth rate of the economy. In the long run, unethical behavior decreases profits for financial services firms by discouraging potential clients from using their services. When savers and investors distrust the investment industry they provide less capital and demand a higher return for its use, which increases the cost of capital for businesses.

(Study Session 1, Module 1.1, LOS 1.d)

Question #9 of 17

An ethical decision-making framework:

A) considers alternative actions and unintended consequences.



B) focuses on the near term impact on all stakeholders.



C) primarily addresses compliance with regulatory issues.



Explanation

An ethical decision-making framework is designed to ensure that alternative actions and potential unintended consequences of decisions are considered.

(Study Session 1, Module 1.1, LOS 1.f)

Question #10 of 17

CFA Institute Standards of Professional Conduct are *most accurately* described as being based on:

A) the best interests of members and candidates.



B) accepted legal standards.



C) a code of ethics.






Explanation

The Standards of Professional Conduct are based on principles stated in the CFA Institute Code of Ethics.
(Study Session 1, Module 1.1, LOS 1.e)

Question #11 of 17

A code of ethics:

- A) should not be used for marketing purposes. 
- B) may be rules-based or principles-based. 
- C) provides the public with assurance of a minimum level of ethical behavior. 




Explanation

A code of ethics may be rules-based or principles-based. There can be no assurance that none of a group or professionals will violate a code of ethics. There is no requirement that a group of professionals agreeing to a code of ethics cannot be held out to the public as a positive thing for clients.

(Study Session 1, Module 1.1, LOS 1.b)

Question #12 of 17

Which of the following *best* describes elements of a framework for ethical decision making?

- A) Identify relevant facts; consider influences and alternatives; decide and act; reflect on outcomes. 
- B) Relevance; faithful representation; transparency; comprehensiveness; consistency. 
- C) State the objective; gather, process, and interpret the data; report the conclusions; update the analysis. 

Explanation




The framework for ethical decision making presented in the Level I CFA curriculum includes these elements:

- Identify relevant facts, stakeholders, ethical principles, and conflicts of interest.
- Consider alternative actions, situational influences, and whether to seek additional guidance.
- Decide and act.
- Reflect on whether the outcome was as expected, and why or why not.

(Study Session 1, Module 1.1, LOS 1.f)

Question #13 of 17

Which of the following statements about legal and ethical standards is *most accurate*?

- A) Legal standards are a subset of ethical standards. 
- B) Ethical and legal standards often intersect, but not always. 
- C) Ethical standards are a subset of legal standards. 

Explanation

Ethical and legal standards are not subsets of each other. Some actions that are legal might not be ethical, and some actions that are ethical might not be legal.

(Study Session 1, Module 1.1, LOS 1.e)

Question #14 of 17

Unethical behavior by financial professionals:

- A) increases incomes for the profession.
- B) increases risk and the cost of capital.
- C) does not affect allocation of capital.



Explanation

In the long run, unethical behavior will decrease trust in financial professionals and the use of financial professionals by the public, ultimately decreasing incomes for the profession. Unethical behavior, such as misleading clients, can adversely affect the allocation of financial capital.

(Study Session 1, Module 1.1, LOS 1.d)

Question #15 of 17

Unethical behavior by a financial professional harms:

- A) only clients.
- B) clients, other employees, and society.
- C) only clients and other employees.



Explanation

By reducing trust in the financial services profession, unethical behavior can harm clients, other financial services employees, and society, by increasing the perceived risk of investing, increasing the cost of capital, and affecting the allocation of capital for the entire economy.

(Study Session 1, Module 1.1, LOS 1.d)

Question #16 of 17

Which of the following statements about legal and ethical standards is *most accurate*?

- A) Some illegal acts are considered ethical.
- B) Unethical acts are always illegal.
- C) Illegal acts are always unethical.



Explanation

Some illegal acts, such as acts of civil disobedience, are considered ethical by many people. All unethical behavior is not necessarily illegal.

(Study Session 1, Module 1.1, LOS 1.e)

Question #17 of 17

Surveys have shown that, compared to other professions, the trust the public has in financial services professionals is:

- A) higher than for other professions.
- B) near the bottom of all professions.
- C) only average among professions.



Explanation

According to a survey cited by CFA Institute, trust in the financial services profession was lower than trust in any other profession in the survey.

(Study Session 1, Module 1.1, LOS 1.c)

www.ombookcentre.in