




Question #1 of 31

An analyst has not paid his CFA Institute dues for several years but has filed a professional conduct statement annually. Which of the following statements is CORRECT regarding his status with CFA Institute? The analyst:

A) cannot refer to ever having been a member. 

B) is no longer an active member. 

C) is still an active member. 

Explanation


Standard VII(B), Reference to CFA Institute, the CFA Designation, and the CFA Program, applies. In order to use the CFA designation, the member must pay annual dues and submit a yearly Professional Conduct Statement.

(Study Session 1, Module 3.9, LOS 3-VII.(B))

(Study Session 1, Module 3.7, LOS 3-VII.(B))

Question #2 of 31

Julie Stades retired several years ago and relinquished her membership in CFA Institute. She had the CFA designation up until then. She has decided to go back to work and puts the following statement on her resume: "I earned the CFA designation 10 years ago." Is this a violation of Standard VII(B)?

A) Yes, she must state that she no longer holds the CFA designation. 

B) Yes, because she is no longer an active member. 

C) No, as long as she does not indicate she currently has the designation. 

Explanation

Stades is allowed to state that she earned the designation as long as she does not infer that she currently has the designation.

(Study Session 1, Module 3.9, LOS 3-VII.(B))

Question #3 of 31

Jean Davis and Brian Taylor were recently hired by a local brokerage. Davis is registered for the Level II CFA exam and does not reference the CFA designation on her business card. In her marketing materials, Davis factually describes CFA requirements and notes that she expects to pass in June. Taylor passed the Level II exam and has not yet registered for the Level III CFA exam. Taylor also does not reference the CFA designation on his card and writes in his marketing materials that he passed both Levels I and II of the CFA exam on his first try, which is true. Have Davis or Taylor violated any CFA Institute Standards of Professional Conduct?

A) Only one violated the Standards. 

B) Both violated the Standards.



C) Neither violated the Standards.



Explanation

Davis violated Standard VII(B) Reference to the CFA Institute, the CFA Designation, and the CFA Program because she stated a future date in which she expected to pass. Candidates who imply partial designations or expected completion dates violate this Standard. Stating a fact about having passed each of the first two levels on the first try does not violate the Standard.

(Study Session 1, Module 3.9, LOS 3-VII.(B))

(Study Session 1, Module 3.7, LOS 3-VII.(B))

Question #4 of 31

Which of the following individuals may refer to himself or herself as a candidate in the CFA Program?

A) Ed Long has not yet attempted a Level I exam but has registered for the next one.



B) Bob Krall passed the Level II exam and intends to register for the next Level III exam.



C) Jane Baker received a passing score in January for the Level I exam but is waiting until the following year to register for the Level II exam.



Explanation

To refer to oneself as a CFA candidate, an individual must be registered to sit for a CFA exam or waiting for results of a CFA exam taken.

(Study Session 1, Module 3.9, LOS 3-VII.(B))

(Study Session 1, Module 3.7, LOS 3-VII.(B))

Question #5 of 31

June Carter passed Level III of the CFA examination in June but will not complete her work experience requirement until August of next year. Carter can state on her resume that she:

A) will be a CFA charterholder in August of next year as long as she is on track to complete her work experience.



B) is a CFA in waiting.



C) passed Levels I, II, and III of the CFA examination.






Explanation

A candidate cannot use any form of the CFA designation until receiving her charter.

(Study Session 1, Module 3.9, LOS 3.a, 3.b, 3.c)

Question #6 of 31

Jason Jones, a stock broker who has completed Level I of the CFA program and is registered for the next Level II CFA exam, may:

- A) use the Level I CFA designation since he has passed the Level I exam. 
- B) state that he is a Level II candidate in the CFA Program. 
- C) not mention that he is involved in the CFA Program until he has passed all three levels. 




Explanation

Jason may refer to his participation in the program but must state that he is a candidate and specify the level of the exam for which he is registered. There is no partial designation.

(Study Session 1, Module 3.9, LOS 3-VII.(B))

Question #7 of 31

John Johnson, portfolio manager at Sunshine Investments, has passed all three levels of the CFA® Program and has completed his work experience requirements. He expects to receive his charter in the near future. He includes the following statement in his firm's brochure: "Johnson has passed all three levels of the exam and has completed the required work experience for the CFA Charter. He is eligible for the CFA Charter and expects to receive the charter in the near future. Over the years, he has demonstrated a superior performance and his CFA Charter will be rightfully awarded." Johnson has:

- A) violated CFA Institute Standards of Professional Conduct because he advertised the CFA Charter before actually obtaining it. 
- B) violated CFA Institute Standards of Professional Conduct because he implied superior performance that would be linked to the CFA Charter. 
- C) not violated CFA Institute Standards of Professional Conduct because he met all disclosure requirements. 

Explanation



According to Standard VII(B), Reference to CFA Institute, the CFA Designation, and the CFA Program, Johnson may indicate that he has completed the requirements and is eligible for the CFA charter along with an accurate explanation of the requirements. However, he may not imply that the designation would mean superior performance capabilities.

(Study Session 1, Module 3.9, LOS 3-VII.(B))

Question #8 of 31

Ken James has been an independent financial advisor for 15 years. He received his CFA Charter in 1993, but did not feel it helped his business, so he let his dues lapse this year. He still has several hundred business cards with the CFA designation printed on them. His promotional materials state that he received his CFA designation in 1993. James:

- A) must cease distributing the cards with the CFA designation, but can continue to use the existing promotional materials. 

- B)** can continue to use the existing promotional materials, and can use the cards until his supply runs out—his new cards cannot have the designation. 
- C)** must cease distributing the cards with the CFA designation and the existing promotional materials. 




Explanation

Use of the CFA designation must be stopped immediately, however, the receipt of the Charter is a matter of fact.

(Study Session 1, Module 3.9, LOS 3.a, 3.b, 3.c)

Question #9 of 31

Stephanie Orange, Level II CFA candidate, posts blogs for her exam study group three days after the exam to vent her frustrations over the exam. However, to avoid disclosing what was actually on the exam, she only discusses topic areas she thought would be on the exam that were not. She writes "...the topics selected were unnecessarily obscure. Important items like FCF, DDM, and Residual Income were ignored completely..." Orange is *most likely*:

- A)** in violation of Standard VII(A) "the Code and Standards" for providing confidential information about the exam. 
- B)** not in violation because the information about the actual exam contents was posted only after the conclusion of the exam. 
- C)** not in violation because the information was only about what was not on the exam. 

Explanation

Standard VII(A) Conduct as Participants in CFA Institute Programs prohibits members and candidates from providing confidential information about the exam – even after the conclusion of the exam. Examples include broad topical areas tested or not tested.

(Study Session 1, Module 3.9, LOS 3-VII.(A))

Question #10 of 31

Which of the following is an appropriate statement for a Level II CFA candidate to make?

- A)** I passed the Level I CFA exam last year. 
- B)** I am a Level II CFA. 
- C)** I am a Level I CFA charterholder. 

Explanation

The only appropriate statement is "I passed the Level I CFA exam last year." It is a factual statement and does not imply a partial designation, which does not exist.

(Study Session 1, Module 3.9, LOS 3-VII.(B))

Question #11 of 31

The CFA logo may be used as a certification mark:

- A) on a personal business card.
- B) on a company website.
- C) next to a company logo.



Explanation

Individual charterholders may use the CFA logo on a business card or letterhead. The CFA logo may not be used by a company or firm.

(Study Session 1, Module 3.9, LOS 3-VII.(B))

(Study Session 1, Module 3.7, LOS 3-VII.(B))

Question #12 of 31

Nichole Zeller and Randy Toffler have both passed Level II of the CFA Exam Program and have registered for Level III. Zeller circulates a resume stating that she is a candidate for the CFA designation and has passed Level II of the CFA program. Toffler circulates a resume stating that he is a CFA II. Which of the following statements is CORRECT?

- A) Only Toffler has violated the Code of Standards.
- B) Both Zeller and Toffler have violated the Code of Standards.
- C) Only Zeller has violated the Code of Standards.



Explanation

The Code and Standards permit an individual to state that he or she is a candidate for the CFA designation as long as the person is registered for the next CFA exam. The same individual may state the fact that he or she has passed Level I or II of the CFA program. There is no partial designation, such as CFA II.

(Study Session 1, Module 3.9, LOS 3-VII.(B))

Question #13 of 31

When Wes Smith first joined Advisors, Inc., he was excited that all the analysts at the firm had the CFA designation. In letters to prospective clients, he states that this ensures that Advisors can provide better service than their competitors. With respect to Standard VII(B), Reference to CFA Institute, the CFA Designation, and the CFA Program, this is:

- A) a violation because he cannot guarantee better service.
- B) a violation because he mentions the CFA designation in the letter.
- C) a violation for both mentioning the CFA designation and saying the firm can guarantee better service.






Explanation

According to Standard VII(B), the analyst cannot guarantee better service. Smith can mention the fact that all analysts have the designation, but he is limited in what he can say with respect to this fact. He could say, for example, that this means the analysts all had to take and pass three rigorous exams.

(Study Session 1, Module 3.9, LOS 3-VII.(B))

Question #14 of 31

Which of the following is *least likely* a violation of Standard VII(A), Conduct as Participants in CFA Institute Programs?

- A) Improperly using the CFA Designation to further professional goals. 
- B) Disregarding the rules related to the administration of the CFA examination. 
- C) Expressing opinions in disagreement with CFA Institute advocacy positions. 




Explanation

Members and Candidates are allowed to express their opinions about the CFA Institute and CFA Program. Both of the other choices violate Standard VII(A) Conduct as Participants in CFA Institute Programs.

(Study Session 1, Module 3.9, LOS 3-VII.(A))

Question #15 of 31

All of the following are required for a CFA Institute member to maintain his or her active status EXCEPT:

- A) Passing each exam in no more than two tries. 
- B) remit a completed Professional Conduct Statement on an annual basis. 
- C) paying membership dues to CFA Institute on an annual basis. 

Explanation




Passing each exam in two or fewer tries is not required to maintain active status as a member of the CFA Institute. CFA Institute imposes both of the other choices.

(Study Session 1, Module 3.9, LOS 3-VII.(B))

(Study Session 1, Module 3.7, LOS 3-VII.(B))

Question #16 of 31

Jake Miles, CFA, includes the following phrase on his business card: "Jake Miles is your trusted local CFA." Is this a violation of Standard VII(B)?

- A) Yes, because he uses CFA as a noun. 
- B) Yes, because he cannot put the initials "CFA" on his business card. 
- C) No, because his CFA Institute membership indicates that he is indeed trustworthy. 

Explanation




The initials CFA cannot be used as a noun. The initials can appear on a business card but cannot be used to exaggerate the meaning or implications of membership.

(Study Session 1, Module 3.9, LOS 3-VII.(B))

(Study Session 1, Module 3.7, LOS 3-VII.(B))

Question #17 of 31

Which of the following actions would be a violation of the Standard VII(A) Conduct as Participants in CFA Institute Programs?

- A) Misrepresenting information on the Professional Conduct Statement. 
- B) Exaggerating the implications of holding the CFA designation. 
- C) Using the CFA designation without submitting a Professional Conduct Statement and paying annual dues. 




Explanation

Misrepresenting information on the Professional Conduct Statement is a direct violation of Standard VII(A) Conduct as Participants in CFA Institute Programs. The other choices are violations of Standard VII(B) Reference to CFA Institute, the CFA Designation, and the CFA Program.

(Study Session 1, Module 3.9, LOS 3-VII.(A))

Question #18 of 31

A CFA Institute member puts the following statement on her resume: "I passed each level of the CFA exam on the first try." Is this a violation of Standard VII(B)?

- A) Yes, because saying she passed exams on the first try is not appropriate. 
- B) No, because it is a statement of fact. 
- C) Yes, because she incorrectly refers to the CFA exam. 



Explanation

The statement is not a violation because it is a fact. However, the member must not go on to claim superior performance.

(Study Session 1, Module 3.9, LOS 3-VII.(B))

Question #19 of 31

Which of the following is *least* likely an appropriate use of the CFA designation?

- A) Jeremy Salyers has earned the CFA designation by passing three exams, all three on his first attempts. 
- B) Jeremy Salyers, as a CFA charterholder, expects to outperform the market because CFA charterholders have on average outperformed their peers. 

C) Jeremy Salyers, CFA.



Explanation

Members may not over-promise their performance as CFA charterholders. They may follow their name with the designation and describe, factually, the requirements for becoming a charterholder.

(Study Session 1, Module 3.9, LOS 3-VII.(B))

Question #20 of 31

Lindsay Gordon is a Level II CFA candidate living in San Francisco. Gordon's best friend, Steve Haney, also a Level II candidate, is living in Munich. Because of the time difference between Munich and San Francisco, Gordon suggests that Haney call Gordon during the Munich exam lunch break to discuss the morning exam. Haney makes the call on exam day.

Which of the following statements regarding Gordon and Haney is *most accurate*?

A) Gordon is in violation of the Code and Standards, but Haney is not in violation.



B) Both Gordon and Haney are in violation of the Code and Standards.



C) Neither Gordon nor Haney is in violation of the Code and Standards.



Explanation

Both Gordon and Haney violated Standard VII(A) Conduct as Participants in CFA Institute Programs by compromising the integrity of the exam.

(Study Session 1, Module 3.9, LOS 3-VII.(A))

(Study Session 1, Module 3.7, LOS 3-VII.(A))

Question #21 of 31

For the past 5 years, Karen Beckworth, CFA, has served as a proctor for the CFA exam. Beckworth tells her assistant, a Level III CFA candidate, that she normally receives the examinations on the Thursday before the exam. Given the low pass rate at Level III, Beckworth asks her assistant if he would like an advance copy of the next exam. Beckworth's assistant declines the offer.

Beckworth's assistant has been very vocal about expressing his opinions about the low pass rate. The assistant claims, "there are too many charterholders and CFA Institute is deliberately failing candidates because the prestige of the CFA charter is becoming diluted."

With regard to Standard VII(A) Conduct as Participants in CFA Institute Programs, which of the following statements concerning Beckworth's and her assistant's behavior is *most accurate*?

A) Both Beckworth and her assistant are in violation of Standard VII(A).



B) Beckworth is in violation of Standard VII(A), but her assistant is not in violation.



C) Neither Beckworth nor her assistant is in violation of Standard VII(A).



Explanation

Beckworth is in violation of Standard VII(A), Conduct as Participants in CFA Institute Programs. Beckworth compromised the integrity of the exam by offering her assistant an advance copy. Beckworth's assistant is allowed to express his opinion without violation of any Standards.

(Study Session 1, Module 3.9, LOS 3-VII.(A))

Question #22 of 31

Anderson, Baker and Chang all received their CFA charters and ordered new business cards. Their business cards are as follows:

G. J. Anderson, CFA

B. K. Baker, Chartered Financial Analyst

M. S. Chang, C.F.A

Which of the business cards use the CFA marks improperly?

A) Chang.



B) Anderson and Chang.



C) Baker and Chang.



Explanation

Consistent with Standard VII(B), members must use the CFA marks in a proper manner. Members may indicate "CFA" or "Chartered Financial Analyst" after their names, but the designation should not be given more prominence than that used in printing the name itself. Also, periods should not be used to separate the letters.

(Study Session 1, Module 3.9, LOS 3-VII.(B))

Question #23 of 31

Ron Vasquez is registered to sit for the Level II CFA exam. Unfortunately, Vasquez has failed the exam the past two years. In his frustration, Vasquez posted the following comment on a popular internet bulletin board: "I believe that CFA Institute is intentionally limiting the number of charterholders in order to increase its cash flow by continuing to fail candidates. Just look at the pass rates."

Which of the following statements regarding Vasquez's conduct is *most accurate*? Vasquez is:

A) not in violation of Standard I(D) Misconduct or Standard VII(A) Conduct as Participants in CFA Institute Programs



B) in violation of both Standard I(D) Misconduct and Standard VII(A) Conduct as Participants in CFA Institute Programs.



C) in violation of Standard VII(A) Conduct as Participants in CFA Institute Programs, but not in violation of Standard I(D) Misconduct.






Explanation

Standard VII(A) Conduct as Participants in CFA Institute Programs does not prohibit expressing opinions about the program or the CFA Institute. Thus, Vasquez is not in violation. Nothing in the facts indicates a violation of Standard I(D), Misconduct. Standard I(D) deals with professional conduct involving dishonesty, fraud, or deceit.

(Study Session 1, Module 3.9, LOS 3-VII.(A))

Question #24 of 31

All of the following statements in promotion of your services are in *violation* of CFA Institute Standards of Practice handbook EXCEPT:

- A) I passed Level II of the CFA Program in 2003. 
- B) I guarantee under my management that you will receive returns in excess of the market index average. 
- C) based upon my research, you will achieve a 20% compound annual rate of return on small cap stocks over the next 5 years. 




Explanation

Candidates may refer to the CFA level(s) passed and the associated dates as long as a partial designation is not implied. They may not guarantee or promise a given level of return.

(Study Session 1, Module 3.9, LOS 3-VII.(B))

Question #25 of 31

While on a business trip, John Hayes, CFA, found a notebook that had apparently been left in the waiting area of an airport. Hayes opened the notebook and read the title: Confidential: Level II CFA Examination. Before returning the notebook to CFA Institute, he made a copy and gave it to Linda Sacket, one of his firm's analysts, who was a candidate for Level II of the CFA examination. Sacket read the questions and guideline answers before taking the Level II examination. According to the CFA Institute Standards of Professional Conduct:

- A) both Hayes and Sacket violated the Standards. 
- B) Sacket violated the Standards, but Hayes did not. 
- C) Hayes violated the Standards, but Sacket did not. 

Explanation

Both violated Standard VII(A) Conduct as Participants in CFA Institute Programs because they compromised the validity of the examinations.

(Study Session 1, Module 3.9, LOS 3-VII.(A))

(Study Session 1, Module 3.7, LOS 3-VII.(A))

Question #26 of 31

Ralph Lim and Susan Bland have both passed Level I of the CFA Program. Both are currently enrolled to sit for Level II. Lim's business card reads, "Ralph Lim, CFA Level I." Bland's resume states, "Level II Candidate in the CFA Program." According to CFA Institute Standards of Professional Conduct involving use of the professional designation:

A) Bland violated the Standard, but Lim did not.



B) Both Lim and Bland violated the Standard.



C) Lim violated the Standard, but Bland did not.



Explanation

There is no designation for someone who has passed Level I, Level II, or Level III of the CFA examination. Candidates may state, however, that they have completed Level I, II, or III, as the case may be, in the CFA Program. Thus, Lim violated the Standard, but Bland did not.

(Study Session 1, Module 3.9, LOS 3-VII.(B))

Question #27 of 31

Ted Willis received his CFA designation in 1998 and was employed as an investment counselor until 2003. During the past several years, Willis has been out of work because of a serious illness. He also failed to pay his annual CFA Institute dues during the current year. Willis has now recovered and accepted a position with an investment advisory firm. His new business card says, "Ted Willis, CFA." As part of his job with his new firm, Willis uses PowerPoint® to make presentations to groups of prospective clients. He obtained some of these PowerPoint® slides from web sites, but removed the copyright notice before showing the slides to prospective clients.

Which of the following statements about Standard VII(B), Reference to CFA Institute, the CFA Designation, and the CFA Program, and Standard I(C), Misrepresentation, is *most* accurate? Willis:

A) violated Standard VII(B) but he did not violate Standard I(C).



B) did not violate either Standard VII(B) or Standard I(C).



C) violated both Standard VII(B) and Standard I(C).



Explanation

Willis violated Standard VII(B) because his right to use the CFA designation was suspended when he stopped paying CFA Institute dues. Thus, he can no longer use the CFA designation on his business card. Willis also violated Standard I(C) because he was guilty of plagiarism. He inappropriately used copyrighted material, which provided the impression that such material was his own.

(Study Session 1, Module 3.9, LOS 3-VII.(B))

(Study Session 1, Module 3.7, LOS 3-VII.(B))

Question #28 of 31

Judy Albert and Bob Tye, who recently started their own investment advisory business, plan to take the Level III CFA examination next year. Albert's business card reads, "Judy Albert, CFA Candidate." Tye has not put anything about the CFA on his business card. However, the firm's promotional materials describe the CFA requirements and indicate that Tye participates in the CFA program and has completed Levels I and II. According to CFA Institute Standards of Professional Conduct:

A) Albert has violated the Standards but Tye has not.



B) Both Albert and Tye have violated the Standards.



C) Neither Albert nor Tye has violated the Standards.



Explanation

On letterheads and business cards and in directory listings, only the mark CFA or the words Chartered Financial Analyst should appear after the charterholder's name.

(Study Session 1, Module 3.9, LOS 3-VII.(B))

Question #29 of 31

Stephanie Irons, Level II CFA candidate, regularly posts in Internet chat rooms dedicated to candidates studying for the Level II exam. Throughout the season, she and other candidates discuss curriculum content in great detail. Three days after the exam, she returns to the site and vents her frustrations over complicated exam questions by posting questions she remembers on the site, and asking others for their responses and reasoning. Other candidates follow suit and post the questions they remember. Within a week, Irons and her fellow candidates are able to reconstruct about 85% of the exam from their collective memory. Irons and her fellow candidates are *most likely*:

A) not in violation because the information about the actual exam contents was posted after the conclusion of the exam.



B) in violation of Standard VII(A) the Code and Standards for providing confidential information about the exam.



C) in violation of Standard VII(A) the Code and Standards for discussing curriculum content in a public forum prior to the exam.



Explanation

Standard VII(A) Conduct as Participants in CFA Institute Programs prohibits members and candidates from providing confidential information about the exam even after the conclusion of the exam.

(Study Session 1, Module 3.9, LOS 3-VII.(A))

Question #30 of 31

Which of the following statements is a violation of Standard VII(B) if it is included on a CFA charterholder's resume?

A) My earning the CFA designation indicates my desire to maintain high standards.



B) My earning the CFA designation indicates my superior ability.



C) Both of these are violations of Standard VII(B).



Explanation

A CFA charterholder may not make claims about how earning the designation proves superior capabilities. Saying "my earning the CFA designation indicates my desire to maintain high standards" is allowed because it is a factual statement.

(Study Session 1, Module 3.9, LOS 3-VII.(B))

Question #31 of 31

During 2004 Nancy Arnold received an undergraduate business degree with a management major and completed all requirements for the CFA designation imposed by CFA Institute. She is applying for employment at several brokerage firms. Her resume states, "I was awarded the CFA degree in 2004 by CFA Institute." Her resume also states that she graduated "with honors" and majored in finance. Her grade point average was 3.48 but "with honors" requires a 3.50 grade point average.

Which of the following statements about Standard VII(B), Reference to CFA Institute, the CFA Designation, and the CFA Program, and Standard I(C), Misrepresentation, is CORRECT? Arnold:

A) violated Standard I(C) but she did not violate Standard VII(B).



B) violated both Standard VII(B) and Standard I(C).



C) did not violate either Standard VII(B) or Standard I(C).



Explanation

Arnold violated Standard VII(B). The CFA designation should not be referred to as a degree. Arnold also violated Standard I(C) because her claim that she graduated "with honors" is not true.

(Study Session 1, Module 3.9, LOS 3-VII.(B))