

Question #1 of 19

The Global Investment Performance Standards (GIPS) were designed to apply primarily to which of the following groups?

- A)** Investment management firms located in countries without locally accepted investment standards already in place.
 - B)** Investment firms located in the 21 countries that have contributed significantly to promoting and developing the GIPS.
 - C)** Investment management firms located worldwide that seek to comprehensively and accurately present historical investment performance.
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Question #2 of 19

The Global Investment Performance Standards (GIPS) apply to which of the following parties?

- A)** An investment management firm located in Indonesia.
 - B)** A software firm that developed a software package that assists investment firms in achieving GIPS compliance.
 - C)** The chief compliance officer for a regional money manager.
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Question #3 of 19

In 1995, the CFA Institute sponsored and funded the Global Investment Performance Standards (GIPS) in response to:

- A)** both of the reasons listed here.
 - B)** a need to address issues, such as portability of investment results.
 - C)** an increase in insider trading.
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Question #4 of 19

Compliance with the CFA Institute Performance Presentation Standards (PPS) or the Global Investment Performance Standards (GIPS) is:

- A)** the only way to comply with Standard III(D), Performance Presentation.
 - B)** the best way to comply with Standard III(D), Performance Presentation.
 - C)** required by the Code of Conduct.
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Question #5 of 19

If the Chief Investment Officer of an investment advisory firm also is a CFA charterholder, which of the following statements is CORRECT?

- A) The firm must comply with the CFA Institute Global Investment Performance Standards only if it states that it follows the Standards.
 - B) All performance results that are presented must comply with the CFA Institute Global Investment Performance Standards.
 - C) The firm must present an historical composite.
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Question #6 of 19

A good way to describe the Global Investment Performance Standards (GIPS) is a:

- A) screening mechanism for determining appropriate international investments.
 - B) common yardstick for means of comparison.
 - C) legal doctrine with criminal penalties.
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Question #7 of 19

Lora Murphy has an account at Ferrell Investments, a GIPS-compliant firm. Murphy invests in small-cap value stocks and pays Ferrell a standard fee to execute her buy and sell orders. According to GIPS, is Ferrell required to include Murphy's portfolio in their small-cap value stock composite?

- A) No, because the portfolio is non-discretionary.
 - B) No, because constructing composites is voluntary.
 - C) Yes, because the portfolio is fee-paying.
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Question #8 of 19

Which of the following statements *most accurately* describes the requirements for GIPS verification?

- A) A firm must select a representative set of composites for third-party GIPS verification.
 - B) Verification of GIPS compliance is recommended, but not required.
 - C) Third-party verification is required for a firm to claim compliance with GIPS.
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Question #9 of 19

McGregor Investment Management promotes itself as a fixed-income investment management firm. The vast majority of the portfolios it manages are fixed-income portfolios. McGregor does, however, manage a few portfolios, utilizing a growth equity investment strategy, but the firm has no intention of ever promoting this strategy. Under the Global Investment Performance Standards (GIPS), must these portfolios be included in a composite?

- A) No, because the firm does not normally manage portfolios to a growth equity strategy and is not planning to promote it.
 - B) Yes, because the portfolios are discretionary and fee paying.
 - C) Yes, because the portfolios are managed to a widely recognized investment strategy.
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Question #10 of 19

When verifying a firm's compliance with Global Performance Investment Standards (GIPS), the verifier must:

- A) disclose whether the verification was performed by the firm's internal auditors or a third party.
 - B) clearly identify the composites for which verification has been performed.
 - C) attest that the firm's processes and procedures are established to present performance in accordance with GIPS requirements.
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Question #11 of 19

Which of the following statements *most accurately* describes why the Global Investment Performance Standards (GIPS) were created? To:

- A) provide comparability of performance results among nations for which no presentation guidelines currently exist.
 - B) meet the need for a single globally accepted set of regulatory guidelines among developed securities markets.
 - C) meet the need for a single globally accepted set of investment performance presentation standards.
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Question #12 of 19

Which of the following *best* describes the underlying principles upon which the Global Investment Performance Standards (GIPS) are based?

- A) Uniformity and consistent application of standards for the global regulation of the securities industry.
 - B) Full disclosure and fair representation of performance results.
 - C) Fair and consistent application of a global set of regulatory requirements.
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Question #13 of 19

Viroqua DeSoto, CFA, is reading a discussion in an online forum about the construction and purpose of composites in performance reporting. She finds these statements from participants:

Statement 1: The purpose of composites is to let investors know how well a firm has performed managing different types of securities or investment strategies.

Statement 2: A managed portfolio should have a performance history of at least one year before the firm assigns it to a composite.

With respect to both statements:

- A) both are incorrect.
 - B) only one is correct.
 - C) both are correct.
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Question #14 of 19

When measuring and presenting their investment performance, GIPS compliant firms are required to:

- A) exclude time periods that are unrepresentative of the firm's performance history.
 - B) include terminated accounts in their performance history.
 - C) disclose the performance of the best-performing accounts in each composite.
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Question #15 of 19

Which of the following statements about a GIPS-compliant firm's verification of GIPS compliance is *most accurate*? Verification is:

- A) required, and must be performed by an independent third party.
 - B) optional, but if chosen it must be performed by an independent third party.
 - C) required, and may be performed by the firm's internal auditors.
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Question #16 of 19

As countries adopt the Global Investment Performance Standards (GIPS), which of the following is *least likely* to occur?

- A) Existing and potential clients will be able to make fair and unambiguous comparisons among investment firms.
- B) Competition in the global investment industry will be enhanced.
- C) The trend toward cross border investments will decline.

Question #17 of 19

The purpose of composites in a GIPS-compliant performance presentation is to:

- A)** clearly distinguish the entity that is presented to the public as a GIPS-compliant firm.
 - B)** provide information about a firm's performance in various asset classes.
 - C)** present overall firm performance in a single statistic that is comparable across firms.
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Question #18 of 19

Which of the following statements regarding CFA Institute Global Investment Performance Standards (GIPS) is CORRECT? A firm that employs members of CFA Institute:

- A)** must comply with the GIPS only within the United States.
 - B)** must choose to comply with either the Performance Presentation Standards (PPS) or GIPS.
 - C)** is not required to conform to the GIPS.
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Question #19 of 19

Which of the following statements *most accurately* describes verification under the Global Investment Performance Standards (GIPS)? GIPS verification:

- A)** requires a verification report to be issued for the entire firm.
- B)** requires verification of individual composites.
- C)** is required for a firm to claim GIPS compliance.