

FREQUENTLY ASKED QUESTIONS

Contents:

EXAM PREPARATION	1
CALCULATORS	2
IDENTIFICATION.....	3
AT THE TEST CENTER.....	4
EXAM FORMAT	5
GRADING THE EXAMINATIONS	6
MISCELLANEOUS.....	7

EXAM PREPARATION

Q. I have been unsuccessful in two attempts at the Level II examination, and am not sure what to do differently to prepare. I have put in the required time and effort and have also attended seminars to become “test wise.” What do you suggest?

The best preparation for the examinations at all three levels is a thorough knowledge of the reading material identified by the learning outcome statements (LOS). Although questions may combine LOS from one or more study sessions, you can be sure that each question will be based explicitly on at least one LOS. The “required time and effort” will obviously differ according to study habits, learning styles, and differences in prior topic knowledge, and trying to become “test wise” implies preparation on some basis other than mastery of the Candidate Body of Knowledge. The only direct way to prepare for the examinations is to master the LOS.

Q. Do I need to buy all the books? Which book is most important?

AIMR does not require that candidates purchase all books used in the curriculum, but we believe that studying the prescribed curriculum is the best way to prepare for the examinations. Some candidates rely strongly, or even solely, on preparatory or review programs and their associated notes. Although we recognize that there are many different learning styles, we believe review programs are best used as a supplement to, rather than a substitute for, the prescribed curriculum. When using someone else’s notes or interpretations of a reading, you limit yourself to their opinion of what is important. You also trust them to accurately summarize the reading material. Be advised that AIMR does not audit or certify the coverage or accuracy of the materials of any prep course provider, whether third party or society-sponsored. Remember that the examinations are developed directly from the curriculum and are consistent with the LOS prescribed by AIMR. There is no substitute for studying the original material.

No one book is most important; the importance of each topic area, and therefore the associated readings as well, is indicated by the exam topic weights published in the Study Guide.

Q: I've noticed that some of the readings have many learning outcome statements (LOS), while others just have a few. Does the number of LOS reflect the importance of the reading and the amount of time I should spend on it?

The number of LOS is not necessarily an indication of the importance of a particular reading. LOS are designed to guide candidates to the relevant areas of a reading, and indicate what candidates should be able to accomplish. The Council of Examiners bases examination questions on the topics identified in the LOS. Thus candidates should use the LOS to guide and focus their study of the assigned readings. The amount of time a candidate should spend on a particular topic area will depend on many factors, not the least of which is that candidate's familiarity with the topic. A candidate who works with derivatives will probably need to spend less time studying derivatives than a candidate who works in an unrelated area. In addition, LOS differ in their scope of coverage; some LOS are much more broadly written than other LOS. Candidates should refer to the topic area weights given in the Study Guides for the percentage of the examinations related to each topic.

Q. I would like to bring to your attention that a potentially inappropriate comment is included in a scene in one of your CFA preparatory videos. Who at AIMR is responsible for producing these videos and including such a comment?

AIMR does not produce any training videos or other preparatory materials outside of the prescribed curriculum for the CFA Program. While many local AIMR societies sponsor CFA Program preparatory courses, AIMR does not sponsor any courses, nor is AIMR responsible for the content of these courses. Local AIMR societies are separate legal entities and questions regarding local society activities should be directed to that society.

CALCULATORS

Q. I just enrolled in the CFA Program. When I received my Study Guide, I saw that there are only two calculators I'm allowed to use. This is an archaic rule that has no basis except to impose restrictions on candidates. Why can't I use my HP17B2?

The calculator policy was developed in response to two major concerns. First, the old policy was ineffective in practice. Candidates were sometimes confused by the old policy and asked that AIMR provide a short list of approved calculator models. In addition, proctors spent significant amounts of time on exam day reviewing the hundreds of different calculator models candidates brought with them. This resulted in long delays in examination starting times, especially at large test centers. Because proctors must perform many important tasks in a timely fashion on exam day, AIMR believed that the calculator policy should be simple and easy to enforce. Second, many calculators, such as the HP17B2, have text-storing capabilities. Candidates could bring text stored in the calculator into the examination room, creating an unfair situation. By adopting a policy of permission (defining what a candidate *may* use) rather than a policy of omission (attempting to describe what the candidate *may not* use), AIMR can more easily protect the integrity of the CFA examination. It is standard practice of many professional testing bodies to provide a short list of permissible models. In the current policy, the HP model is available for candidates who prefer reverse polish notation entry, and the TI model is for those who prefer algebraic notation entry. Both of the models approved for use on the CFA examinations are available for sale worldwide and are relatively inexpensive. In short, the policy was developed to create a level playing field for all candidates. Please note that AIMR does not sell calculators, nor does AIMR receive any financial remuneration from sales of either calculator model.

Q. I have to use a screwdriver to replace the batteries in my new *Texas Instruments BA II Plus* calculator. Will I be allowed to do this during the examinations if my battery dies? If your calculator requires the use of a screwdriver to replace batteries, you may bring one and keep it in your pocket or in a clear plastic bag until you need to use it. However, AIMR advises you to place fresh batteries in your calculator(s) on the day before the examinations. Replacing batteries during the examinations will use valuable testing time. You may also bring more than one of the approved calculators to the examinations.

Q. There is a problem with using the HP 12C calculator to do some time value of money calculations. Should I be concerned that the HP 12C automatically rounds up when computing the time required to accumulate a given future value?

AIMR is aware that the HP 12C rounds up when computing the time required to accumulate a certain sum. We have taken that into consideration in the creation of questions and in the grading process.

IDENTIFICATION

Q. Where I live, a driver's license is renewed by placing a sticker on the back of the original license to update information such as expiration date and address. Is this acceptable for admittance to the CFA examinations?

An original driver's license (which contains a photo of the driver) with a renewal sticker *is* acceptable. Remember, ID must meet all of the following criteria:

- It must be current and valid (it cannot be expired).
- It must contain the candidate's photo.
- It must be issued by a government agency.
- It must be a single document (*not* a combination of two or more pieces of information).

Q. My government-issued identification does not have my photograph on it. Can I use another form of photo identification along with my government-issued identification for admittance to the exam room?

No. You must present current, government-issued photo identification (such as a passport, driver's license, government or national identification card, military identification, citizen's identification, or government work permit with photo). Expired documents of any kind will not be accepted. Photocopies of identification documents will not be accepted.

Q. Photographs are not required on driver's licenses where I live. Will a driver's license without a photograph be acceptable for admittance to the exam room?

No. You must present another acceptable form of government-issued photo identification (see answer above).

Q. Can I use a copy of my current government-issued photo identification, rather than the original, for admittance to the exam?

No. You must present the original document in order to gain admittance.

AT THE TEST CENTER

Q. Am I allowed to bring scratch paper into the testing room?

Scratch paper is not permitted. In fact, the use of scratch paper represents a conduct violation and may result in disciplinary action. AIMR encourages candidates to use the Level I question book, question pages and extra pages in the Level II and Level III question books, as scratch paper.

Nothing that is written on the question pages will be graded.

Q. What is AIMR's policy regarding personal items in the exam room?

Our policy on personal belongings has changed significantly. Beginning in 2002, the following items *are not permitted* and should be left at home or in your car. If such items are found, whether inside or outside the testing room, security personnel will remove and dispose of them.

AIMR is not responsible for stolen, lost, or damaged property.

- Bags of any kind including backpacks, purses, handbags, tote bags, briefcases, luggage, and lunch bags.
- Study materials including notes, papers, textbooks, study guides, scratch paper, present/future value tables.
- Cellular telephones, pagers, headsets, computers, electronic organizers, Palm Pilot computers, or any other remote communication or photographic devices.
- A watch with an alarm or an audible timer.

The following items *may be carried into the test center* in your pockets or in a clear plastic bag measuring approximately 8" x 8" (20 cm. X 20 cm.):

- Examination Admission Ticket.
- Identification.
- Calculator(s), including calculator cases.
- Writing instruments.
- Erasers, calculator batteries, pencil sharpeners, eyeglasses, earplugs.
- Medicine, tissues, and other medically necessary or personal items.
- Food and drinks (must be consumed outside of the testing room).

Q. Can medicine be brought into the exam room and used during the exam?

You may keep medicines, tissues, and other personal items in your pockets or in a clear plastic bag during the exam. The plastic bag may remain on your desk (space permitting) or on the floor beneath your chair.

Q. I have a medical condition that requires me to consume food at frequent intervals. Am I permitted to keep and eat snacks at my desk during the examination?

Candidates are not permitted to eat or drink at their desks; rather, they may keep food and drinks with them (in their pockets or in a clear plastic bag) and leave the testing room to eat or drink.

However, if you have a medical condition (such as diabetes) that requires you to eat frequently, you may request an accommodation under the Americans with Disabilities Act. To make your request, please complete the required forms and submit the necessary documentation from your physician. The forms can be downloaded from our website at

http://www.aimr.org/pdf/cfaprogram/disability_accom.pdf or can be obtained from Information Central.

Q. Can I remove my jacket or sweater during the exam if the testing room becomes too warm?

You may remove a sweater, jacket, hats, etc., during the exam. These items may be hung on the back of your chair or placed on the floor beneath your chair. Proctors will not collect clothing items during the examination, nor will there be a collection area or table for such items.

Q. Can I use a ruler, correction fluid, highlighters, or other tools on the exam?

No. Highlighters, correction fluid, rulers are not permitted. Candidates are only permitted to bring pencils, erasers, and pens for writing the examination. Multiple choice and item set questions must be answered in pencil; stray pencil marks or changed answers should be corrected by erasure. Essay questions must be answered in blue or black ink; changed essay answers must be marked through with ink. Graders will not grade answers that are marked out.

Q. The new policy on personal belongings states that lunch bags and drinks are prohibited in the testing room and that snacks can be carried in a clear plastic bag. If there aren't any restaurants near the test center, can I bring lunch in my clear plastic bag?

Yes, you may bring food and drink into the testing room in a clear plastic bag but it must be consumed outside the testing room.

EXAM FORMAT

Q. I have begun studying for the Level I exam and discovered that there are many formulas presented. Are candidates expected to memorize all these formulas?

Candidates are expected to be able to perform the actions specified in the Learning Outcome Statements (LOS). If a formula is required, then it should be committed to memory.

Q. On the Level I examination, is Corporate Finance tested as part of Financial Statement Analysis?

Yes.

Q. I heard that some of the questions on this year's Level I exam may not count. Is this true; and if so, how will it affect my score?

There are 120 questions on the morning section and 120 questions on the afternoon section of the Level I examination, and all questions count toward your final score. In the past, AIMR pretested a small set of questions on each exam for potential use on future CFA examinations. This practice has been discontinued.

Q. In the quantitative methods book we often refer to the z -table, t -table, and F -table. Will these tables be provided during the exam?

AIMR will *not* provide distribution tables with the exam. If a question requires information from a specific distribution table, that information will be provided with the question. But the tables themselves will not be provided. Similarly, time value tables (present value, future value, etc.) are neither needed nor provided; the two AIMR-approved calculators are capable of performing any required present value and future value calculations.

Q. If a 12-minute essay question asks me to provide three reasons in my response, can I assume that each reason is weighted 4 minutes and thus is worth 4 points?

Yes, if the question does not contain any information or instructions to the contrary.

Q. Why do some learning outcome statements contain command words that obviously will not appear on a particular exam? For example, “draw” is a command word used in a Level III derivatives LOS, but the Level III derivatives material is tested in item set format, which would not allow candidates to draw a diagram or picture.

All learning outcome statements use command words, such as analyze or calculate, which tell you what you should be able to do after you read that reading. Although many Level I multiple choice questions and Level II and III item set questions do not use specific command words, part of your preparation and study should include becoming familiar with these command words as they are used in learning outcomes statements. Even though candidates obviously cannot “draw a profit or loss diagram” in a multiple choice or item set context, for instance, they CAN evaluate, analyze, or interpret a drawn diagram that is provided. Developing the ability to draw the diagram certainly improves the ability to evaluate, analyze, or interpret the diagram.

Q. Since scratch paper is not allowed at the examination, am I allowed to do scratch work in the examination booklet?

You are permitted to do scratch work in two places in the examination book: on the question pages or on the extra pages in the back of the essay book. Any marks on the question pages will not be graded. Any marks on the extra pages in the back of the book that are not labeled as being a continuation of an answer to a specific question will not be graded. *The only pages that are graded are the designated answer pages and the extra pages in the back of the booklet that are labeled as being a continuation of an answer.*

Q. The Level II CFA exam has business combinations (pooling and purchase) as one of its LOS. With the adoption of new accounting policies from FASB, business combinations can no longer be pooling transactions, but purchase only. How will this change be addressed on the exam? Should a candidate answer the question based on the out-of-date textbook, or based on the new policies?

Please refer to the Level II Study Guide, where it states: “Some of the accounting concepts in the Financial Statement Analysis study sessions may be superseded by updated rulings and/or announcements issued after a reading was published. Although candidates are not expected to learn material that is outdated, they should be familiar with the overall analytical framework contained in these sessions. Candidates will *not* be penalized for applying updated rules.”

GRADING THE EXAMINATIONS

Q. I just read the published guideline answers for the Level II examination and compared the answers to some I’ve seen on the Internet. As a result of my prior study of economics, I think the answers I saw on the Internet are correct, but they were not the published guideline answers. Would I have received any credit if I answered differently from the guideline?

Space does not permit us to include all acceptable answers in the published guideline answer. The guideline answers are intended to show a representative candidate response given the CFA Study Program materials assigned in that year. One of the reasons why the exams are graded by CFA charterholders who are experienced practitioners or academicians is to ensure that all acceptable answers receive appropriate credit. Your answer may very well have received partial

or even full credit.

Q. I received at least 50 percent on almost all topics on my results score matrix, but I still did not pass. How can that happen?

Candidates should not attempt to interpret an overall passing or failing score from the results matrix information. The minimum passing score for the examination is determined by many factors, and is not a predetermined or specific percentage of the points either for individual topic areas or for the entire exam. Specifically, candidates should not interpret scores between 50 and 70 percent as passing.

Q. Does AIMR recognize the highest scores annually or create an honors list? If not, why not?

For several years in the mid- to late 1980s, AIMR *did* send letters of recognition to candidates who achieved top scores at each level. AIMR stopped that practice, however, for the protection of all charterholders. It became clear that some people interpreted the acknowledgement of top scores as identifying different “rankings” of candidates or charterholders. AIMR, and the vast majority of candidates and charterholders, were certainly not served well by this practice and it was eliminated. (For instance, employers could use this information in hiring decisions.) AIMR posts scores as pass or fail and does not consider one candidate as more (or less) accomplished than another merely because of their relative ranking in a particular year. This is especially true for candidates taking the same level examination in different years. Results or ranking on a 1998 examination, for example, could not be compared to results on the same level examination in 1999.

MISCELLANEOUS

Q: I just moved and sent in my change-of-address form. Will you change my test center too? No, we will not. Change of address and change of test center are two separate processes. Because many mailing address changes are temporary (i.e., students, temporary job transfers), AIMR cannot presume that a candidate's desired test center will also change with his or her mailing address. A change of mailing address can be accomplished at any time, at no charge. As stated in the enrollment form, there is a \$100 fee for a test center change. Candidates who wish to change test centers must send a written request to AIMR, along with payment of US \$100. Requests for changes that are not accompanied by payment will not be honored. Changes requested after February 1 are not guaranteed. The deadline for requests is March 29, 2002.

Q. The questions and guideline answers to the Level II and III essay questions are provided to candidates both in printed form and on AIMR's website. Where can I get copies of the questions and the answers for the Level II and III item sets?

Neither the Level I questions and answers nor the Level II and III item set questions and answers are released to the public. AIMR may use modified versions of previously used Level I questions and Level II and III item sets on future examinations. Although these actual questions are not released to the public, the Level I format is illustrated in the Sample Exam provided to Level I candidates and the item set format is explained and illustrated in the Level II and Level III Study Guides.