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PRACTICE QUESTIONS

CFA Institute - CFA® Program

CFAL1

Level I CFA®

EDITION	QUESTIONS	ISSUED
Demo	9	September 3, 2026

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Before you begin

What this is

9 practice questions for CFA Institute - CFA® Program `CFAL1`, each with its answer key and an explanation. Answer a question before you read its key — the explanation is worth more once you have committed.

If something looks wrong

Send us three things and we will check it:

- the exam code, `CFAL1`
- the question number
- the email address on your order

Write to **support@mometrix.net**. We reply within one business day.

Licence

QUESTION 1 SINGLE CHOICE

According to the CFA Institute Code of Ethics and Standards of Professional Conduct, members must place the integrity of the investment profession above their own interests. This requirement is an example of which type of ethical principle?

A A moral minimum standard

B A practical ethical principle derived from cultural norms

C **An aspirational principle**

D A legal compliance standard mandated by securities regulators

ANSWER C

WHY The Code of Ethics contains six broad ethical principles that are aspirational in nature. They describe the overarching conduct expected of CFA members and candidates, but they are not detailed, enforceable rules. The more specific, enforceable requirements are contained in the Standards of Professional Conduct. Therefore, the requirement to place the integrity of the profession above one's own interests is classified as an aspirational principle.

QUESTION 2 SINGLE CHOICE

An investor deposits $10,000 today into an account that pays 6% interest compounded annually. How much will be in the account at the end of 3 years?

A $10,600.00

B **$11,910.16**

C $11,401.00

D $12,000.00

ANSWER B

WHY Future value with annual compounding is calculated as FV = PV × (1 + r)^n. With PV = $10,000, r = 0.06, and n = 3: FV = 10,000 × (1.06)^3 = 10,000 × 1.191016 = $11,910.16. Option A is the value after one year, option C is the value using simple interest, and option D is incorrect arithmetic.

QUESTION 3 SINGLE CHOICE

Which of the following is included in U.S. Gross Domestic Product (GDP) using the expenditure approach?

A The value of used cars sold through a dealership

B Intermediate goods purchased by firms for production

C Government purchases of goods and services

D The imputed rental value of owner-occupied housing in the prior year

ANSWER C

WHY Under the expenditure approach, GDP = C + I + G + (X − M), where G is government purchases of goods and services. Used car sales are not included because the value was already counted when the car was originally produced. Intermediate goods are excluded to avoid double-counting. The imputed rental value of owner-occupied housing is included but counted at current period value, not prior period.

QUESTION 4 SINGLE CHOICE

Which of the following items would most likely be classified as a non-current liability on a company's balance sheet?

A Accounts payable

B Accrued wages

C Notes payable due within 9 months

D A 5-year corporate bond issued last year

ANSWER D

WHY Non-current liabilities are obligations due beyond one year. A 5-year corporate bond issued last year has a remaining maturity exceeding one year and is therefore classified as non-current. Accounts payable, accrued wages, and notes payable due within 9 months are all current liabilities expected to be settled within one year.

QUESTION 5 SINGLE CHOICE

Which of the following best describes the primary role of a company's board of directors?

A Managing the day-to-day operations of the company

B Maximizing short-term shareholder returns through aggressive financial policies

C Monitoring management on behalf of shareholders and protecting shareholder interests

D Auditing the company's financial statements

ANSWER C

WHY The board of directors is elected by shareholders to oversee management and ensure that the company is being run in the best interests of shareholders. Day-to-day management is the responsibility of executive officers. The board's focus is long-term shareholder value, not short-term returns. The audit of financial statements is typically performed by an external audit firm under the oversight of the audit committee, which is a subcommittee of the board.

QUESTION 6 SINGLE CHOICE

A price-weighted stock index is constructed from three stocks with current prices of $30, $60, and $90. A 2-for-1 stock split occurs on the $90 stock. After the split, what is the new divisor of the index, assuming no other changes?

A 2.0

B 2.5

C 3.0

D 1.5

ANSWER B

WHY Before the split, the sum of prices is $30 + $60 + $90 = $180, and the divisor is 3.0. After a 2-for-1 split on the $90 stock, its price becomes $45. The new sum of prices is $30 + $60 + $45 = $135. To keep the index value unchanged, the new divisor must satisfy 135 ÷ d = 180 ÷ 3 = 60. Solving: d = 135 ÷ 60 = 2.5.

QUESTION 7 SINGLE CHOICE

When the yield-to-maturity on a bond is greater than its coupon rate, the bond most likely trades at:

A Par value

B A premium

C **A discount**

D Face value plus accrued interest

ANSWER C

WHY Bond prices and yields have an inverse relationship. When the yield (YTM) exceeds the coupon rate, investors require a higher return than the coupon provides, so the bond must be priced below par to compensate. A bond trades at par when YTM equals the coupon rate, and at a premium when YTM is less than the coupon rate.

QUESTION 8 SINGLE CHOICE

A long forward contract has a delivery price of $50. At expiration, the spot price of the underlying asset is $55. What is the value of the forward contract to the long position?

A $−5

B $0

C **$5**

D $55

ANSWER C

WHY The value of a long forward contract at expiration equals the spot price minus the delivery price: V = S − K = $55 − $50 = $5. The long position benefits when the spot price rises above the delivery price.

QUESTION 9 SINGLE CHOICE

An ordinary annuity pays $1,000 at the end of each year for 5 years. If the discount rate is 8% compounded annually, which of the following is closest to the present value of the annuity?

A $3,000

B $3,313

C **$3,993**

D $5,000

ANSWER **C**

WHY The present value of an ordinary annuity of $1,000 per year for 5 years at 8% is calculated as $1,000 × [1 – (1.08)^–5] / 0.08. The annuity factor is approximately 3.9927, so the present value is about $3,993. Option A ignores discounting; Option B uses an incorrect factor; Option D is the future value without discounting.