

What You (absolutely) Need to Know About the 2009 Level 1 CFA Exam

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Outline

1. All about Study Sessions, Readings, Learning Outcome Statements
2. What are the Level 1 Curriculum topics and weights?
3. What are the changes for 2009?
4. How hard is the exam?

Outline

5. How is the exam structured?
6. How should I prepare for the exam?
7. How does Schweser help candidates prepare for the CFA exam?
8. What should I (can I) bring on exam day?
9. What do previous Level I candidates say?

Study Sessions, Readings, Topics, and Learning Outcome Statements

There are **18 Study Sessions**, each consisting of one or more **Readings**.

Example:

SS#2 Quantitative Methods: Basic Concepts

Reading 5 – The Time Value of Money

Reading 6 – Discounted Cash Flow Applications

Reading 7 – Statistical Concepts and Market Returns

Reading 8 – Probability Concepts

Study Sessions, Readings, Topics, and Learning Outcome Statements

Together with SS#3 *Quantitative Methods: Applications*, these readings make up the Topic Area of **Quantitative Methods**.

Quantitative Methods will be approximately 12% of the exam questions/points.

Study Sessions, Readings, Topics, and Learning Outcome Statements

Each reading has one or more **Learning Outcome Statements** associated with it.

Example:

Reading 6 – Discounted Cash Flow Applications

Candidates should be able to:

- a. calculate and interpret the net present value (NPV) and the internal rate of return (IRR) of an investment, contrast the NPV rule to the IRR rule, and identify problems associated with the IRR rule;

Study Sessions, Readings, Topics, and Learning Outcome Statements

Reading 6 – Discounted Cash Flow Applications

Candidates should be able to:

- b. define, calculate, and interpret a holding period return (total return);
- c. calculate, interpret, and distinguish between the money-weighted and time-weighted rates of return of a portfolio and appraise the performance of portfolios based on these measures

Readings and LOS

Purpose of Reading Level LOS

- Focus on relevant material for exam
- Indicate skill you should get from the reading
- Indicate the depth of topic knowledge required – especially the *Command Words*

Each exam question is based on one or more LOS

Body of Knowledge

The curriculum, and thus the LOS and exam questions, all begin with the Candidate Body of Knowledge.

B of K is based on feedback from practitioners and employers.

LOS are tested on a 5-year cycle.

Study Sessions, Readings, Topics, and Learning Outcome Statements

There are **74 Readings** and approximately **480 Learning Outcome Statements** for the 2009 Level 1 CFA Exam.

There are 10 Topic Areas:

- Ethics and Professional Standards
- Quantitative Methods
- Economics (Micro and Macro)
- Financial Reporting and Analysis
- Corporate Finance
- Portfolio Management
- Security Markets and Equity Investments
- Fixed Income Investments
- Derivatives
- Alternative Investments

Exam Topics and Weights

SS	Topic	# of Q's	%
1	Ethics	36	15%
2 – 3	Quant. Methods	29	12%
4 – 6	Economics	24	10%
7 – 10	Financial Reporting and Analysis	48	20%
11	Corp. Finance	19	8%

Exam Topics and Weights

SS	Topic	# of Q's	%
12	Portfolio	12	5%
13 – 14	Equity	24	10%
15 – 16	Fixed Income	29	12%
17	Derivatives	12	5%
18	Alternative Inv.	7	3%

Changes for Level I 2009

- New Accounting Readings – SS#9
 - Stress differences between U.S. GAAP and IFRS
- New Accounting Readings SS #10
 - Manipulation of the cash flow statement
 - Warning signs of accounting irregularities
 - Sunbeam and Enron scandals

Changes for Level I 2009

- New edition of Economics text
 - New treatment of macro
 - Monetary policy mechanics
 - Monetary policy rules and goals
 - New reading on central banks
- New Reading in Alternative Investments
 - Investing in commodities
- Many other smaller changes at LOS level

How hard is the exam?

Pass Rates (exam actually taken)

Exam	% Pass	Exam	% Pass
1999	64%	June 2005	36%
2000	52%	Dec 2005	34%
2001	49%	June 2006	40%
2002	44%	Dec 2006	39%
2003	44%	June 2007	40%
June 2004	34%	Dec 2007	39%
Dec 2004	36%	June 2008	35%

How is the exam structured?

2009 Exam

- All multiple choice – **3 choices**
- Morning session – covers all topics
 - 120 questions – 1½ minutes each
 - Old exams are NOT available
- Afternoon session – covers all topics
 - 120 questions – 1½ minutes each
 - Old exams are NOT available

2009 Exam

Both the morning and afternoon sessions will cover all topics.

Questions are divided by topic, e.g. Ethics, Quant, Econ, FR&A, etc.

Question Format

The Level I CFA exam does not use any of the following distracters:

- all of the above,
- none of the above,
- I and II only,
- II and III only,
- cannot determine,
- cannot calculate, or
- not enough information to determine.

Types of Questions

1. Stems using sentence completion with three unique distracters
2. Stems phrased as questions with three unique distracters
3. Stems using sentence completion or stems phrased as questions with pairs of distracters arranged in **two columns**

Two-column Questions (new style?)

An analyst suspects that a particular company's U.S. GAAP financial statements may require adjustment because the company uses take-or-pay contracts. The *most likely* effect of the appropriate adjustments on the company's return on assets (ROA) and debt-to-equity ratio, respectively, would be to:

- A. Both increase both
- B. Both decrease both
- C. increase one and decrease the other

How to prepare for the exam

Conceptual Learning

- The CFA® exam is different
- Predicting what will be on the exam is treacherous – any LOS is “fair game”
- Don’t just study old exam/practice questions
- Learn the material, concepts, definitions, techniques!!

Preparing for the Exam

- A rigorous, well-planned study effort is required (250 hours?)
- Starting late + not devoting the time = FAILURE
- Focus on the Learning Outcome Statements

Preparing for the Exam

- Leave about a month for exam practice and review
- Take several practice exams
- Identify weak areas and review

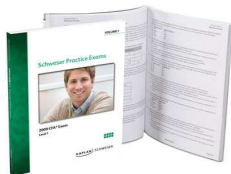
How can Schweser help?

SchweserNotes – 5 volumes – by LOS
All LOS covered – Indexed - Examples
Comprehensive – Clear – Concise
End-of-reading questions – Topic self-tests



How can Schweser help?

Practice Exams – Exam-like questions
3 full 6-hour exams – 240 questions each
Vol. 1 with SchweserNotes Package
Vol. 2 with Essential and Premium



How can Schweser help?

SchweserPro Question Bank –

Download and online access (or CD)
Over 4,000 questions
Quiz Management
Updated for 2009
LOS reference
CFA and Schweser
page references



Schweser Instruction

Designed to Prepare You for the Test

- 1) Introduce the concept, terms, techniques
- 2) Present understandable examples and ways to remember the information
- 3) Put the LOS in context
- 4) Integrate material
- 5) Highlight links to other Level I concepts

How can Schweser help?

Live Instruction

Weekly classes

New York – Boston – Chicago – Toronto

5-day residence program at DFW

WindsorWeek 7-day residence program

Kaplan Schweser in Zurich and Milan

How can Schweser help?

Live Instruction

3-day Review Seminars

April and May

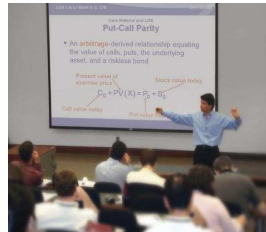
New York – Boston

Chicago – Toronto

Atlanta – San Francisco

Los Angeles

Newark – Philadelphia



How can Schweser help?

Live Instruction

FTC (U.K.) Programs

London

Dublin

Amsterdam

Edinburgh



Online Instruction – Live

- **Sixteen 3-hour classes** - Instruction + Problems
- Live interaction/questions - polls – quizzes – practice
- **Two class times** – 6:30 pm NY time Wednesday
– 6:00 pm London time Tuesday
- Complete access to Schweser Library
 - **12+ additional hours** of archived instruction
- Download slides/problems prior to class
- Weekly motivation/guidance – **stay on schedule**
- Archived classes always available for review
- Special **email address** for questions – 24/7

Premium Package

SchweserNotes + Quicksheet + Practice Exams
Vols. 1&2 + SchweserPro + Online Support +
Schweser Library **and**
Online Class, Video CDs, **or** 3-day Review Seminar



Late Season Products

Archive of 3-day
Review Seminar

Mock Exam + Problems
and Solutions Workshop

Secret Sauce

} **Final
Review
Package**

Other Products

**Audio Presentation of Study
Notes**

Flashcards

Where Do I Go for Help?

- Weekly Study Planner
- FAQ database
- Instructor email
- Online Faculty Office Hours
- Level I Blog – CFA Blog

**Getting ready for
exam day**

The Day Before the Exam

- DO** – review your notes, flashcards, Key Concepts, and Standards of Practice
- DON'T** – wear your brain out and create a high level of stress
- DO** – relax the night before the exam
- DON'T** – cram the evening/night before the exam
- DO** – get some exercise and a good night's sleep
- DO** – approach the exam as a test of mental agility and mental and physical endurance

Exam Day

- Read all Candidate Bulletins
- Follow the directions of the proctor
- **DO NOT** allow your eyes to wander around the room

Exam Day

- **The following items must be kept on your desk during the exam:**
- Exam admission ticket
- **Current** government-issued photo identification
- Approved calculator(s), including calculator case(s)
- Writing instruments (pencils for Levels I and II, pens and pencils for Level III)

Exam Day

You cannot have:

- "Cheat Sheet"
- Scratch paper
- Cell phone (no 'phone a friend')
- Cameras
- Correction fluid, etc. etc. etc.

Exam Day

The following items may be kept on your desk, if needed:

- Erasers, calculator batteries (and screwdriver for battery replacement), pencil sharpeners (no knives), eyeglasses, earplugs, and wristwatches (analog and digital) are acceptable; however, audible alarms and/or timers must be turned off

Exam Day

The following items are permitted in the testing room but must remain in your pockets or under your chair when not in use:

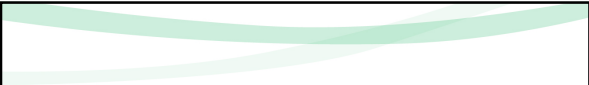
- Wallet (money purse)
- Medicine, tissues, and other necessary medical or personal items

Exam Day Tips

- Get there early – visit site prior to test
- Allow time to warm your brain up
- Ticket, ID, pens and pencils with fresh erasers, calculator
- Personal items – take your lunch
- Read each question carefully

Exam Day Tips

- Start out with something easy
- Watch the time (no audible timers)
- Don't leave anything blank
- Be neat and organized
- Expect the unexpected - earplugs?
- Stay calm and focused



What do previous Level I
candidates say?