1. Which of the following statements regarding a profession's code of ethics is *most* accurate?
   A. A code of ethics makes sure that all members of a profession act ethically at all times.
   B. A code of ethics communicates the principles and expected behavior of a profession's members.
   C. A code of ethics always includes standards of conduct.

2. Which of the following statements is *most* accurate?
   A. Ethical behavior at times may be illegal.
   B. Legal behavior is always ethical behavior.
   C. Legal standards are a benchmark for ethical behavior.

3. Investment professionals have a special responsibility to act ethically because:
   A. the industry is heavily impacted by regulations.
   B. the profession has adopted a code of ethics.
   C. they are entrusted to protect client's assets.

4. Which of the following *most likely* determines unethical behavior?
   A. External factors such as environmental or cultural elements.
   B. The person's intrinsic motivation.
   C. The person's lifestyle and character.

5. Jill Jones, a Level III candidate, is under investigation for a possible violation of the code and standards. After considering all available information, the Designated Officer determines that there was indeed a violation and recommends certain sanctions. Jones:
   A. Must accept the sanctions.
   B. Can reject the proposed sanctions in which case the matter is referred to a hearing panel composed of DRC members and CFA Institute member volunteers affiliated with the DRC.
   C. Can reject the proposed sanctions in which case the matter is referred to the local CFA Institute society.

6. Alvise Lorenzo is a portfolio manager and a close friend of Mario Sabatini, the CEO of LOS Corporation. During a private conversation with Sabatini, Lorenzo found out that LOS is likely to lose an important lawsuit. This information has not been made public. Lorenzo advises his clients to reduce their investment in LOS Corporation. Which standard did Lorenzo *least likely* violate:
   A. Preservation of Confidentiality.
   B. Independence and Objectivity.
   C. Material Non-public Information.

7. Which of the following statements about GIPS is *correct*?
   A. Compliance with GIPS does not eliminate the need for in-depth due diligence on part of the investor.
   B. GIPS compliance is a firm-wide process; however, verification can be performed on specific composites.
   C. GIPS compliance is regulated by the CFA Institute.

8. GIPS compliance requires that composites *must* include all:
   A. Fee-paying and non-fee paying, discretionary portfolios.

B. Fee-paying, discretionary and non-discretionary portfolios.
C. Fee-paying, discretionary portfolios.

9. Which of the following is not a section of GIPS?
A. Private Equity.
B. Fundamentals of Compliance.
C. Implementation.

10. Alpha Beta Gamma (ABG) is an investment management firm which has been in business for two years. ABG wants to achieve compliance with GIPS. Which of the following statements is *most accurate* with regards to acquiring GIPS compliant status?
A. Since firms are required to present a minimum of five years of GIPS compliant investment performance, ABG cannot be GIPS compliant for another three years.
B. ABG can be GIPS compliant by presenting compliant performance since inception.
C. ABG can claim GIPS compliant status without any other action as long as all subsequent performance reporting is in compliance with GIPS.

11. ART Investment Management Ltd. is headquartered in country X and claims compliance with GIPS. It has recently expanded its operations in country Y where the local law is in conflict with some requirements of the GIPS standards. Which of the following would be the best course of action for ART Investment Management Ltd. in country Y?
A. Follow the local law and disclose the conflict.
B. Follow GIPS and disclose the conflict.
C. The firm cannot claim compliance with GIPS any longer due to the conflict.

12. Cynthia Rogers is an equity analyst and runs an internet site where she posts her research regarding the airline industry regularly. She portrays herself as an independent analyst and always does her research thoroughly and diligently. Recently, she entered into an agreement with Arnold Airlines to promote its stock online for a flat fee. The same week Cynthia posted a strong buy recommendation for Arnold Airlines stock without making any disclosures on her website. Which of the following statements is *most accurate* with regards to a possible violation of the Standards of Professional Conduct?
A. Cynthia misrepresented herself as an independent analyst.
B. Cynthia failed to disclose her arrangement for compensation.
C. Cynthia misrepresented herself as an independent analyst *and* failed to disclose her arrangement for compensation.

13. John Grey has just resigned from his position as a portfolio manager at T.C. Assets Inc. to start his own independent practice. To save time, John makes use of the computer models he made at T.C. Assets Inc. that were saved on his computer and also uses public directories to contact his former clients whose names he can recall. Grey has violated the Code and Standards by doing which of the following:
A. Using the models he made for his former employer.
B. Soliciting his former employer's clients.
C. Both by using the models and soliciting the former clients.

14. Raj Sharma is a CFA charterholder and has been invited by the Indian telecommunications giant, Techta for its annual analysts meeting at the company's regional office located at an isolated location in the country. Sharma will travel by a chartered plane to the office as there are no commercial flights available and all his travel expenses will be borne by Techta. Sharma has also been invited to attend an exclusive dinner at a musical event with company's top leadership after the meeting. Sharma is least likely in violation of Standard I (B), Independence and Objectivity, by doing which of the following:
   A. Accepting both the travel expense coverage and the event invitation.
   B. Accepting the event invitation but refusing the travel expense coverage.
   C. Accepting travel expense coverage but refusing to attend the event.

15. Frank Douglas, CFA and Carl Sheen, CFA are researching the coal mining industry in Australia. They both conducted research and made various site visits; however, mid-way through the research, Sheen fell severely ill and had to leave the project. Douglas compiled the report incorporating Sheen's analysis and research, but did not publish his name on the research report because Sheen did not agree with Douglas's final recommendation for the industry.
   Did Douglas violate any of the CFA Institute Standards of Professional Conduct?
   A. No.
   B. Yes, with respect to misconduct.
   C. Yes, with respect to misrepresentation.

16. Oliver Spencer is a junior equity analyst at UVN Investments Ltd. He was given a short deadline by his boss to write a report on the performance of HIGH Company, a leading player in the construction industry of the country. Spencer had recently read in a newspaper about the recent influx of rich immigrants in the country who have fled from the neighbouring warring lands and thinks this would boost the construction industry. In his report, Spencer uses statistics from the Economic Census published by the government, but does not acknowledge the source of data. He concludes his BUY recommendation saying: "The fact that rich migrants in the country will invest their money in residential projects guarantees a bright outlook for HIGH Company." Before submitting the report to his boss, Spencer calls his portfolio manager and asks him to purchase HIGH Company shares. According to the Standards of Practice Handbook, Spencer is *least likely* to have violated the CFA Institute Standards of Professional Conduct that relates to:
   A. Priority of transactions.
   B. Misrepresentation.
   C. Communication with clients and prospective clients.

17. Suzy Sheldon, CFA is a reputable investment manager and independently manages equity-based portfolios of her clients. She recently recommended the purchase of RapidG Company shares to several of her clients, as according to her research, the company was going to have significant sales growth over the year. Three days after the recommendation was made, Sheldon sold her own stake in the company to pay off her mortgage. Did Sheldon violate any of the CFA Institute Standards of Professional Conduct?
   A. No.
   B. Yes, with respect to loyalty, prudence and care.

C. Yes, with respect to market manipulation.

18. Ahmed Husain, a CFA charterholder, is an analyst for BGD Investments, Ltd. and specialises in the Bangladesh Textile Industry. Over the past two months, apart from analysing the financial statements of the companies in the sector, Husain also interacted with executives from some key textile companies in Bangladesh, labour unions, exporters and cotton farmers. Husain realised that when put together, the fragments of public and non-material non-public information can result in material information regarding the textile sector which leads him to change his recommendation from positive to a negative outlook for the next quarter. Which of the following statements regarding Standard II - Integrity of Capital Markets is *most accurate* if Husain changes his recommendation?
A. Husain would violate the Code and Standards as he would use non-public information.
B. Husain would violate the Code and Standards because although the non-public information used is non-material, it leads to material information.
C. Husain would not violate the Code and Standards.

19. John Matthews has recently passed all three levels of the CFA Program and might be eligible for the CFA charter upon completion of the required work experience. Matthews, on his CV stated 'CFA (Passed Finalist)' under Qualifications while applying for the job of an analyst at a leading Investment Bank of the country. Did John violate any of CFA Institute Standards of Professional Conduct?
A. No, he only stated facts.
B. Yes, regarding reference to the CFA designation.
C. Yes, regarding misconduct.

20. Harry Brown is a portfolio manager at RS Investments. Brown is also on the board of an organization working for the welfare of disabled children. The organization is currently in need of funds to manage its working capital so Brown proposes to the school an arrangement, where if the guardians of the children recommend clients to RS Investment, Brown will pay a part of his service fee from the client to the organization. The organization accepts the proposal and when Brown receives his first call from a recommended client, he does not inform the client about the arrangement. Brown has *most likely* violated the CFA Institute Standards of Professional Conducts by:
A. Proposing a referral arrangement to the organization.
B. Not disclosing the arrangement to the client.
C. Not disclosing the arrangement to the client and the employer.

21. Jessica Jones, CFA diligently manages large cap equity portfolios for her clients. However, recently due to a recession, the performance of large cap equity markets has not been promising. Considering the situation, Jessica reduces the equity exposure of her clients and invests in low risk fixed income investments. Jones *most likely* violated the CFA Institute Standards of Professional Conduct regarding:
A. Diligence and reasonable basis.
B. Misrepresentation.
C. Suitability.

22. Vishal Mehta is a portfolio manager at APD Investment Bank located in India. Apart from his full-time job at APD, he offers tuitions at his home to candidates seeking to appear in the CFA examination. The tuitions take place over the weekend and do not interfere with his full-time work at ADP. Vishal has not informed APD of his tuitions arrangement after work.
    Has Mehta violated the standard regarding loyalty to employer?
    A. No, he does not need to seek permission from his employer.
    B. Yes, he should obtain written consent from his employer.
    C. Yes, he should disclose the arrangement in writing to his employer.

23. Tony Heathrow, CFA is a portfolio manager at Optimal Investments. He manages client accounts including accounts of his family members. The family members' accounts are similar in every way to the regular clients' accounts and pay the same fee. When making investments in a new offering by Gramm Corporation, Heathrow first distributed the issues to regular clients, then to the family clients and lastly to his own account.
    Which of the following standards has Heathrow *most likely* violated?
    A. He did not violate any of the standards.
    B. Priority of Transactions.
    C. Fair Dealing.

24. Muhammad Ikram is a CFA charterholder and is supporting the marketing department of XYZ Investment Advisors in their promotions. While marketing the company online, Ikram writes in a chatroom; "XYZ Investments guarantees a return of 15% to its clients because we hire only well-qualified CFA charterholders as our employees." Which of the following statements is most accurate?
    A. Ikram has not violated any CFA Institute Standards of Professional Conduct in his marketing material.
    B. Ikram has violated the standard regarding misrepresentation.
    C. Ikram has violated the standard regarding misrepresentation and reference to the CFA Designation.

25. Which of the following is *correct* under the Code and Standards?
    A. Financial analysts are free to act on conclusions based on both public and nonmaterial nonpublic information.
    B. Financial analysts can act on material nonpublic information if it's provided by industry experts.
    C. Financial analysts from large firms can disseminate inside information of a company than analysts from small firms.

26. Tom Ford CFA, is an analyst who notices an error made by the reporting system before releasing the performance information to Bella Craig his client for the last three years. The system has missed a trade which after correction results in a huge loss to Craig. Ford realizes that the client did not want to trade in that particular stock due to persistent decline in its price. Ford is contemplating whether he should update the report before releasing it to Craig because it might cause her to terminate all future business with Ford and his firm. If the report is not updated will that cause a violation according to the CFA Institute Standards of Professional Conduct?

A. No, because it is an omission caused by the system.
B. Yes, because Ford has a duty to his client not to withhold information from her.
C. Yes, because Ford did not have a reasonable basis for trading in that stock.

27. During a lunch with his friend, who is an analyst in the software industry, John Smith CFA, a trader with Zeta Capital finds out that there are rumors of a merger between two software companies. Smith has always valued his friend's suggestions and the next day places a large buy order to be distributed equally to all discretionary accounts for which the target firm is suitable. He also informs all his non-discretionary accounts of the recommendation. By acting on his friend's advice did Smith violate any CFA Institute Standards of Professional Conduct?
A. Yes, with respect to diligence and reasonable basis.
B. Yes, with respect to priority of transactions.
C. Yes, with respect to fair dealing.

28. Josh Harnet is a portfolio manager with Regal Investments. He was told by his client Emma Heart that whenever her portfolio achieves a return higher than the market he will be provided a certain percentage of the return as compensation. This will be paid to him over and above the flat fee paid by his firm, after valuing the portfolio at the end of the year. Harnet does not inform his firm about the arrangement because he believes that it can be told to his employer orally once he is able to achieve that target. The CFA Institute Standards of Professional Conduct *least likely* violated is:
A. Disclosure of Conflicts.
B. Additional Compensation Arrangements.
C. Communication with Clients.

29. Roland Corp. has hired Delta Investment Bank to underwrite its secondary public offering. Delta already has a sell recommendation on the stock given by its research unit to its brokerage and trading. Which of the following actions is most appropriate to avoid violating CFA Institute Standards of Professional Conduct?
A. Place the company on a restricted list and give only factual information about Roland.
B. Change the rating from "sell" to "buy" because of its duty to clients.
C. Use new research to substantiate that the stock deserves a buy rating.

30. According to Global Investment Performance Standards (GIPS), which of the following is *incorrect*:
A. Two important consideration for GIPS compliant firms are the definition of the firm and the firm's definition of discretion.
B. Consistency of input data for performance calculation is critical for compliance with GIPS.
C. The GIPS standards emphasize the use of certain calculation methodologies to facilitate comparability but the calculation methodologies are not mandatory.

31. Ali Haider is responsible for calculating his firm's performance returns. He notices that the return for November is impressive if he includes a new account which started in mid-November and excludes an account which exited in early-November. In calculating performance returns the firm's policy is to include accounts which exited during the month. Furthermore, performance numbers of new accounts are to be considered only after they have been with the

firm for a period of one month. In reporting the performance for November, Haider omits the exited account and includes the new account. Which of the following is correct according to the CFA Institute Standards of Professional Conduct?

A. Haider has not violated the Code and Standards he is acting in the best interest of his employer.
B. Haider violated the Code and Standards because both the inclusion and omission of accounts violate the firm's policies.
C. Haider did not violate the Code and Standards because performance analysts are free to determine when to include or omit an account.

32. Boris Dunbar, CFA, works as a portfolio manager for Brusbank, an investment bank in Brussels, Belgium. He recently joined the board of directors of Brusbank's subsidiary in Frankfurt, Germany which manages three mutual funds. Dunbar will be paid a compensation for his role on the board for his services which involve management of current and potential clients and forming business strategies. He acts as the contact person for the subsidiary's institutional clients in Belgium. Dunbar also participates in the subsidiary's presentations in Belgium and sometimes promotes the funds himself. When participating in the subsidiary's presentations in Belgium Dunbar *least likely* violates the CFA Institute Standards of Professional Conduct?
    A. Independence and Objectivity.
    B. Knowledge of the Law.
    C. Disclosure of Conflicts.

33. Jenna Mitchel works as the head of research at a large investment management company. Recently she received her CFA charter and is also given the responsibility of compliance. She delegates some of her supervisory responsibilities in the research unit so she can bring the compliance in line with the CFA Institute Standards of Professional Conduct as directed by the CEO. Some of her subordinates are not subject to the Code and Standards? Which of the following statement is *correct* according to the CFA Code and Standards?
    A. Mitchel has supervisory responsibilities over all her subordinates.
    B. Mitchel is not responsible for her subordinates who are not governed by the CFA Code and Standards.
    C. Mitchel responsibilities now only involve the Compliance unit since she has delegated responsibilities in the Research unit.

34. Carla Bersollini is a portfolio manager for a balanced fund. Amongst her clients are also her parents who are fee-paying like all the rest. Bersollini has beneficial ownership in her parents' account and is required by her firm Gallant Investment Company preclearance and reporting requirements for personal transactions. When a certain hot IPO becomes available she advises the brokers to buy shares for her parents' account first if it's suitable for her parents and herself and then does she place the remaining order with her clients, keeping their suitability in mind. She doesn't report the transaction. Bersollini's supervisor, Carlo Pagni, does not have any procedure in place in review the transactions executed by his subordinates. The *least likely* CFA Standard violated is:
    A. Priority of Transaction.
    B. Material Nonpublic Information.
    C. Responsibilities of Supervisors.

35. Rauf Ahmad, a junior research analyst and a candidate in the CFA Program, has been recently hired to cover the mining industry. Ahmad has been asked to go over the firm's compliance procedures especially regarding the flow of information between the trading desks and the research department. Doug Harvey CFA, and head of the research department, tells him that the firm is very particular about not leaking information into the market and follows all the regulatory procedures in addition to the CFA Institute's Code and Standards. As the deadline of the report comes up, Ahmad pressed for time reads up online brokerage reports on the mining industry, talks to a trader friend and goes over the past reports on the subject by his predecessors. He is able to produce the report in which there's no reference to the brokerage reports or the comments made by his friend, since he feels all that information is publicly available. The *least likely* CFA Standard violated by Ahmad is:
    A. Diligence and Reasonable basis.
    B. Misrepresentation.
    C. Conflicts of Interest.

36. Conrad Daley is a portfolio manager for Cross Inc., an investment advisory and brokerage firm. He reports to Julia Richardson CFA, who is the CFO of Cross. Daley is in charge of an aggressive growth equity fund and Cross Retirement Plan, a defined contribution plan for the employees of Cross. Daley sometimes places purchase and sale orders with a Commodity Index without completing an internal transaction form. No written operating procedures or compliance manual concerning commodity trades exists. Richardson has violated the CFA Institute Code of Ethics and Standards of Professional Conduct relating to?
    A. Disclosure of Conflicts
    B. Misconduct
    C. Responsibilities of Supervisors

37. Jamshed Hameed a trader with Zeal a small investment and broker/dealer firm and a candidate in the CFA Program often receives material nonpublic information from friends in the investment department. Hameed's supervisor Siraj Munir, is the Head of the Trading Unit is aware of this flow of information since Hameed discusses it with him. In order to confirm with the CFA Code and Standards, which one of the following is the *best* policy for the investment/brokerage firm?
    A. No buy and sell of the stocks of the clients about which the information is received.
    B. Setting up physical and informational barriers to prevent the exchange of information between the investment and brokerage departments.
    C. Transact with only a limited number of stocks when the material nonpublic information is received.

38. Jeremy Stevens, CFA, is an independent analyst, recently hired by H & C and Forever Young, two retail clothing line companies to promote their stock online in exchange for cash compensation. Stevens publishes recommendations of buy for both the companies by disseminating information in his research reports and analyses which is not completely accurate. The simultaneous publication of recommendations and promotional material of the companies leads to increased public investment and a rise in their stock prices. The *least likely* CFA Standard violated by Stevens is:

A. Market Manipulation.
B. Disclosure of Conflicts.
C. Suitability.

39. The Global Investment Performance Standards (GIPS) *most likely* requires:
A. Disclosure regarding performance and firm policies in all compliant presentations
B. Firms to make negative assurance disclosures
C. Firms to claim partial compliance

40. Robert Green works for Bard Investment Bank and manages the assets of high net worth clients. He uses Darden Inc., for trading and receiving research reports and directs his trading desk to do the same. Darden is owned by his college classmate, Daley Darden, and Bard's traders know that it is not very competitive in pricing yet they continue to trade with it. Darden in return recommends the investment services of Green and Bard Investment Bank to its institutional clients. This arrangement is not disclosed to either Bard or the clients referred by Darden. Has Green violated any CFA Institute Standards of Professional Conduct?
A. No.
B. Yes, with respect to failing to inform his employer about the referral arrangement.
C. Yes, with respect to diligence and reasonable basis.

41. Jean Maurice, CFA, works for an investment and brokerage firm. Maurice finds about a small company in the computer industry, about to go public. He believes this is a hot issue and schedules a luncheon with some of his firm's high net worth and institutional clients to discuss it. Consequently when the expressions of interest are obtained the institutional clients oversubscribe it. He then fills all the other orders, including the one in his wife's name and decreases the institutional blocks. Maurice has *most likely* violated the CFA Standard related to:
A. Fair Dealing.
B. Disclosure of Conflicts.
C. Diligence and Reasonable Basis.

42. Gharib Hisham CFA works for a major investment bank in New York. He is sent to a developing country as an analyst covering the capital market and the fast changing economy. Hisham finds out that though the economy is growing at a very high pace, the securities market is not very well regulated. As a result there are no laws against insider trading and various infringements of the securities laws exist with no punitive prohibitions. According to the CFA Institute Standards of Professional Conduct Hisham should:
A. Abide by the local law since he works in that country.
B. Get the regulatory authorities to prohibit insider trading.
C. Abide by the CFA Institute Code and Standards.

43. According to the Global Investment Performance Standards (GIPS), composite return is:
A. Asset-weighted average of the performance of all portfolios in the composite.
B. Asset-weighted return of the best performing portfolios in the composite.
C. Annualized partial-period portfolio results.

44. According to the CFA Institute Code of Ethics and Standards of Professional Conduct, members in case of oversubscription of issues will *most likely* breach their duty to clients by:
    A. Prorating to all clients for whom the issue is appropriate.
    B. Avoiding odd-lot distributions.
    C. Not forgoing any sales to themselves.

1. B
   A profession's code of ethics publicly communicates the shared principles and expected behavior of its members. It does not ensure that all members will act ethically at all times. A profession may adopt standards of conduct to clarify the code of ethics. However, this is not a requirement.

2. A
   Some ethical behavior may be illegal. Statement B is incorrect because legal and ethical behavior often coincide but not always. Statement C is incorrect because ethical standards of conduct may represent a higher standard of behavior that what is required by law.

3. C
   Investment professionals have added responsibility because they manage client's assets.

4. A
   Situational influences – which include environmental or cultural elements – can shape our thinking, decision making, and behavior and are more likely to lead to unethical behavior than internal traits or character.

5. B
   A member or candidate can reject the sanction proposed by Designated Officer. In this case the matter is referred to a hearing panel composed of DRC members and CFA Institute member volunteers associated with the DRC.

6. B
   Lorenzo did not violate the standard regarding Independence and Objectivity. There was no conflict of interest nor was his objectivity compromised. Lorenzo violated the standard regarding Preservation of Confidentiality because he disclosed confidential information. He also violated the standard regarding Material Non-public Information because his recommendation is based on non-public information.

7. A
   A is correct because compliance with GIPS improves the credibility of investment management firms but does not completely eliminate the need for due diligence on part of the investor. B is incorrect because GIPS compliance and verification are both firm-wide processes. C is also incorrect because GIPS compliance is self-regulated by the firms who claim compliance.

8. C
   C is correct because composites *must* include all fee-paying, discretionary portfolios in at least one composite. A is incorrect because non-fee paying, discretionary portfolios may or may not be included in a composite. B is incorrect because non-discretionary portfolios must never be included in a firm's composites.

9. C
   C is correct because Implementation is not among the nine sections of the GIPS, which include: 0. Fundamentals of Compliance, 1. Input Data, 2. Calculation Methodology, 3. Composite Construction, 4. Disclosure, 5. Presentation and Reporting, 6. Real Estate, 7. Private Equity, 8. Wrap Fee/Separately Managed Account (SMA) Portfolios.

10. B
    B is correct because an investment management firm which has been in existence for less than 5 years must present performance since the inception of the firms or the composite inception date to be GIPS compliant. Firms which have been in existence for five or more years should initially present a minimum of five years of GIPS compliant investment performance.

11. A
    A is the correct answer because in cases where local laws and/or regulations conflict with the GIPS standards, firms compliant with GIPS are required to comply with the local laws and fully disclose the conflict with GIPS in their compliant presentation. They do not lose their compliant status in such situations.

12. C
    Rogers has violated Standard I (C), Misrepresentation, because her internet site misrepresents her position as an independent analyst given her relationship with Arnold Airlines. She also violated Standard VI (A), Disclosure of Conflicts, by failing to disclose her agreement for compensation with Arnold Airlines on her website.

13. A
    Grey violated Standard IV, Duties to Employers, by using his former employer's files and records after resignation without consent. Employer's records include all items stored in electronic, hard copy or any other medium and also those created by Grey himself. Grey, however, did not violate the Standards by soliciting former clients because he does so after leaving T.C. Assets Inc. and is using public records.

14. C
    Since Sharma is visiting the company office in a remote location, he can accept the paid travel arrangements by the company which is allowed only in cases where commercial transportation is unavailable such as in the case. However, Sharma should not accept the event invitation to avoid any violation of Standard I(B), Independence and Objectivity, according to which 'members and candidates must not offer, solicit, or accept any gift, benefit, compensation, or consideration that reasonably could be expected to compromise their own or another's independence and objectivity'.

15. A
    Douglas did not violate any of the CFA Institute Standards of Professional Conduct because he did not engage in any dishonesty, fraud or deceit nor committed any act that would reflect adversely on his professional reputation, integrity or competence. Disassociating from a report, like Sheen did, is acceptable when there is disagreement over the final report. Hence, Douglas did not misrepresent by including Sheen's research and not including his name in the final report.

16. B
    Spencer is least likely to have misrepresented because data from recognized financial and statistical reporting services such as the government's Economic Census is exempt from the

Standard requiring plagiarism and acknowledgement of the author, publisher or source. However, Spencer was in violation of the Standard regarding priority of transactions because he called his portfolio manager to buy shares for himself before publishing the recommendation, therefore had put his interests before the client's interests. Spencer also failed to differentiate fact from opinion regarding the influx of immigrants in his report and therefore violated the standard regarding communication with clients.

17. A

Sheldon did not violate any of the CFA Institute Standards of Professional Conduct because she had made the recommendation in the best interest of her clients, based on research and on reasonable basis and thus did not violate the Standard with respect to loyalty, prudence and care. Sheldon also did not violate the Standard with respect to market manipulation because she sold her share in the company to meet personal liquidity requirements and not because of the expected equity performance.

18. C

C is correct because to arrive at a conclusion regarding the textile sector, Husain had pieced together bits of public and non-material non-public information. Therefore, under the Mosaic theory, Husain has not violated Standard II (A) by making the recommendation.

19. B

John violated the CFA Institute Standards of Professional Conduct regarding reference to the CFA Designation by incorrectly using the designation on his CV. The correct way would have been to state that he has passed all three levels of the CFA Program and may be eligible for the CFA charter upon completion of the required work experience. He has not, however violated Standard due to misconduct by engaging in an activity that compromise on the reputation or integrity of the CFA Institute or CFA Designation.

20. C

Brown has violated the Standard regarding referral fees by not disclosing the arrangement to the client and also by not disclosing the arrangement to the employer and not seeking his permission. Although referral arrangements are permitted under the Standards but permission should be sought from the employer before proposing the arrangement and the client should also be aware of the arrangement.

21. C

Jones is in violation of the Standard regarding suitability because she goes against her investment mandate requiring investment in large cap equity investments to invest in fixed income securities. She did not violate standards regarding misrepresentation and diligence and reasonable basis.

22. A

If Mehta's tuition activities are so extensive and time consuming that they might detract from his ability to fulfil his responsibilities at APD, he should discuss his outside activities with his employer and come to a mutual agreement regarding how to manage his personal commitments with his job. However, under current circumstances he would not violate the Standard by not seeking permission from his employer about his tuition arrangement.

23. C
Heathrow violated the Standard regarding Fair Dealing because if the family member's accounts are managed similarly to the accounts of other clients of the firm, the family-member accounts should not be excluded from buying shares along with regular clients. He did not violate the standard regarding priority of transactions because the clients' transactions were placed before his own.

24. C
Ikram has violated Standard regarding misrepresentation by guaranteeing returns of 15% percent to the investors. Ikram has also violated the Standard regarding reference to the CFA Designation by implying in his statement that being CFA charterholders would make the employees of XYZ superior investment advisors than those who do not.

25. A
Under the Mosaic Theory of Standard II (A) Material Nonpublic Information, financial analysts are free to derive conclusions from the analysis of public and nonmaterial nonpublic information as the basis of investment recommendations and decisions

26. B
Refer to Standard III (A) Loyalty, Prudence, and Care, withholding information would not be in the best interest of the client.

27. A
Standard V (A) Diligence and Reasonable Basis requires Smith to exercise diligence, independence and thoroughness in analyzing investments, making investment recommendations, and taking investment actions [and] have a reasonable and adequate basis, supported by appropriate research and investigation, for any investment analysis. Smith's acting on his friend's advice lacks independent research and is a violation of Standard V(A)

28. C
According to Standard IV (B) Additional Compensation Arrangements, Harnet is required to inform his employer in writing of the contingent compensation arrangements. The nature of arrangements could result in partiality to Heart's account. Hence the consent of the employer is required to accept such supplemental benefit. Also see VI (A) Disclosure of Conflicts.

29. A
Under these circumstances one of the recommended actions is to place the company on a restricted list and give only factual information.

30. C
According to GIPS – Calculation Methodology, GIPS Standard mandate the use of certain calculation methodologies to facilitate comparability. Choices A & B are correct

31. B
    Refer to Standard III D – Performance Presentation. Haider deviated from the firm's policies solely to capture the gain from the new holding. Also see I (C) Misrepresentation

32. B
    Dunbar least likely violates Standard I (A) - Knowledge of the law by participating in presentations. Refer to Standards I (A) and VI (A) for potential violations.

33. A
    Refer to Standard IV (C)- Responsibilities of Supervisors. Mitchel is responsible for all her subordinates.

34. B
    Bersollini is violating Standard VI (B) Priority of Transactions by trading for her family member account first. She needs to acquire shares for her balanced fund first and then her parents' account, even though she might miss out on participating in new issues via her parents' accounts. Bersollini's supervisor is violating Standard IV (C) Responsibilities of Supervisors by not checking her preclearance and reporting requirements.

35. C
    Ahmed is in violation of Standard V (A) Diligence and Reasonable Basis and Standard I (C) Misrepresentation. Ahmed has not carried out independent research and thorough analysis hence is in violation of Standard V (A). By using proprietary research of others without giving them due credit is a violation of Standard I (C).

36. C
    Refer to Standard IV (C) Responsibilities of Supervisors. Richardson violates Standard IV (C) by failing to ensure that compliance procedures exist and are enforced.

37. B
    According to Standard II (A) Material Nonpublic Information, firms of all sizes and types should have firewall procedures which should be internally enforced between interdepartmental communications. Review of trading activity, and investigations of possible violations should be compiled and formalized.

38. C
    No violation occurs regarding Suitability - Standard III (C). Refer to Standard II (B) Market Manipulation which is violated by releasing incorrect information to the public and a violation of Disclosure of Conflicts by not disclosing the compensation arrangement to the potential buyers.

39. A
    Refer to GIPS Standard on Disclosure

40. B

Green has violated Standard VI (C) Referral Fees by not informing her employer of the referral arrangements.

41. A
Maurice has violated Standard III (B) – Fair Dealing, by not treating all customers fairly. He should not have taken shares for himself through his wife's account and should have prorated the shares offered among all clients.

42. C
Hisham has to abide by the stricter of the laws which in this case is the CFA Code and Standards. Refer to Standard I (A) Knowledge of the Law.

43. A
The composite return is the asset-weighted average of the performance of all portfolios in the composite

44. C
According to Standard III (B) if the issue is oversubscribed, members and candidates should forgo any sales to themselves in order to free up additional shares for clients.