

# Curriculum Errata Notice

## 2024 Level II CFA Program

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**UPDATED 9 AUGUST 2024**

This document outlines the errors submitted to CFA Institute that have been corrected.

Due to the nature of our publishing process, we may not be able to correct errors submitted after 1 September 2024 in time for the publication of the following year's print materials. However, we update all errors in the Learning Ecosystem (LES) and in this document at the end of each month.

We recommend checking either the LES or this document regularly for the most current information. Depending on when you purchase the print materials, they may or may not have the errors corrected.



All errors can be submitted via <http://cfa.is/Errata>

# Table of Contents

## Contents

<b>Quantitative Methods</b> .....	<b>4</b>
Evaluating Regression Model Fit and Interpreting Model Results .....	4
Model Misspecification .....	5
Extensions of Multiple Regression .....	6
Time-Series Analysis .....	8
Machine Learning .....	9
<b>Economics</b> .....	<b>11</b>
Currency Exchange Rates: Understanding Equilibrium Value .....	11
Economic Growth .....	12
<b>Financial Statement Analysis</b> .....	<b>13</b>
Intercorporate Investments .....	13
Employee Compensation: Post-Employment and Share-Based .....	14
Financial Statement Modeling .....	17
<b>Corporate Issuers</b> .....	<b>17</b>
Cost of Capital: Advanced Topics .....	17
Corporate Restructuring .....	18
<b>Equity Valuation</b> .....	<b>18</b>
Free Cash Flow Valuation .....	18
Market-Based Valuation: Price and Enterprise Value Multiples .....	19
Residual Income Valuation .....	23
Private Company Valuation .....	24
<b>Fixed Income</b> .....	<b>25</b>

The Term Structure and Interest Rate Dynamics .....	25
The Arbitrage-Free Valuation Framework.....	27
Valuation and Analysis of Bonds with Embedded Options .....	28
Credit Analysis Model .....	29
Credit Default Swaps .....	30
<b>Alternative Investments .....</b>	<b>30</b>
Introduction to Commodities and Commodity Derivatives .....	30
<b>Portfolio Management .....</b>	<b>31</b>
Economics and Investment Markets .....	31
Economics and Investment Markets .....	31
<b>Ethical and Professional Standards .....</b>	<b>32</b>
Guidance for Standards I-VII .....	32
Application of the Code and Standards: Level II .....	32

# Quantitative Methods

## Basics of Multiple Regression and Underlying Assumptions

Lesson	Location	PDF Pg	Revised	Correction
Basics of Multiple Regression	Knowledge Check Solution 1	9	29 Jan 2024	Replace: If the market excess return, SMB, and HML are each zero, then we expect a return on the portfolio of 1.534%.  With: If the market excess return, SMB, and HML are each zero, then we expect a return on the portfolio of <b>1.5324%</b> .

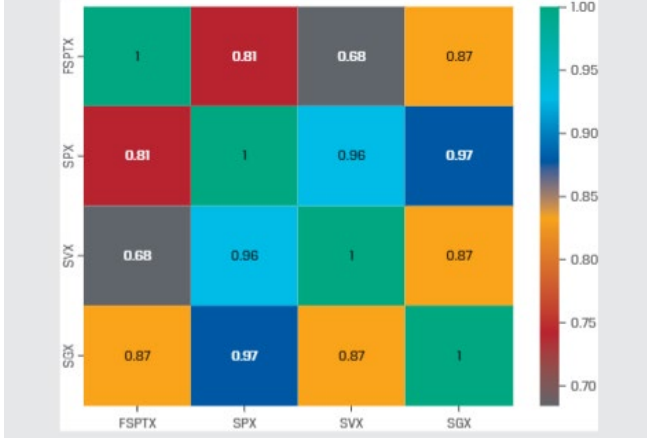
## Evaluating Regression Model Fit and Interpreting Model Results

Lesson	Location	PDF Pg	Revised	Correction
Goodness of Fit	Paragraph below the bullets	27	11 July 2024	Replace: Note that a t-statistic with an absolute value of 1.0 does not indicate the independent variable is different from zero at typical levels of significance, 5% and 1%.  With: Note that a t-statistic with an absolute value of 1.0 does not indicate <b>the coefficient of the independent variable</b> is different from zero at typical levels of significance, 5% and 1%.
Goodness of Fit	Exhibit 1	28	29 Jan 2024	Replace cell in column "Coefficient" and row "Intercept": 2.1876  With: <b>-2.1876</b>

Lesson	Location	PDF Pg	Revised	Correction
Goodness of Fit	Knowledge Check Solution	31	29 Jan 2024	Replace: The lower adjusted $R^2$ is consistent with the $ t\text{-statistic} $ for ADV's coefficient $< 1.0$ (i.e., 0.3302) and the coefficient not being different from zero at typical significance levels (P-value = 0.7429).
				With: The lower adjusted $R^2$ is consistent with the $ t\text{-statistic} $ for ADV's coefficient $< 1.0$ (i.e., <b>0.3320</b> ) and the coefficient not being different from zero at typical significance levels (P-value = 0.7429).
Testing Joint Hypotheses for Coefficients	Equation with heading: One-sided coefficient test, right side	34	29 Jan 2024	Replace: $H_0: b_j \geq B_j, H_a: b_j > B_j$
				With: $H_0: b_j \leq B_j, H_a: b_j > B_j$

## Model Misspecification

Lesson	Location	PDF Pg	Revised	Correction
Violations of Regression Assumptions: Multicollinearity	Identifying Multicollinearity as a Problem	68	26 July 2024	Replace: This situation represents classic multicollinearity. We can visualize this in Panel B, with the correlogram representing the pairwise correlations between the variables.
				With: This situation represents classic multicollinearity. We can visualize this in Panel B, with the <b>correlation matrix</b> representing the pairwise correlations between the variables.

Lesson	Location	PDF Pg	Revised	Correction																										
Violations of Regression Assumptions: Multicollinearity	Panel B Correlation matrix of variables	69	26 July 2024	Replace: 	With: <table border="1"> <caption>Panel B Correlation Matrix of Variables</caption> <thead> <tr> <th></th> <th>FSPTX</th> <th>SPX</th> <th>SVX</th> <th>SGX</th> </tr> </thead> <tbody> <tr> <th>FSPTX</th> <td>1</td> <td>0.81</td> <td>0.68</td> <td>0.87</td> </tr> <tr> <th>SPX</th> <td>0.81</td> <td>1</td> <td>0.96</td> <td>0.97</td> </tr> <tr> <th>SVX</th> <td>0.68</td> <td>0.96</td> <td>1</td> <td>0.87</td> </tr> <tr> <th>SGX</th> <td>0.87</td> <td>0.97</td> <td>0.87</td> <td>1</td> </tr> </tbody> </table>		FSPTX	SPX	SVX	SGX	FSPTX	1	0.81	0.68	0.87	SPX	0.81	1	0.96	0.97	SVX	0.68	0.96	1	0.87	SGX	0.87	0.97	0.87	1
	FSPTX	SPX	SVX	SGX																										
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SVX	0.68	0.96	1	0.87																										
SGX	0.87	0.97	0.87	1																										
Violations of Regression Assumptions: Multicollinearity	Practice Problems Exhibit 2	72	22 March 2024	Replace: <table border="1"> <thead> <tr> <th>Model B</th> <th>Durbin-Watson</th> <th>5.088</th> <th>4.387</th> <th>No</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Model B	Durbin-Watson	5.088	4.387	No						With: <table border="1"> <thead> <tr> <th>Model B</th> <th>Durbin-Watson</th> <th>3.088</th> <th>2.387</th> <th>No</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Model B	Durbin-Watson	3.088	2.387	No										
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## Extensions of Multiple Regression

Lesson	Location	PDF Pg	Revised	Correction	
Dummy Variables in a Multiple Linear Regression	Equation 3	87	29 Jan 2024	Replace: $Y_i = b_0 + d_0Db_i + b_1X_i + \epsilon_i.$	With: $Y_i = b_0 + d_0Db_i + b_1X_i + \epsilon_i.$

Lesson	Location	PDF Pg	Revised	Correction	
Dummy Variables in a Multiple Linear Regression	Exhibit 11 Panel C	88	24 July 2024	Replace: $Y = (b_0 + d_0) (d_1 + b_1) X$	With: $Y = (b_0 + d_0) + (d_1 + b_1) X$
Dummy Variables in a Multiple Linear Regression	Equation 5	89	22 March 2024	Replace: $Y_i - b_0 + d_0D_1 + b_1X_i + d_1D_1X_i + \epsilon_i.$	With: $Y_i = b_0 + d_0D_1 + b_1X_i + d_1D_1X_i + \epsilon_i.$
Dummy Variables in a Multiple Linear Regression	Question Set Question 3	93	29 Jan 2024	Replace Option A: The average return for a regulated firm is 0.5% lower than for a non-regulated firm, holding the market share constant.	With: The average return for a regulated firm is <b>at least 0.5% lower</b> than for a non-regulated firm, holding the market share constant.
				Replace Option C: For each increase in market share, a regulated firm has a 0.3 lower return on assets than a non-regulated firm.	With: For each increase in market share, <b>a regulated firm will have an increasingly lower ROA than an unregulated firm.</b>
Dummy Variables in a Multiple Linear Regression	Question Set Solution to 3	93	29 Jan 2024	Replace: A is correct because the coefficient on REG is $-0.5$ .	With: A is correct because the coefficient on REG is $-0.5$ . <b>As MKTSH approaches 0, we see that the regulated firm has 0.5% less return. Or, if the Market Share Contribution to return is the same, that is, <math>0.2 * \text{MKTSH}(\text{Regulated}) = 0.4 * \text{MKTSH}(\text{Non-regulated})</math>, then the regulated firm has 0.5% less return.</b>
				C is correct because the sum of coefficients is $-0.3 = -0.5\text{REG} + 0.4\text{MKTSH} - 0.2\text{REG\_MKTSH}$ .	C is correct because the sum of coefficients is $-0.3 = -0.5\text{REG} + 0.4\text{MKTSH} - 0.2\text{REG\_MKTSH}$ . <b>If MKTSH increases by 1%, for both regulated and non-regulated, the regulated firm will have a return that is 0.2% less, <math>0.2(1\%) - 0.4(1\%) = -0.2\%</math>. The 0.5% return of the non-regulated does not get included, since we are looking at the change in the return, based on a 1% increase in MKTSH.</b>

Lesson	Location	PDF Pg	Revised	Correction
Multiple Linear Regression with Qualitative Dependent Variables	Knowledge Check Solution 2	99	22 March 2024	Replace: Therefore, the marginal impact of increasing the NPM variable by 1%, rounded to two decimal places, is a decrease in the probability of a share buyback of 29.00% – 29.06% = –0.07%; differently put, it increases the probability of a share buyback.
				With: Therefore, the marginal impact of increasing the <b>DE variable</b> by 1%, rounded to two decimal places, is a decrease in the probability of a share buyback of 29.00% – 29.06% = –0.07%; differently put, it <b>decreases</b> the probability of a share buyback.
Multiple Linear Regression with Qualitative Dependent Variables	Practice Problem 9	109	22 March 2024	Replace: $P = \frac{1}{1 + \exp \left\{ - \left[ \begin{array}{l} -2.0350 + (-0.7667)(0.2911) + (-0.0089)(92.9093) + \\ (-0.1113)(2.3068) + (0.0292)(15.1743) + (0.0390)(2.0711) + \\ (0.3432)(1.6060) + (-0.0502)(7.6489) \end{array} \right] \right\}}$
				With $P = \frac{1}{1 + \exp \left\{ - \left[ \begin{array}{l} -2.0350 + (-0.7667)(0.2911) + (-0.0089)(92.9093) + \\ (-0.1113)(2.3068) + (0.0292)(15.1743) + \mathbf{(-0.0390)(2.0711)} + \\ (0.3432)(1.6060) + (-0.0502)(7.6489) \end{array} \right] \right\}}$
Multiple Linear Regression with Qualitative Dependent Variables	Solution 13	110	22 March 2024	Replace: Probability of being a winning fund = $0.3595 = \frac{1}{1 + \exp[-(-1.9589) + (0.3453)(4.0)]}$
				With: Probability of being a winning fund = $0.3595 = \frac{1}{1 + \exp[-(-1.9589) + (0.3453)(4.0)]}$

## Time-Series Analysis

Lesson	Location	PDF Pg	Revised	Correction
Trend Models and Testing for Correlated Errors	Second paragraph	124	29 Jan 2024	Replace: Because the value of the Durbin–Watson statistic (1.09) is below this critical value, we can reject the hypothesis of no positive serial correlation in the errors.
				With: Because the value of the Durbin–Watson statistic ( <b>1.2145</b> ) is below this critical value, we can reject the hypothesis of no positive serial correlation in the errors.
Trend Models and Testing for Correlated Errors	Third paragraph	124	24 July 2024	Replace: The value of the Durbin–Watson statistic (0.12) is below this critical value, so we can reject the null hypothesis of no positive serial correlation in the errors.
				With: The value of the Durbin–Watson statistic ( <b>0.26</b> ) is below this critical value, so we can reject the null hypothesis of no positive serial correlation in the errors.



Lesson	Location	PDF Pg	Revised	Correction																
Mean Reversion and Multiperiod Forecasts	Exhibit 13	131	22 March 2024	Replace: <table border="1" style="display: inline-table; margin-left: 20px;"> <thead> <tr> <th></th> <th>Coefficient</th> <th>Standard Error</th> <th>t-Statistic</th> </tr> </thead> <tbody> <tr> <td>Intercept</td> <td>1.3346</td> <td>0.2134</td> <td>6.2540</td> </tr> </tbody> </table> With: <table border="1" style="display: inline-table; margin-left: 20px;"> <thead> <tr> <th></th> <th>Coefficient</th> <th>Standard Error</th> <th>t-Statistic</th> </tr> </thead> <tbody> <tr> <td>Intercept</td> <td><b>0.13346</b></td> <td>0.2134</td> <td><b>0.6254</b></td> </tr> </tbody> </table>		Coefficient	Standard Error	t-Statistic	Intercept	1.3346	0.2134	6.2540		Coefficient	Standard Error	t-Statistic	Intercept	<b>0.13346</b>	0.2134	<b>0.6254</b>
	Coefficient	Standard Error	t-Statistic																	
Intercept	1.3346	0.2134	6.2540																	
	Coefficient	Standard Error	t-Statistic																	
Intercept	<b>0.13346</b>	0.2134	<b>0.6254</b>																	
Seasonality in Time-Series Models	Exhibit 27	154	11 July 2024	Replace: Exhibit 27: Log Differenced Sales: AR(1) Model with Seasonal Lag – Starbucks, Quarterly Observations, 2005-2019 With: Exhibit 27: Log Differenced Sales: AR(1) Model with Seasonal Lag – Starbucks, Quarterly Observations, <b>2002-2019</b>																
Seasonality in Time-Series Models	Exhibit 27	154	22 March 2024	Replace: If sales grew by 1% last quarter and by 2% four quarters ago, then the model would predict that sales growth this quarter will be $0.0107 - 0.0154(0.01) + 0.7549(0.02) = 0.0256$ , or 2.56%. With: If sales grew by 1% last quarter and by 2% four quarters ago, then the model would predict that sales growth this quarter will be $0.0107 - \mathbf{0.1540(0.01)} + 0.7549(0.02) = \mathbf{0.0243}$ , or <b>2.43%</b> .																
Solutions	Solution 9	191	26 July 2024	Replace: The estimated forecasting equation is $UERT = 5.5098 - 0.0294(t)$ . With: The estimated forecasting equation is $UERT = \mathbf{7.2237} - \mathbf{0.0510(t)}$ .																
Solutions	Solution 10	191	22 March 2024	Replace: To see whether this result is significantly less than 2.0, refer to the Durbin–Watson table in Appendix E at the end of this volume, in the column marked $k = 1$ (one independent variable) and the row corresponding to 80 observations. We see that $dI = 1.61$ . With: To see whether this result is significantly less than 2.0, refer to the Durbin–Watson table in Appendix E at the end of this volume, in the column marked $k = 1$ (one independent variable) and the row corresponding to 80 observations. We see that $dI = \mathbf{1.55}$ .																

## Machine Learning

Lesson	Location	PDF Pg	Revised	Correction
Hierarchical Clustering	LOS	241	29 Jan 2024	Replace: describe neural networks, deep learning nets, and reinforcement learning With: <b>describe unsupervised machine learning algorithms—including principal components analysis, k-means clustering, and hierarchical clustering—and determine the problems for which they are best suited</b>

Lesson	Location	PDF Pg	Revised	Correction
Case Study: Clustering Stocks Based on Co-Movement Similarity	LOS	245	29 Jan 2024	Replace: describe neural networks, deep learning nets, and reinforcement learning  With: <b>describe unsupervised machine learning algorithms—including principal components analysis, k-means clustering, and hierarchical clustering—and determine the problems for which they are best suited</b>
Deep Neural Networks	LOS	254	29 Jan 2024	Add as the LOS statement: describe neural networks, deep learning nets, and reinforcement learning
Case Study: Deep Neural Network–Based Equity Factor Model	LOS	256	29 Jan 2024	Add as the LOS statement: describe neural networks, deep learning nets, and reinforcement learning
Choosing an Appropriate ML Algorithm	LOS	265	29 Jan 2024	Add as the LOS statement: describe supervised machine learning algorithms—including penalized regression, support vector machine, k-nearest neighbor, classification and regression tree, ensemble learning, and random forest—and determine the problems for which they are best suited” and “describe unsupervised machine learning algorithms—including principal components analysis, k-means clustering, and hierarchical clustering—and determine the problems for which they are best suited
Practice Problems	Problem 6 Option C	273	29 Jan 2024	Replace: Statements 1, 3 and 3.  With: Statements 1, <b>2</b> , and 3.
Practice Problems	Solution to 10	276	29 Jan 2024	Replace: A is correct. It is the least accurate answer because neural networks with many hidden layers—at least 3, but often more than 20 hidden layers—are known as deep learning nets.  With: A is correct. It is the least accurate answer because neural networks with many hidden layers—at least <b>2</b> , but often more than 20 hidden layers—are known as deep learning nets.

## Economics

### Currency Exchange Rates: Understanding Equilibrium Value

Lesson	Location	PDF Pg	Revised	Correction
Purchasing Power Parity	Second sentence at top of page	407	22 March 2024	Replace: Each chart plots the inflation differential (horizontal axis) against the percentage change in the exchange rate (vertical axis).  With: Each chart plots the inflation differential ( <b>vertical</b> axis) against the percentage change in the exchange rate ( <b>horizontal</b> axis).
Purchasing Power Parity	Last paragraph of the page	407	22 March 2024	Replace: Note that the Brazilian Real-USD exchange rate changes rapidly in the period 1990-1993, mirroring the very large differences in relative inflation between hyperinflationary Brazil and low inflation rate United States.  With: Note that the Brazilian Real-USD exchange rate changes rapidly in the period <b>1980-1993</b> , mirroring the very large differences in relative inflation between hyperinflationary Brazil and low inflation rate United States.
Purchasing Power Parity	Exhibit 3 Title	408	22 March 2024	Replace axis headings: DEM/USD and US less German Real Interest Rates  With: <b>REAL/USD and Differences in Inflation Rates</b>
Monetary and Fiscal Policies	Second paragraph	425	22 March 2024	Replace: With floating exchange rates and high capital mobility, a domestic currency will appreciate given a restrictive domestic monetary policy and/or an expansionary fiscal policy. Similarly, a domestic currency will depreciate given an expansionary domestic monetary policy and/or a restrictive fiscal policy. In Exhibit 4, we show that the combination of a restrictive monetary policy and an expansionary fiscal policy is extremely bullish for a currency when capital mobility is high; likewise, the combination of an expansionary monetary policy and a restrictive fiscal policy is bearish for a currency.  With: With floating exchange rates and high capital mobility, a domestic currency will appreciate given a restrictive domestic monetary policy and/or an expansionary fiscal policy <b>that results in higher real interest rates</b> . Similarly, a domestic currency will depreciate given an expansionary domestic monetary policy and/or a restrictive fiscal policy <b>that results in lower real interest rates</b> . In Exhibit 4, we show that the combination of a restrictive monetary policy and an expansionary fiscal policy ( <b>high real rates</b> ) is extremely bullish for a currency when capital mobility is high; likewise, the combination of an expansionary monetary policy and a restrictive fiscal policy ( <b>lower real rates</b> ) is bearish for a currency.

Lesson	Location	PDF Pg	Revised	Correction																		
Monetary and Fiscal Policies	Exhibit 5	426	29 Jan 2024	Replace: <table border="1" style="margin-left: 20px;"> <tr> <td></td> <td>Expansionary Monetary Policy</td> <td>Restrictive Monetary Policy</td> </tr> <tr> <td>Expansionary Fiscal Policy</td> <td>Indeterminate</td> <td>Domestic currency appreciates</td> </tr> <tr> <td>Restrictive Fiscal Policy</td> <td>Domestic currency depreciates</td> <td>Indeterminate</td> </tr> </table> With: <table border="1" style="margin-left: 20px;"> <tr> <td></td> <td>Expansionary Monetary Policy</td> <td>Restrictive Monetary Policy</td> </tr> <tr> <td>Expansionary Fiscal Policy</td> <td><b>Domestic currency depreciates</b></td> <td><b>Indeterminate</b></td> </tr> <tr> <td>Restrictive Fiscal Policy</td> <td><b>Indeterminate</b></td> <td><b>Domestic currency appreciates</b></td> </tr> </table>		Expansionary Monetary Policy	Restrictive Monetary Policy	Expansionary Fiscal Policy	Indeterminate	Domestic currency appreciates	Restrictive Fiscal Policy	Domestic currency depreciates	Indeterminate		Expansionary Monetary Policy	Restrictive Monetary Policy	Expansionary Fiscal Policy	<b>Domestic currency depreciates</b>	<b>Indeterminate</b>	Restrictive Fiscal Policy	<b>Indeterminate</b>	<b>Domestic currency appreciates</b>
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Restrictive Fiscal Policy	<b>Indeterminate</b>	<b>Domestic currency appreciates</b>																				

## Economic Growth

Lesson	Location	PDF Pg	Revised	Correction
Factors Favoring and Limiting Economic Growth	Example 1 Question 1	466	29 Jan 2024	Replace: Singapore $[(\$66,189/\$4,299)^{1/68}] - 1 = 4.6\%$ With: Singapore $[(\$66,189/\$4,299)^{1/68}] - 1 = 4.1\%$

# Financial Statement Analysis

## Intercorporate Investments

Lesson	Location	PDF Pg	Revised	Correction
Investments in Associates and Joint Ventures	Exhibit 4 - 5 <sup>th</sup> paragraph	13	24 July 2024	<p>Replace: An impairment loss recognized in prior periods is only reversed if there has been a change in the estimates used to determine the in-vestment’s recoverable amount since the last impairment loss was recognized.</p> <p>With: An impairment loss recognized in prior periods is only reversed if there has been a change in the estimates used to determine the <b>investment’s</b> recoverable amount since the last impairment loss was recognized.</p>
Amortization of Excess Purchase Price, Fair Value Option, and Impairment	2 <sup>nd</sup> to last paragraph	19	29 Jan 2024	<p>Replace: Both IFRS and US GAAP prohibit the reversal of impairment losses even if the fair value later increases.</p> <p>With: <del>Both IFRS and US GAAP prohibit the reversal of impairment losses even if the fair value later increases.</del></p>
Financial Statement Presentation	2 <sup>nd</sup> sentence	37	24 July 2024	<p>Replace: In addition, during 2017 GlaxoSmithKline made cash investment of £15,000,000 in Associates and disposed of two associated for a cash consideration of £198,000,000.</p> <p>With: In addition, during 2017 GlaxoSmithKline made cash investment of £15,000,000 in <b>associates</b> and disposed of two <b>associates</b> for a cash consideration of £198,000,000.</p>
Financial Statement Presentation	6th sentence	37	24 July 2024	<p>Replace: The remaining contingent consideration relates to the acquisition of the Shionogi-ViiV Healthcare joint venture and Novartis Vaccines are expected to be paid over a number of years.</p> <p>With: The remaining contingent consideration <b>related</b> to the acquisition of the Shionogi-ViiV Healthcare joint venture and Novartis Vaccines are expected to be paid over a number of years.</p>
Additional Issues in Business Combinations That Impair Comparability	Last bullet	45	24 July 2024	<p>Replace: Special purpose (SPEs) and variable interest entities (VIEs) are required to be consolidated by the entity which is expected to absorb the majority of the expected losses or receive the majority of expected residual benefits.</p> <p>With: <b>Special purpose entities</b> (SPEs) and variable interest entities (VIEs) are required to be consolidated by the entity which is expected to absorb the majority of the expected losses or receive the majority of expected residual benefits.</p>
Practice Problems	Question 27	54	24 July 2024	<p>Replace: Using only the information from Exhibit 2, the carrying value of Topmaker’s investment in Rainer at the end of 2018 is closest to:</p> <p>With: Using only the information from Exhibit 2, the carrying value of Topmaker’s investment in Rainer at the end of <b>2016</b> is closest to:</p>

Lesson	Location	PDF Pg	Revised	Correction
Practice Problems	Question 17 and Solution	51, 59		<p>Remove the following Question 17: Compared to accounting principles currently in use, the pooling method BetterCare used for its Statewide Medical acquisition has <i>most</i> likely caused its reported:</p> <ul style="list-style-type: none"> <li>A. revenue to be higher.</li> <li>B. total equity to be lower.</li> <li>C. total assets to be higher.</li> </ul> <hr/> <p>Remove the following Solution to 17: B is correct. Statewide Medical was accounted for under the pooling of interest method, which causes all of Statewide's assets and liabilities to be reported at historical book value. The excess of assets over liabilities generally is lower using the historical book value method than using the fair value method (this latter method must be used under currently required acquisition accounting). It would have no effect on revenue.</p>
Solutions	Solution to 27	61	24 July 2024	<p>Replace: Investment in associate (Rainer) at the end of 2018</p> <p>With: Investment in associate (Rainer) at the end of <b>2016</b></p>

## Employee Compensation: Post-Employment and Share-Based

Lesson	Location	PDF Pg	Revised	Correction
Financial Reporting for Share-Based Compensation	Last Table under Restricted Stock, Knowledge Check, under the December 20x3	72	24 July 2024	<p>Replace: Transfer 33,254 from share-based compensation reserve to paid-in capital account upon settlement</p> <p>With: Transfer <b>19,803</b> from share-based compensation reserve to paid-in capital account upon settlement</p>

Lesson	Location	PDF Pg	Revised	Correction																									
Financial Reporting for Share-Based Compensation	Knowledge Check Solution 3	75	22 March 2024	Replace: Share-based compensation reserve (equity) -7,728. Paid in capital (equity) +30,888. Cash inflow from financing activities of JPY 23,160 million.	With: Share-based compensation reserve (equity) -7,728. Paid in capital (equity) <b>+33,888</b> . Cash inflow from financing activities of JPY <b>26,160</b> million.																								
Share-Based Compensation Tax and Share Count Effects, Note Disclosures	Example 4 Solution	80-81	29 Jan 2024	Replace: <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Basic shares outstanding</td> <td style="text-align: right;">176,401,000</td> </tr> <tr> <td>Effect of dilutive securities:</td> <td style="text-align: right;">1,571,667</td> </tr> <tr> <td><b>Diluted shares outstanding:</b></td> <td style="text-align: right;"><b>177,972,667</b></td> </tr> </table> Replace: RSUs: <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Unvested RSUs</td> <td style="text-align: right;">3,028,000</td> </tr> <tr> <td>Minus: Assumed repurchases of</td> <td style="text-align: right;">1,456,333**</td> </tr> <tr> <td><b>Dilutive shares:</b></td> <td style="text-align: right;"><b>1,571,667</b></td> </tr> </table> Replace: = 1,456,333 assumed repurchases	Basic shares outstanding	176,401,000	Effect of dilutive securities:	1,571,667	<b>Diluted shares outstanding:</b>	<b>177,972,667</b>	Unvested RSUs	3,028,000	Minus: Assumed repurchases of	1,456,333**	<b>Dilutive shares:</b>	<b>1,571,667</b>	With: <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Basic shares outstanding</td> <td style="text-align: right;">176,401,000</td> </tr> <tr> <td>Effect of dilutive securities:</td> <td style="text-align: right;"><b>1,456,333</b></td> </tr> <tr> <td><b>Diluted shares outstanding:</b></td> <td style="text-align: right;"><b>177,857,333</b></td> </tr> </table> With: RSUs: <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Unvested RSUs</td> <td style="text-align: right;">3,028,000</td> </tr> <tr> <td>Minus: Assumed repurchases of</td> <td style="text-align: right;"><b>1,571,667**</b></td> </tr> <tr> <td><b>Dilutive shares:</b></td> <td style="text-align: right;"><b>1,456,333</b></td> </tr> </table> With: = <b>1,571,667</b> assumed repurchases	Basic shares outstanding	176,401,000	Effect of dilutive securities:	<b>1,456,333</b>	<b>Diluted shares outstanding:</b>	<b>177,857,333</b>	Unvested RSUs	3,028,000	Minus: Assumed repurchases of	<b>1,571,667**</b>	<b>Dilutive shares:</b>	<b>1,456,333</b>
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<b>Dilutive shares:</b>	<b>1,456,333</b>																												
Share-Based Compensation and Financial Statement Modeling	Example 8	85	22 March 2024	Replace table row: <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Total operating expenses</td> <td style="width: 10%; text-align: right;">33,260</td> <td style="width: 10%; text-align: right;">20,561</td> <td style="width: 10%; text-align: right;">1,330</td> </tr> </table>	Total operating expenses	33,260	20,561	1,330	With: <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Total operating expenses</td> <td style="width: 10%; text-align: right;">33,260</td> <td style="width: 10%; text-align: right;">20,561</td> <td style="width: 10%; text-align: right;"><b>13,330</b></td> </tr> </table>	Total operating expenses	33,260	20,561	<b>13,330</b>																
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Financial Reporting for Post-Employment Benefits	First sentence	92	24 July 2024	Replace: If the funded status is negative, the plan is an overfunded plan and the funded status is reported on the balance sheet as a net pension liability.	With: If the funded status is negative, the plan is an <b>underfunded</b> plan and the funded status is reported on the balance sheet as a net pension liability.																								
Financial Reporting for Post-Employment Benefits	Example 10 Question 2	95	29 Jan 2024	Replace: <ul style="list-style-type: none"> <li>• Benefit obligation at the beginning of the year of 97</li> <li>• Fair value of plan assets at the beginning of the year of 1,010</li> </ul>	With: <ul style="list-style-type: none"> <li>• Benefit obligation at the beginning of the year of <b>JPY 97 million</b></li> <li>• Fair value of plan assets at the beginning of the year of <b>JPY 1,010 million</b></li> </ul>																								

Lesson	Location	PDF Pg	Revised	Correction	
Financial Reporting for Post-Employment Benefits	Example 10 Solution 2	95	24 July 2024	Replace: Remeasurements of 32.24 million	With Remeasurements of <b>30.3 million</b>
Practice Problems	Practice Problem 9	104	22 March 2024	Replace choice A: 9. If XYZ prepared its financial statements under US GAAP, the total amount recognized by XYZ on the income statement related to its DB plan for fiscal year 2024 (assuming the company chooses not to immediately recognize the actuarial loss and assuming there is no amortization of past service costs or actuarial gains and losses) would be closest to:  A. 28.	Replace choice A: 9. If XYZ prepared its financial statements under US GAAP, the total amount recognized by XYZ on the income statement related to its DB plan for fiscal year 2024 (assuming the company chooses not to immediately recognize the actuarial loss and assuming there is no amortization of past service costs or actuarial gains and losses) would be closest to:  A. <b>20.</b>
Solutions	Solution 9	111	22 March 2024	Replace: A is correct. Under US GAAP—assuming the company chooses not to immediately recognize the actuarial loss and assuming there is no amortization of past service costs or actuarial gains and losses—the components of periodic pension cost that would be reported in P&L include the current service cost of 200, the interest expense on the pension obligation at the beginning of the period of 2,940 [= 7.0% × (42,000 +120)], and the expected return on plan assets, which is a reduction of the cost of 3,120 (= 8.0% × 39,000). Summing these three components gives 28.	With: A is correct. <b>Under US GAAP—assuming the company chooses not to immediately recognize the actuarial loss and assuming there is no amortization of past service costs or actuarial gains and losses—the components of periodic pension cost that would be reported in P&amp; L include the current service cost of 200, the interest expense on the pension obligation at the beginning of the period of 2,940 [= 7.0% × 42,000], and the expected return on plan assets, which is a reduction of the cost of 3,120 (= 8.0% × 39,000). Summing these three components gives 20.</b>
Solutions	Solution 10	112	24 July 2024	Replace: Net interest expense/income is the product of the discount rate and the net pension liability/asset at the beginning of FY2025, or the end of FY2024, [(41,270-38,700) × 0.07] = 211. Summing these two components gives 531.	With: Net interest expense/income is the product of the discount rate and the net pension liability/asset at the beginning of FY2025, or the end of FY2024, [( <b>41,720</b> -38,700) × 0.07] = 211. Summing these two components gives 531.



## Financial Statement Modeling

Lesson	Location	PDF Pg	Revised	Correction
Modeling Operating Costs: Cost of Goods Sold and SG&A	Example 5 Solution 2	426	22 March 2024	<p>Replace: The projected beauty EBIT is EUR2,689 million, while the projected mass market EBIT is EUR5,937 million, assuming mass market sales of EUR14,937 million, gross margin of 60.75%, A&amp;P % of 15.4%, and SG&amp;A/Other % of 23.6%.</p> <p>With: The projected beauty EBIT is EUR2,689 million, while the projected mass market EBIT is <b>EUR 3,249 million</b>, assuming mass market sales of EUR14,937 million, gross margin of 60.75%, A&amp;P % of 15.4%, and SG&amp;A/Other % of 23.6%.</p>

## Corporate Issuers

### Cost of Capital: Advanced Topics

Lesson	Location	PDF Pg	Revised	Correction
The ERP	Example 8 Solution to 2	128	24 July 2024	<p>Replace: <math>ERP = \{2.2 + 0 + [1.6 + 3.0 - (0.7)]\} - 2.5 = 5.0\%</math></p> <p>With: <math>ERP = \{2.2 + 0 + [1.6 + 3.0 - \mathbf{(0.7)}]\} - 2.5 = 5.0\%</math></p>
Mini-Case 2	Question and Answers	150	22 March 2024	<p>Missing question and answer content can be found here: <a href="#">Link to PDF</a></p>

## Corporate Restructuring

Lesson	Location	PDF Pg	Revised	Correction
Corporate Evolution, Actions, and Motivations	Exhibit 1 table headers	158	22 March 2024	Replace: Stage in Life Cycle   Start-Up   Start-Up   Maturity   Decline With: Stage in Life Cycle   Start-Up   <b>Growth</b>   Maturity   Decline
Evaluating Investment Actions	Example 10 Solution to 3	194	24 July 2024	Replace: The equity investment by Dilmun valued Spina Ltd. at USD4,000 billion, or an EV/Sales (trailing twelve months, or TTM) multiple of 6.7 (4,000/600million in net revenues in 20X3). With: The equity investment by Dilmun valued Spina Ltd. at USD4,000 <b>million</b> , or an EV/Sales (trailing twelve months, or TTM) multiple of 6.7 (4,000/600million in net revenues in 20X3).
Evaluating Investment Actions	Example 11 Solution 3	198	22 March 2024	Replace: Hapalla AG's offer of BRL45 billion to acquire a 25% interest in OHAA values OHAA at BRL180 billion (45/0.25) on an enterprise value basis, or BRL147,359 million in equity value after subtracting cash and cash equivalents at year-end 20X7. With: Hapalla AG's offer of BRL45 billion to acquire a 25% interest in OHAA values OHAA at BRL180 billion (45/0.25) on an enterprise value basis, or <b>BRL147,539 million</b> in equity value after subtracting cash and cash equivalents at year-end 20X7.
Evaluating Investment Actions	Exhibit 31 table	198	22 March 2024	Replace: Gain on sale      0                      –                      32,000 With: Gain on sale      0 <b>32,000</b> 32,000

## Equity Valuation

## Free Cash Flow Valuation

Lesson	Location	PDF Pg	Revised	Correction
Solutions	Solution 4	81	22 March 2024	Replace: Firm value = $\frac{1.1559(1.04)}{0.0889 - 0.04} = \$24.583$ . With: Firm value = $\frac{1.1559(1.04)}{0.0889 - 0.04} = \$24.583$ billion

Lesson	Location	PDF Pg	Revised	Correction
Solutions	Solution to 45	95	24 July 2024	Replace: = \$37.01  With: <b>= £37.01</b>

## Market-Based Valuation: Price and Enterprise Value Multiples

Lesson	Location	PDF Pg	Revised	Correction
Price/Earnings: Valuation based on Forecasted Fundamentals	Example 8 Solution 1	117-118	22 March 2024	Replace: Value of the stock derived from FCFE = ¥6,980. Forecasted 2014 EPS = ¥720. ¥6,980/¥720 = 9.7 is the justified forward P/E.  With: Value of the stock derived from FCFE = ¥6,980. Forecasted <b>2020</b> EPS = ¥720. ¥6,980/¥720 = 9.7 is the justified forward P/E.
Price/Earnings: Using the P/E in Valuation	Example 11	124	22 March 2024	Replace: These data are reported in Exhibit 6, which lists companies in order of descending earnings growth forecast.  With: These data are reported in Exhibit 6, <del>which lists companies in order of descending earnings growth forecast.</del>
Price/Earnings: Using the P/E in Valuation	Example 11 Solution 1	125	29 Jan 2024	Replace: Among the three companies identified as underpriced (based on their low trailing P/Es), CenturyLink has the highest five-year EPS growth forecast and the lowest PEG ratio.  With: Among the three companies identified as underpriced (based on their low <b>forward</b> P/Es), CenturyLink has the highest five-year EPS growth forecast and the lowest PEG ratio.

Lesson	Location	PDF Pg	Revised	Correction																																																																																																																																
Price/Earnings: Using the P/E in Valuation	Example 11 Solution 1	125	29 Jan 2024	Replace: Among the other companies in Exhibit 6, Comcast and Charter Communications had the highest EPS growth forecasts and the second and third lowest PEG ratios.																																																																																																																																
				With: Among the other companies in <b>Exhibit 5</b> , Comcast and Charter Communications had the highest EPS growth forecasts and the <b>third lowest and lowest</b> PEG ratios.																																																																																																																																
Price/Earnings: Using the P/E in Valuation	Example 11	124	29 Jan 2024	Replace: <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th rowspan="2">Company</th> <th colspan="2">Replace:</th> <th colspan="6">With:</th> </tr> <tr> <th>Trailing P/E</th> <th>Forward P/E</th> <th>Five-Year EPS Growth Forecast</th> <th>Forward PEG Ratio</th> <th>Beta</th> <th>Company</th> <th>Trailing P/E</th> <th>Forward P/E</th> <th>Five-Year EPS Growth Forecast</th> <th>Forward PEG Ratio</th> <th>Beta</th> </tr> </thead> <tbody> <tr> <td>AT&amp;T</td> <td>13.20</td> <td>9.36</td> <td>1.83%</td> <td>7.20</td> <td>0.56</td> <td>AT&amp;T</td> <td>13.20</td> <td>9.36</td> <td>1.83%</td> <td><b>5.11</b></td> <td>0.56</td> </tr> <tr> <td>Comcast Corporation</td> <td>16.23</td> <td>12.92</td> <td>11.20</td> <td>1.45</td> <td>1.09</td> <td>Comcast Corporation</td> <td>16.23</td> <td>12.92</td> <td><b>11.29</b></td> <td><b>1.14</b></td> <td>1.09</td> </tr> <tr> <td>CenturyLink</td> <td>NMF</td> <td>8.89</td> <td>8.52</td> <td>1.04</td> <td>0.81</td> <td>CenturyLink</td> <td>NMF</td> <td>8.89</td> <td>8.52</td> <td>1.04</td> <td>0.81</td> </tr> <tr> <td>China Telecom</td> <td>13.14</td> <td>10.31</td> <td>6.90</td> <td>1.90</td> <td>0.81</td> <td>China Telecom</td> <td>13.14</td> <td>10.31</td> <td>6.90</td> <td><b>1.49</b></td> <td>0.81</td> </tr> <tr> <td>Charter Communications</td> <td>70.67</td> <td>30.32</td> <td>45.30</td> <td>1.56</td> <td>1.24</td> <td>Charter Communications</td> <td>70.67</td> <td>30.32</td> <td>45.30</td> <td><b>0.67</b></td> <td>1.24</td> </tr> <tr> <td>Verizon</td> <td>15.03</td> <td>11.99</td> <td>2.51</td> <td>5.99</td> <td>0.50</td> <td>Verizon</td> <td>15.03</td> <td>11.99</td> <td>2.51</td> <td><b>4.78</b></td> <td>0.50</td> </tr> <tr> <td>Windstream Holdings</td> <td>19.01</td> <td>16.29</td> <td>3.19</td> <td>5.96</td> <td>0.45</td> <td>Windstream Holdings</td> <td>19.01</td> <td>16.29</td> <td>3.19</td> <td><b>5.11</b></td> <td>0.45</td> </tr> <tr> <td>Mean</td> <td>24.55</td> <td>14.30</td> <td>11.30</td> <td>3.59</td> <td>0.78</td> <td>Mean</td> <td>24.55</td> <td>14.30</td> <td>11.30</td> <td><b>2.76</b></td> <td>0.78</td> </tr> <tr> <td>Median</td> <td>15.03</td> <td>11.99</td> <td>6.90</td> <td>1.90</td> <td>0.78</td> <td>Median</td> <td>15.03</td> <td>11.99</td> <td>6.90</td> <td><b>1.49</b></td> <td>0.78</td> </tr> </tbody> </table>	Company	Replace:		With:						Trailing P/E	Forward P/E	Five-Year EPS Growth Forecast	Forward PEG Ratio	Beta	Company	Trailing P/E	Forward P/E	Five-Year EPS Growth Forecast	Forward PEG Ratio	Beta	AT&T	13.20	9.36	1.83%	7.20	0.56	AT&T	13.20	9.36	1.83%	<b>5.11</b>	0.56	Comcast Corporation	16.23	12.92	11.20	1.45	1.09	Comcast Corporation	16.23	12.92	<b>11.29</b>	<b>1.14</b>	1.09	CenturyLink	NMF	8.89	8.52	1.04	0.81	CenturyLink	NMF	8.89	8.52	1.04	0.81	China Telecom	13.14	10.31	6.90	1.90	0.81	China Telecom	13.14	10.31	6.90	<b>1.49</b>	0.81	Charter Communications	70.67	30.32	45.30	1.56	1.24	Charter Communications	70.67	30.32	45.30	<b>0.67</b>	1.24	Verizon	15.03	11.99	2.51	5.99	0.50	Verizon	15.03	11.99	2.51	<b>4.78</b>	0.50	Windstream Holdings	19.01	16.29	3.19	5.96	0.45	Windstream Holdings	19.01	16.29	3.19	<b>5.11</b>	0.45	Mean	24.55	14.30	11.30	3.59	0.78	Mean	24.55	14.30	11.30	<b>2.76</b>	0.78	Median	15.03	11.99	6.90	1.90	0.78	Median	15.03	11.99	6.90	<b>1.49</b>	0.78
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Lesson	Location	PDF Pg	Revised	Correction
Enterprise Value/EBITDA	Example 34 Solution	164-165	22 March 2024	<p>Replace:</p> <p>CL has only one class of common stock, no preferred shares, and no minority interest. For companies that have multiple classes of common stock, market capitalization includes the total value of all classes of common stock. Similarly, for companies that have preferred stock and/or minority interest, the market value of preferred stock and the amount of minority interest are added to market capitalization.</p> <p>EV also includes the value of long-term debt obligations. Per CL's balance sheet, this is the sum of long-term debt (\$6,354 million), the current portion of long-term debt (\$0 million), and other non-current liabilities (\$2,034 million), or \$8,388 million. Typically, the book value of long-term debt is used in EV. If, however, the market value of the debt is readily available and materially different from the book value, the market value should be used.</p> <p>...</p> <p>So, CL's EV is \$57,372 million + \$8,388 million – \$720 million = \$65,040 million.</p> <p>...</p> <p>For CL, we conclude that EV/EBITDA = (\$65,040 million)/(\$3,960 million) = 16.4.</p>
				<p>With:</p> <p>CL has only one class of common stock, no preferred shares, <b>but has</b> minority interest. For companies that have multiple classes of common stock, market capitalization includes the total value of all classes of common stock. Similarly, for companies that have preferred stock and/or minority interest, the market value of preferred stock and the amount of minority interest are added to market capitalization.</p> <p>EV also includes the value of long-term debt obligations. Per CL's balance sheet, this is the sum of long-term debt (\$6,354 million), the current portion of long-term debt (\$0 million), and other non-current liabilities (<b>\$2,269 million</b>), or <b>\$8,623 million</b>. Typically, the book value of long-term debt is used in EV. If, however, the market value of the debt is readily available and materially different from the book value, the market value should be used.</p> <p>...</p> <p>So, CL's EV is \$57,372 million + <b>\$8,623 million</b> + <b>\$299 million</b> – <b>\$726 million</b> = <b>\$65,034 million</b>.</p> <p>...</p> <p>For CL, we conclude that EV/EBITDA = (<b>\$65,034 million</b>)/(\$3,960 million) = <b>16.6</b>.</p>

Lesson	Location	PDF Pg	Revised	Correction	
Valuation Indicators: Issues in Practice	Practice Problem 22 and solution	195 and 207	10 April 2024	Replace: 22. Based on Exhibits 1 and 2, the normalized earnings per share for Centralino as calculated by Risso should be closest to: A. €2.94. B. €3.21. C. €5.07.  Replace: Average ROE $\times$ BVPS = $0.131 \times €22.48 = €2.94$ .	With: 22. Based on Exhibits 1 and 2, the normalized earnings per share for Centralino as calculated by Risso should be closest to: A. <b>€2.96</b> . B. €3.21. C. €5.07.  With: Average ROE $\times$ BVPS = $0.131 \times \mathbf{€22.58} = \mathbf{€2.96}$ .
Valuation Indicators: Issues in Practice	Practice Problem 30-31, Exhibit 2	199	22 March 2024	Replace: Required rate of ROE	With: Required rate of <b>return</b>
Valuation Indicators: Issues in Practice	Solution 22	207	22 March 2024	Replace: The book value of (common) equity, or simply book value, is the value of shareholders' equity less any value attributable to the preferred stock: $€1,027 \text{ million} - €84 \text{ million} = €943 \text{ million}$ .  Current book value per share (BVPS) is calculated as $€943 \text{ million} / 41.94 \text{ million} = €22.48$ .  So, normalized EPS is calculated as Average ROE $\times$ BVPS = $0.131 \times €22.48 = €2.94$ .	With: The book value of (common) equity, or simply book value, is the value of shareholders' equity less any value attributable to the preferred stock: $€1,027 \text{ million} - \mathbf{€80 \text{ million}} = \mathbf{€947 \text{ million}}$ .  Current book value per share (BVPS) is calculated as $\mathbf{€947 \text{ million}} / 41.94 \text{ million} = \mathbf{€22.58}$ .  So, normalized EPS is calculated as Average ROE $\times$ BVPS = $0.131 \times \mathbf{€22.58} = \mathbf{€2.96}$ .

## Residual Income Valuation

Lesson	Location	PDF Pg	Revised	Correction																															
Single-Stage and Multistage Residual Income Valuation	Example 10	235	26 July 2024	<p>Replace: Rosato extends her analysis to consider the possibility that ROE will slowly decay toward <math>r</math> in 2040 and beyond, rather than using a perpetuity of Year 2037 residual income. Rosato estimates a persistence parameter of 0.60. The present value of the terminal value is determined as</p> <p>with <math>T</math> equal to 20 and 2037 residual income equal to 23.8664, in which the 1.12 growth factor reflects a 12% growth rate calculated as the retention ratio multiplied by ROE, or <math>(0.60)(20\%) = 0.12</math>.</p>	<p>With: Rosato extends her analysis to consider the possibility that ROE will slowly decay toward <math>r</math> in 2040 and beyond, rather than using a perpetuity of Year <b>2039</b> residual income. Rosato estimates a persistence parameter of 0.60. The present value of the terminal value is determined as</p> <p>with <math>T</math> equal to 20 and <b>2039</b> residual income equal to 23.8664, in which the 1.12 growth factor reflects a 12% growth rate calculated as the retention ratio multiplied by ROE, or <math>(0.60)(20\%) = 0.12</math>.</p>																														
Single-Stage and Multistage Residual Income Valuation	Example 11 Solution 2	236	29 Jan 2024	<p>Replace:</p> <table border="0"> <tr> <td>Current book value per share</td> <td>15.000</td> <td></td> </tr> <tr> <td>Present value of 6 years' residual income</td> <td>17.755</td> <td></td> </tr> <tr> <td>Terminal value [PT – BT = (1.8 × BT) – BT]</td> <td>31.580</td> <td></td> </tr> <tr> <td>Present value of terminal value (at 7.95%)</td> <td><u>18,856</u></td> <td></td> </tr> <tr> <td>Value per share</td> <td>€52.711</td> <td></td> </tr> </table>	Current book value per share	15.000		Present value of 6 years' residual income	17.755		Terminal value [PT – BT = (1.8 × BT) – BT]	31.580		Present value of terminal value (at 7.95%)	<u>18,856</u>		Value per share	€52.711		<p>With:</p> <table border="0"> <tr> <td>Current book value per share</td> <td>15.000</td> <td></td> </tr> <tr> <td>Present value of 6 years' residual income</td> <td>17.755</td> <td></td> </tr> <tr> <td>Terminal value [PT – BT = (1.8 × BT) – BT]</td> <td>31.580</td> <td></td> </tr> <tr> <td>Present value of terminal value (at 7.95%)</td> <td><u><b>19.956</b></u></td> <td></td> </tr> <tr> <td>Value per share</td> <td>€52.711</td> <td></td> </tr> </table>	Current book value per share	15.000		Present value of 6 years' residual income	17.755		Terminal value [PT – BT = (1.8 × BT) – BT]	31.580		Present value of terminal value (at 7.95%)	<u><b>19.956</b></u>		Value per share	€52.711	
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## Private Company Valuation

Lesson	Location	PDF Pg	Revised	Correction																		
Private Company Valuation: Income-Based Approach	Example 12	326	29 Jan 2024	<p>Replace:</p> <table border="1"> <thead> <tr> <th colspan="2">FLI's Normalized Operating Income after Taxes</th> </tr> <tr> <th>As of 31 December (in SGD)</th> <th>As Adjusted</th> </tr> </thead> <tbody> <tr> <td>Revenues</td> <td>50,000,000</td> </tr> <tr> <td>Cost of goods sold</td> <td>30,000,000</td> </tr> <tr> <td>Gross profit</td> <td>20,000,000</td> </tr> <tr> <td>SG&amp;A expenses</td> <td>3,700,000</td> </tr> <tr> <td>EBIT</td> <td>16,300,000</td> </tr> <tr> <td>Depreciation and amortization</td> <td>900,000</td> </tr> <tr> <td>Earnings before interest and taxes</td> <td>15,400,000</td> </tr> </tbody> </table> <p>Using FLI's tax rate of 17% and additional information that FLI had capital expenditures of SGD 1,200,000 and increased working capital by SGD 500,000 over the period, Khan solves for a base-year FCFF of SGD 11,982,000:</p> $\text{FCFF} = \text{EBIT}(1 - \text{Tax rate}) + \text{Depreciation}(\text{Tax rate}) - \Delta\text{LT Assets} - \Delta\text{Working Capital}$ $\text{SGD } 11,982,000 = 16,300,000 \times (1 - 0.17) + 900,000 \times 0.17 - 1,200,000 - 500,000$	FLI's Normalized Operating Income after Taxes		As of 31 December (in SGD)	As Adjusted	Revenues	50,000,000	Cost of goods sold	30,000,000	Gross profit	20,000,000	SG&A expenses	3,700,000	EBIT	16,300,000	Depreciation and amortization	900,000	Earnings before interest and taxes	15,400,000
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# Fixed Income

## The Term Structure and Interest Rate Dynamics

Lesson	Location	PDF Pg	Revised	Correction
Spot Rates, Forward Rates, and the Forward Rate Model	Last paragraph	346	26 July 2024	Replace: The price of a risk-free single-unit payment (e.g., \$1, €1, or £1) after N periods is called the discount factor with maturity N, denoted by $PV_N$ .  With: The price of a risk-free single-unit payment (e.g., \$1, €1, or £1) after N periods is called the discount factor with maturity N, denoted by $DF_N$ .
Spot Rates, Forward Rates, and the Forward Rate Model	Example 1 Solution 3 & 4	348	22 March 2024	Replace: 3. Calculate the forward price of a two-year bond to be issued in one year: $F_{A,B-A} = F_{1,3}$ .  4. Interpret your answer to Problem 3. Solution: The forward contract price of $DF_{1,2} = 0.8262$ is the price agreed on today ...  With: 3. Calculate the forward price of a two-year bond to be issued in one year: $F_{A,B-A} = F_{1,2}$ .  4. Interpret your answer to Problem 3. Solution: The forward contract price of $F_{1,2} = 0.8262$ is the price agreed on today ...
YTM in Relation to Spot and Forward Rates	Equations	360	29 Jan 2024	Replace: $DF_1^{new} = \frac{DF_2}{DF_1} = \frac{0.9246}{0.9615} = 0.9616$ $DF_2^{new} = \frac{DF_3}{DF_1} = \frac{0.8890}{0.9615} = 0.9246$ Using Equation 10, the price of the forward contract one year from today is $F_{2,1}^{new} = \frac{DF_2^{new}}{DF_1^{new}} = \frac{0.9246}{0.9615} = 0.9616.$  With: $DF_1^{new} = \frac{DF_2}{DF_1} = \frac{0.9246}{0.9615} = \mathbf{0.9615}$ $DF_2^{new} = \frac{DF_3}{DF_1} = \frac{0.8890}{0.9615} = 0.9246$ Using Equation 10, the price of the forward contract one year from today is $F_{2,1}^{new} = \frac{DF_2^{new}}{DF_1^{new}} = \frac{0.9246}{0.9615} = \mathbf{0.9615}$

Lesson	Location	PDF Pg	Revised	Correction
YTM in Relation to Spot and Forward Rates	Third paragraph	360	29 Jan 2024	Replace: The price of the forward contract is nearly unchanged.
				With: The price of the forward contract <b>is</b> unchanged.
Active Bond Portfolio Management	3 <sup>rd</sup> and 4 <sup>th</sup> paragraphs	363	29 Jan 2024	Replace: The 6% five-year bond purchased for 100 returns 120.61 in two years $[(6 \times 1.02) + 6 + 108.49]$ , which consists of the first year's coupon reinvested at the one-year rate, the second annual coupon, and the capital gain on the sale of the 6% bond with three years to maturity at an unchanged three-year yield of 4% $[108.49 = 6/1.04 + 6/(1.04)^2 + 106/(1.04)^3]$ . The annualized rate of return is 9.823% [solve for $r$ , where $(120.61/100) = (1 + r)^2$ ].  The 7% six-year bond purchased at par returns 125.03 in two years $[(7 \times 1.02) + 7 + 110.89]$ with an annualized return of 11.817%. The excess return of nearly 2% results from both higher coupon income than the five-year matched maturity bond as well as a larger capital gain on the sale of the 7% bond with four years to maturity at an unchanged four-year yield of 5% $[110.89 = 7/1.05 + 7/(1.05)^2 + 7/(1.05)^3 + 107/(1.05)^4]$ .
				With: The 6% five-year bond purchased for 100 returns <b>117.67</b> in two years $[(6 \times 1.02) + 6 + \mathbf{105.55}]$ , which consists of the first year's coupon reinvested at the one-year rate, the second annual coupon, and the capital gain on the sale of the 6% bond with three years to maturity at an unchanged three-year yield of 4% $[\mathbf{105.55} = 6/1.04 + 6/(1.04)^2 + 106/(1.04)^3]$ . The annualized rate of return is <b>8.476%</b> [solve for $r$ , where $(\mathbf{117.67}/100) = (1 + r)^2$ ].  The 7% six-year bond purchased at par returns <b>121.23</b> in two years $[(7 \times 1.02) + 7 + \mathbf{107.09}]$ with an annualized return of <b>10.10%</b> . The excess return of nearly 2% results from both higher coupon income than the five-year matched maturity bond as well as a larger capital gain on the sale of the 7% bond with four years to maturity at an unchanged four-year yield of 5% $[\mathbf{107.09} = 7/1.05 + 7/(1.05)^2 + 7/(1.05)^3 + 107/(1.05)^4]$ .
The Maturity Structure of Yield Curve Volatilities	Equation 15	382	22 March 2024	Replace: Delete extra minus symbol at the end of equation $-- 3.3333\Delta z_{10}$
				With: $- \mathbf{3.3333}\Delta z_{10}$
Developing Interest Rate Views Using Macroeconomic Variables	5 <sup>th</sup> paragraph	385	26 July 2024	Replace: Research shows that although inflation, GDP, and monetary policy explain most of the variance of bond yields, short- and intermediate-term bond yields are driven mostly by monetary policy, whereas other factors such as inflation are key drivers of long-term yields.
				With: Research shows that although inflation, GDP, and monetary policy explain most of the variance of bond yields, short- and intermediate-term bond yields are driven mostly by monetary policy, whereas <b>long-term rate volatility is mostly linked to uncertainty regarding the real economy and inflation.</b>

## The Arbitrage-Free Valuation Framework

Lesson	Location	PDF Pg	Revised	Correction
Term Structure Models	First sentence under The Kalotay-Williams-Fabozzi model subheader	441	22 March 2024	<p>Replace: The Kalotay–Williams–Fabozzi (KWF) model is analogous to the Ho–Lee model in that it assumes constant drift, no mean reversion, and constant volatility.</p> <p>With: The Kalotay–Williams–Fabozzi (KWF) model is analogous to the Ho–Lee model in that it assumes <del>constant drift</del>, no mean reversion, and constant volatility.</p>
Term Structure Models	Practice Problems 11-19	452	22 March 2024	<p>Replace:</p> <p>Statement 1: Increasing the number of paths increases the estimate’s statistical accuracy.</p> <p>Statement 2: The bond value derived from a Monte Carlo simulation will be closer to the bond’s true fundamental value.</p> <p>With:</p> <p><b>Statement 4:</b> Increasing the number of paths increases the estimate’s statistical accuracy.</p> <p><b>Statement 5:</b> The bond value derived from a Monte Carlo simulation will be closer to the bond’s true fundamental value.</p>

# Valuation and Analysis of Bonds with Embedded Options

Lesson	Location	PDF Pg	Revised	Correction
Comparison of Risk-Return Characteristics	Exhibit 2	531	22 March 2024	<p>Replace:</p> <p><b>Exhibit 2: Binomial Interest Rate Trees</b></p> <p><b>Interest Rates Shift Down by 30 bps</b></p> <p><b>Interest Rates Shift Up by 30 bps</b></p> <p>With:</p> <p><b>Exhibit 2: Binomial Interest Rate Trees</b></p> <p><b>Interest Rates Shift Down by 30 bps</b></p> <p><b>Interest Rates Shift Up by 30 bps</b></p>

## Credit Analysis Model

Lesson	Location	PDF Pg	Revised	Correction
Modeling Credit Risk and the Credit Valuation Adjustment	Fifth paragraph	545	22 March 2024	<p>Replace:</p> <p>Column 7 gives the expected loss for each date. This is the LGD times the POD. For example, if default occurs on Date 3, the expected loss is 0.6894 per 100 of par value. The exposure is 94.2596. At 40% recovery, the LGD is 56.5558. Assuming no prior default, the POD for that date is 1.2189%. The expected loss of 0.6894 is calculated as 56.5558 times 1.2189%.</p> <p>With:</p> <p>Column 7 gives the expected loss for each date. This is the LGD times the POD. For example, <del>if default occurs</del> on Date 3, the expected loss is 0.6894 per 100 of par value. The exposure is 94.2596. At 40% recovery, the LGD is 56.5558. Assuming no prior default, the POD for that date is 1.2189%. The expected loss of 0.6894 is calculated as 56.5558 times 1.2189%.</p>
Credit Analysis for Securitized Debt	Exhibit 3	597	22 March 2024	<p>Add tree graphic to Exhibit 3:</p> <pre> graph LR     A[-0.2500%] --&gt; B[2.1180%]     A --&gt; C[1.4197%]     B --&gt; D[4.3999%]     B --&gt; E[2.9493%]     C --&gt; E     C --&gt; F[1.9770%]     D --&gt; G[8.0804%]     D --&gt; H[5.4164%]     F --&gt; I[3.6307%]     F --&gt; J[2.4338%]     </pre>
Credit Analysis for Securitized Debt	Question 21	599	22 March 2024	<p>Replace:</p> <p>Based on the research department assumption about the probability of default in Question 10 and her own assumption in Question 11, which action does Ibarra most likely expect from the credit rating agencies?</p> <p>With:</p> <p>Based on the research department assumption about the probability of default in <b>Question 18</b> and her own assumption in <b>Question 19</b>, which action does Ibarra most likely expect from the credit rating agencies?</p>

Lesson	Location	PDF Pg	Revised	Correction
Credit Analysis for Securitized Debt	Solution 17	609	29 Jan 2024	Replace: Valuation of a four-year, 6% coupon bond under no default is computed in the solution to Question 8 as 1,144.63.

With:  
 Valuation of a four-year, 6% coupon bond under no default is computed in the solution to **Question 16** as 1,144.63.

## Credit Default Swaps

Lesson	Location	PDF Pg	Revised	Correction
Valuation Differences and Basis Trading	Summary – first bullet	642	26 July 2024	Replace: If the present value of the payment leg is greater than the present value of the protection leg, the protection buyer pays an upfront premium to the seller. If the present value of the protection leg is greater than the present value of the payment leg, the seller pays an upfront premium to the buyer.

With:  
 If the present value of the payment leg is greater than the present value of the protection leg, the protection **seller** pays an upfront premium to the **buyer**. If the present value of the protection leg is greater than the present value of the payment leg, the **buyer** pays an upfront premium to the **seller**.

## Alternative Investments

### Introduction to Commodities and Commodity

### Derivatives

Lesson	Location	PDF Pg	Revised	Correction
Commodity Indexes	Practice Problems relates to questions 16-22	211-212		Replace: Statement 1 Roll returns are generally negative when a futures market is in contango. Statement 2 Roll returns are generally positive when a futures market is in backwardation.

With:  
**Statement 4** Roll returns are generally negative when a futures market is in contango.  
**Statement 5** Roll returns are generally positive when a futures market is in backwardation.

# Portfolio Management

## Economics and Investment Markets

Lesson	Location	PDF Pg	Revised	Correction
The Discount Rate on Real Default-Free Bonds: Risk Premiums on Risky Assets	Example 6	16	26 July 2024	Replace the equal sign: $P_{t,s} = \frac{E_t(\tilde{P}_{t+1,s-1})}{1 + l_{t,1}} = -0.000008.$ With: $P_{t,s} - \frac{E_t(\tilde{P}_{t+1,s-1})}{1 + l_{t,1}} = -0.000008.$

## Economics and Investment Markets

Lesson	Location	PDF Pg	Revised	Correction
Practice Problems	The following information relates to questions 11-14	16	26 July 2024	Replace: <p>John Martinez is assessing the performance of the actively managed diversified asset portfolio. The diversified asset portfolio is invested in equities, bonds, and real estate, and allocations to these asset classes and to the holdings within them are unconstrained.</p> With: <p>John Martinez is assessing the performance of the actively managed diversified asset portfolio. The diversified asset portfolio is invested in equities, bonds, and real estate, and allocations to these asset classes and to the holdings within them are <b>constrained</b>.</p>

## Ethical and Professional Standards

### Guidance for Standards I-VII

Lesson	Location	PDF Pg	Revised	Correction
Standard IV(A): Recommended Procedures	Text under Incident-Reporting Procedures header	266	29 Jan 2024	<p>Replace: Report potentially unethical and illegal activities in the firm.</p> <p>With: <b>Members and candidates should be aware of their firm’s policies related to whistleblowing and encourage their firm to adopt industry best practices in this area. Many firms are required by regulatory mandates to establish confidential and anonymous reporting procedures that allow employees to report potentially unethical and illegal activities in the firm.</b></p>

### Application of the Code and Standards: Level II

Lesson	Location	PDF Pg	Revised	Correction
JR and Associates	Second to last sentence on page	398	29 Jan 2024	<p>Replace: Ode now has three and a half years of experience in the investment industry.</p> <p>With: Ode now has <b>two</b> and a half years of experience in the investment industry.</p>
JR and Associates	Case Questions Solution 9	403	29 Jan 2024	<p>Replace: B is incorrect. To be a CFA charterholder, Ode needs to have completed the required four years of work experience.</p> <p>With: B is incorrect. To be a CFA charterholder, Ode needs to have completed the required <b>three</b> years of work experience.</p>



Lesson	Location	PDF Pg	Revised	Correction
JR and Associates	Case Questions Solution 9	403	29 Jan 2024	<p>Replace: C is incorrect. The fact that she has completed all three levels of the CFA Program does not make Ode a CFA charterholder. To be a CFA charterholder, she must also have the required four years of work experience.</p> <p>With: C is incorrect. The fact that she has completed all three levels of the CFA Program does not make Ode a CFA charterholder. To be a CFA charterholder, she must also have the required <b>three</b> years of work experience.</p>