Curriculum Errata Notice

2025 Level II CFA Program

UPDATED 30 SEPTEMBER 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 2025 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 https://cfainst.is/errata

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Quantitative Methods

Evaluating Regression Model Fit and Interpreting Model Results

Lesson	Location	PDF Pg	Revised	Correction	
Goodness of Fit	Paragraph below the bullets	27	30 September 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 **the coefficient of the independent variable** is different from zero at typical levels of significance, 5% and 1%.

Model Misspecification

Lesson	Location	PDF Pg	Revised	Correction	
Practice Problems	Exhibit 2	71	30 September 2024	Replace: Model B Durbin-Watson 5.088 4.387 No	With: Model B Durbin-Watson **3.088** **2.387** No

Extensions of Multiple Regression

Lesson	Location	PDF Pg	Revised	Correction	
Multiple Linear Regression with Qualitative Dependent Variables	Knowledge Check - Solution to 2	97	30 September 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 **DE 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 **decreases** the probability of a share buyback.

Time-Series Analysis

Lesson	Location	PDF Pg	Revised	Correction	
Linear Trend Models	Example 1	114	9 October 2024	Replace: The data include 228 months from January 1995 through June 2019, and the model to be estimated is $y_t = b_0 + b_1 t + \varepsilon_t$, $t = 1, 2, \ldots , 294$.	With: The data include **294** months from January 1995 through June 2019, and the model to be estimated is $y_t = b_0 + b_1 t + \varepsilon_t$, $t = 1, 2, \ldots , 294$.
Seasonality in Time-Series Models	Exhibit 27	152	30 September 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, **2002-2019**
Seasonality in Time-Series Models	Exhibit 27	152	30 September 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 − **0.1540(0.01)** + 0.7549(0.02) = **0.0243, or 2.43%**.
Solutions	Solution to 9	189	30 September 2024	Replace: The estimated forecasting equation is $UER_t = 5.5098 − 0.0294(t)$.	With: The estimated forecasting equation is $UER_t =$ **7.2237 − 0.0510(t).**

Machine Learning

Lesson	Location	PDF Pg	Revised	Correction	
	LOS	197	29 Jan 2024	Replace: describe neural networks, deep learning nets, and reinforcement learning	With: **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**
Neural Networks, Deep Learning Nets, and Reinforcement Learning	LOS	248	29 Jan 2024	Replace: describe neural networks, deep learning nets, and reinforcement learning	With: **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**

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Economics

Currency Exchange Rates: Understanding Equilibrium Value

Lesson	Location	PDF Pg	Revised	Correction	
Practice Problems	Exhibit 2 – Interbank Market Quotes	69	11 November 2024	Replace: BRL/USD 4.1699/4.1701	With: BRL/USD **4.1698/4.1702**

Financial Statement Analysis

Intercorporate Investments

Lesson	Location	PDF Pg	Revised	Correction	
Investments in Associates and Joint Ventures	Exhibit 4 - 5th paragraph	13	30 September 2024	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.	With: An impairment loss recognized in prior periods is only reversed if there has been a change in the estimates used to determine the **investment's** recoverable amount since the last impairment loss was recognized.
Financial Statement Presentation	2nd sentence	37	30 September 2024	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.	With: In addition, during 2017 GlaxoSmithKline made cash investment of £15,000,000 in **associates** and disposed of two **associates** for a cash consideration of £198,000,000.
Financial Statement Presentation	6th sentence	37	30 September 2024	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.	With: The remaining contingent consideration **related** to the acquisition of the Shionogi-ViiV Healthcare joint venture and Novartis Vaccines are expected to be paid over a number of years.

Lesson	Location	PDF Pg	Revised	Correction	
Additional Issues in Business Combinations That impair Comparability	Last bullet	45	30 September 2024	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.	With: **Special purpose entities** (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.
Practice Problems	Question 26	54	30 September 2024	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:	With: Using only the information from Exhibit 2, the carrying value of Topmaker's investment in Rainer at the end of **2016** is closest to:
Solutions	Solution to 26 – last line of table	61	30 September 2024	Replace: Investment in associate (Rainer) at the end of 2018	With: Investment in associate (Rainer) at the end of **2016**

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	30 September 2024	Replace: Transfer 33,254 from share-based compensation reserve to paid-in capital account upon settlement	With: Transfer **19,803** from share-based compensation reserve to paid-in capital account upon settlement
Share-Based Compensation Tax and Share	Example 4 – Solution to 1	81	7 November 2024	Replace: JPY 109,000 + 10,734 million / Average share price of 4,200 = 28,508,905 million assumed repurchases	With: JPY **(109,000 + 10,734)** million / Average share price of 4,200 = **28,508,095** million assumed repurchases

Lesson	Location	PDF Pg	Revised	Correction
Count Effects, Note Disclosures				
Share-Based Compensation and Financial Statement Modeling	Example 8 – first table	85	30 September 2024	Replace table row: Total operating expenses 33,260 20,561 1,330 With: Total operating expenses 33,260 20,561 **13,330**
Financial Reporting for Post-Employment Benefits	Example 10 - Solution to 2	95	30 September 2024	Replace: Remeasurements of 32.24 million With Remeasurements of **30.30 million**
Solutions	Solution to 9	111	30 September 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. 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], 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.**
Solutions	Solution to 10	112	30 September 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) x 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, [(**41,720**-38,700) x 0.07] = 211. Summing these two components gives 531.
Solutions	Solution to 17	112	4 October 2024	Replace: Basic shares outstanding: 270,4000,000 Replace: Basic shares outstanding: **270,400,000**

Corporate Issuers

Cost of Capital: Advanced Topics

Lesson	Location	PDF Pg	Revised	Correction	
The ERP	Example 8 Solution to 2 – first equation	124	4 October 2024	Replace: ERP = {2.2 + 0 +[1.6 + 3.0 − (0.7)] } − 2.5 = 5.0%	With: ERP = {2.2 + 0 +[1.6 + 3.0 − **(-0.7)**] } − 2.5 = 5.0%
Mini-Case 2	Solution to 5	150	9 October 2024	Replace: = (0.1749)(0.07096)(1 − 0.20) + (0.8251)(0.2441) = 0.2113, or 21.13%,	With: = (0.1749)(**0.0887**)(1 − 0.20) + (0.8251)(0.2441) = **0.2138**, or **21.38%**

Corporate Restructuring

Lesson	Location	PDF Pg	Revised	Correction	
Evaluating Investment Actions	Example 10 Solution to 3	192	4 October 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 **million**, 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 to 4	196	4 November 2024	Replace: First, Opone SA would de-recognize half of its interest (BRL13 billion) from its balance sheet and recognize BRL45 billion in cash proceeds from the sale and a gain of (45 13 =) BRL32 billion.	With: (add minus sign) First, Opone SA would de-recognize half of its interest (BRL13 billion) from its balance sheet and recognize BRL45 billion in cash proceeds from the sale and a gain of (**45 - 13 =)** BRL32 billion.

Equity Valuation

Discounted Dividend Valuation

Lesson	Location	PDF Pg	Revised	Correction	
The Gordon Growth Model: Other Issues	Example 11 – Solution to 1	75	4 November 2024	Replace: The justified leading P/E (based on next year's earnings) is $$\frac{P_0}{E_1} = \frac{1-b}{r-g} = \frac{0.5438}{0.056 - 0.0425} = 40.28.$$ $$\frac{P_0}{E_1} = \frac{1-b}{r-g} = \frac{0.5438}{0.056 - 0.0425} = 40.28$$	With: (remove repeating equation) The justified leading P/E (based on next year's earnings) is $$\frac{P_0}{E_1} = \frac{1-b}{r-g} = \frac{0.5438}{0.056 - 0.0425} = 40.28.$$ ~~$$\frac{P_0}{E_1} = \frac{1-b}{r-g} = \frac{0.5438}{0.056 - 0.0425} = 40.28$$~~

Free Cash Flow Valuation

Lesson	Location	PDF Pg	Revised	Correction	
Solutions	Solution to 4	204	4 October 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**
Solutions	Solution to 45	218	4 October 2024	Replace: = $37.01	With: **= £37.01**

Market-Based Valuation: Price and Enterprise Value Multiples

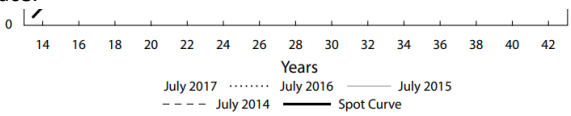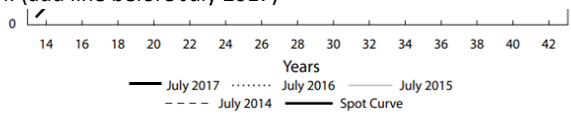| Lesson	Location	PDF Pg	Revised	Correction	
Price/ Earnings: Using the P/E in Valuation	Example 11 - Solution to 1	249	4 October 2024	Replace: Among the other companies in Exhibit 6, Comcast and Charter Communications had the highest EPS growth forecasts and the second and third lowest PEG ratios.	With: Among the other companies in **Exhibit 5**, Comcast and Charter Communications had the highest EPS growth forecasts and the **third lowest and lowest** PEG ratios.
Practice Problems	Question 28	321	4 October 2024	Replace: 28. Based on Exhibit 4, Gesticular's EV/EBITDA multiple is closest to:	With: 28. Based on **Exhibit 3**, Gesticular's EV/EBITDA multiple is closest to:
Practice Problems	The following Information Relates to Questions 36-37	324	8 November 2024	Replace: GN Growing AG (GG) is currently selling for €240, with TTM EPS and dividends per share of €1.5 and €0.9, respectively.	With: GN Growing AG (GG) is currently selling for **€24**, with TTM EPS and dividends per share of €1.5 and €0.9, respectively.

Residual Income Valuation

Lesson	Location	PDF Pg	Revised	Correction	
Single-Stage and Multistage Residual Income Valuation	Example 10	358	4 October 2024	Replace: Rosato extends her analysis to consider the possibility that ROE will slowly decay toward r 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	With: Rosato extends her analysis to consider the possibility that ROE will slowly decay toward r in 2040 and beyond, rather than using a perpetuity of Year **2039** residual income. Rosato estimates a persistence parameter of 0.60. The present value of the terminal value is determined as

Lesson	Location	PDF Pg	Revised	Correction	
				with T 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 (0.60)(20%) = 0.12.	with T equal to 20 and **2039** 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 (0.60)(20%) = 0.12.

Fixed Income

The Term Structure and Interest Rate Dynamics

Lesson	Location	PDF Pg	Revised	Correction	
Spot Rates, Forward Rates, and the Forward Rate Model	Spot Rates and Forwards Rates	4	4 October 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 $\mathbf{DF_N}$.
Spot Rates, Forward Rates, and the Forward Rate Model	Exhibit 2 – Key	11	18 November 2024	Replace: 	With: (add line before July 2017)
Developing Interest Rate Views Using Macroeconomic Variables	5th paragraph	43	4 October 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 **long-term rate volatility is mostly linked to uncertainty regarding the real economy and inflation.**

Valuation and Analysis of Bonds with Embedded Options

Lesson	Location	PDF Pg	Revised	Correction	
Capped and Flored Floating-Rate Bonds	Example 8 – Question 3	165	4 October 2024	**Replace:** The value of the capped floater is *closest to*: A. 92.929. B. 99.916. C. 109.265.	**With:** at 5.50%. Assuming an interest rate volatility of 8%, the advisers have constructed the following binomial interest rate tree: The value of the capped floater is *closest to*: A. 92.929. B. 99.916. C. 109.265.

Credit Default Swaps

Lesson	Location	PDF Pg	Revised	Correction	
Valuation Differences and Basis Trading	Summary – first bullet	300	4 October 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**.

Derivatives

The Term Structure and Interest Rate Dynamics

Lesson	Location	PDF Pg	Revised	Correction	
Introduction	Last paragraph	7	4 October 2024	Replace: Exhibit 2 shows the convergence property for a stock index futures/forward contact under continuous compounding and varying dividend yields.	With: Exhibit 2 shows the convergence property for a stock index futures/forward **contract** under continuous compounding and varying dividend yields.

Portfolio Management

Economics and Investment Markets

Lesson	Location	PDF Pg	Revised	Correction	
Practice Problems	The following information relates to questions 11-14	141	4 October 2024	Replace: 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.	With: 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 **constrained**.

Ethical and Professional Standards

Application of the Code and Standards: Level II

Lesson	Location	PDF Pg	Revised	Correction	
Jacobs, Riccio, and Associates	Knowledge Check - Solution to 9	255	4 October 2024	Replace: B is incorrect. To be a CFA charterholder, Ode needs to have completed the required four years of work experience.	With: B is incorrect. To be a CFA charterholder, Ode needs to have completed the required **three** years of work experience.
Jacobs, Riccio, and Associates	Knowledge Check - Solution to 9	255	4 October 2024	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.	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 **three** years of work experience.