Curriculum Errata Notice

2024 Level II CFA Program

UPDATED 27 August 2025

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 https://cfainst.is/errata

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Quantitative Methods

Basics of Multiple Regression and Underlying Assumptions

Lesson	Location	PDF Pg	Revised	Correction	
Basics of Multiple Regression	Knowledge Check - Solution to 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 **1.5324%**.
Assumptions Underlying Multiple Linear Regression	Knowledge Check- Solution to 3	9	25 August 2025	Replace: R = 1.534 + 0.5892(1) − 0.8719(4) − 0.0560(−2) = −1.2524.	With: R = 1.534 + 0.5892(1) − 0.8719(4) − 0.0560(−2) = **−1.254**.

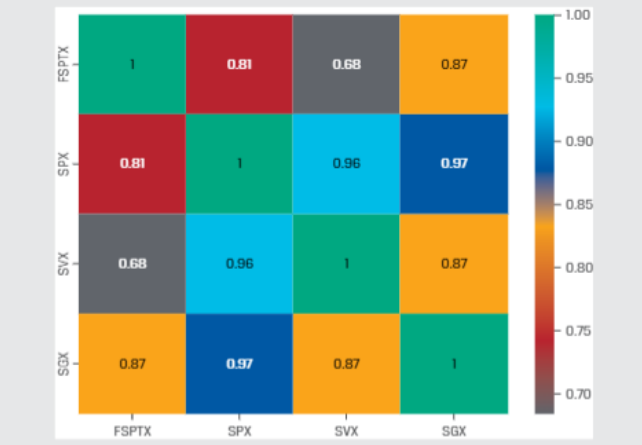
Evaluating Regression Model Fit and Interpreting Model Results

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 **the coefficient of the independent variable** 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: **−2.1876**
Goodness of Fit	Text after Exhibit 2	29	20 August 2025	Replace: (Equation 3)	With: (Equation **2**)

Lesson	Location	PDF Pg	Revised	Correction	
Goodness of Fit	Knowledge Check - Solution to 1	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., **0.3320**) 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: $b_j > B_j$
Testing Joint Hypotheses for Coefficients	Step 5 in Question 2 in Knowledge Check	40	22 August 2025	Replace: F = 54.4039, as given in the regression output. (Note small difference vs. MSR/MSE from rounding.)	With: **F = 54.4029**, as given in the regression output. (Note small difference vs. MSR/MSE from rounding.)

Model Misspecification

Lesson	Location	PDF Pg	Revised	Correction	
Violations of Regression Assumptions: Multicollinearity	Identifying Multicollin-earity 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 **correlation matrix** representing the pairwise correlations between the variables.

Lesson	Location	PDF Pg	Revised	Correction	
Violations of Regression Assumptions: Multicollinearity	Panel B Correlogram of variables	69	26 July 2024	Replace: 	With: Panel B Correlation Matrix of Variables 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
Practice Problems	Exhibit 2	72	22 March 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	
Dummy Variables in a Multiple Linear Regression	Equation 3	87	29 Jan 2024	Replace: $Y_i = b_0 + d_0Db_i + b_1X_i + \varepsilon_i$.	With: $Y_i = b_0 + \mathbf{d_0Db_i} + b_1X_i + \varepsilon_i$.
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 = (b0 + d0) + (d1 + b1) X

Lesson	Location	PDF Pg	Revised	Correction	
Dummy Variables in a Multiple Linear Regression	Equation 5	89	22 March 2024	Replace: $Y_i - b_0 + d_0D_1 + b_1X_i + d_1D_iX_i + \varepsilon_i$.	With: $\boldsymbol{Y_i} = b_0 + d_0D_1 + b_1X_i + d_1D_iX_i + \varepsilon_i$.
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. 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: The average return for a regulated firm is **at least 0.5% lower** than for a non-regulated firm, holding the market share constant. With: For each increase in market share**, a regulated firm will have an increasingly lower ROA than an unregulated firm**.
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. C is correct because the sum of coefficients is –0.3 = –0.5REG + 0.4MKTSH –0.2REG_MKTSH).	With: A is correct because the coefficient on REG is –0.5. **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, 0.2*MKTSH(Regulated) = 0.4*MKTSH(Non-regulated), then the regulated firm has 0.5% less return.** C is correct because the sum of coefficients is –0.3 = –0.5REG + 0.4MKTSH –0.2REG_MKTSH). **If MKTSH increases by 1%, for both regulated and non-regulated, the regulated firm will have a return that is 0.2% less, 0.2(1%) - 0.4(1%) = -0.2%. 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.**
Multiple Linear Regression with Qualitative Dependent Variables	Knowledge Check - Solution to 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 **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.
Solutions	Solution to 9	109	22 March 2024	Replace:	With

Lesson	Location	PDF Pg	Revised	Correction	
				$P = \frac{1}{1+\exp\left\{-\left[\begin{array}{l}-2.0350+(-0.7667)(0.2911)+(-0.0089)(92.9093)+\\(-0.1113)(2.3068)+(0.0292)(15.1743)+(0.0390)(2.0711)+\\(0.3432)(1.6060)+(-0.0502)(7.6489)\end{array}\right]\right\}}$	$P = \frac{1}{1+\exp\left\{-\left[\begin{array}{l}-2.0350+(-0.7667)(0.2911)+(-0.0089)(92.9093)+\\(-0.1113)(2.3068)+(0.0292)(15.1743)+\mathbf{(-0.0390)}(2.0711)+\\(0.3432)(1.6060)+(-0.0502)(7.6489)\end{array}\right]\right\}}$
Solutions	Solution to 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	
Linear Trend Models	Example 1	116	9 October 2024	Replace: The data include 228 months from January 1995 through June 2019, and the model to be estimated is $yt = b0 + b1t + \varepsilon t$, $t = 1, 2, \ldots, 294$.	With: The data include **294** months from January 1995 through June 2019, and the model to be estimated is $yt = b0 + b1t + \varepsilon t$, $t = 1, 2, \ldots, 294$.
Trend Models and Testing for Correlated Errors	Exhibit 10	122	20 August 2025	Replace: R^2 0.9771	With: R^2 **0.95**
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 (**1.2145**) 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 **(0.26)** 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	
Detecting Serially Correlated Errors in an AR Model	Example 4	128	20 August 2025	Replace: Analyst Melissa Jones decides to use a time-series model to predict Intel Corporation's gross margin [(Sales − Cost of goods sold)/Sales] using quarterly data from the first quarter of 2003 through the second quarter of 2019. She does not know the best model for gross margin but believes that the current-period value will be related to the previous-period value. She decides to start out with a first-order autoregressive model, AR(1): Gross margint = b0 + b1(Gross margint−1) + εt. Her observations on the dependent variable are 1Q 2003 through 2Q 2019. Exhibit 12 shows the results of estimating this AR(1) model, along with the autocorrelations of the residuals from that model.	With: Analyst Melissa Jones decides to use a time-series model to predict Intel Corporation's gross margin [(Sales − Cost of goods sold)/Sales] using quarterly data from the first quarter of 2003 through the **first** quarter of 2019. She does not know the best model for gross margin but believes that the current-period value will be related to the previous-period value. She decides to start out with a first-order autoregressive model, AR(1): Gross margint = b0 + b1(Gross margint−1) + εt. Her observations on the dependent variable are 1Q 2003 through **1Q** 2019. Exhibit 12 shows the results of estimating this AR(1) model, along with the autocorrelations of the residuals from that model.
Mean Reversion and Multiperiod Forecasts	Exhibit 13	131	22 March 2024	Replace: Coefficient / Standard Error / t-Statistic Intercept 1.3346 0.2134 6.2540	With: Coefficient / Standard Error / t-Statistic Intercept **0.13346** 0.2134 **0.6254**
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, **2002-2019**
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 − **0.1540(0.01)** + 0.7549(0.02) = **0.0243, or 2.43%**.
Solutions	Solution to 9	191	26 July 2024	Replace: The estimated forecasting equation is UERt = 5.5098 − 0.0294(t).	With: The estimated forecasting equation is UERt = **7.2237** − **0.0510(t).**
Solutions	Solution to 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 *dl* = 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 *dl* = **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: **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**
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: **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**
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, **2,** and 3.

Lesson	Location	PDF Pg	Revised	Correction	
Solutions	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 **2**, 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 (**vertical** axis) against the percentage change in the exchange rate (**horizontal** 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 **1980-1993**, mirroring the very large differences in relative inflation between hyperinflationary Brazil and low inflation rate United States.
Purchasing Power Parity	Exhibit 3	408	22 March 2024	Replace axis headings: DEM/USD and US less German Real Interest Rates	With: **REAL/USD** and **Differences in Inflation Rates**

Lesson	Location	PDF Pg	Revised	Correction
Monetary and Fiscal Policies	Third 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 **that results in higher real interest rates.** Similarly, a domestic currency will depreciate given an expansionary domestic monetary policy and/or a restrictive fiscal policy **that results in lower real interest rates.** In Exhibit 4, we show that the combination of a restrictive monetary policy and an expansionary fiscal policy **(high real rates)** is extremely bullish for a currency when capital mobility is high; likewise, the combination of an expansionary monetary policy and a restrictive fiscal policy **(lower real rates)** is bearish for a currency.
Monetary and Fiscal Policies	Exhibit 5	426	29 Jan 2024	Replace: Expansionary Monetary Policy / Restrictive Monetary Policy Expansionary Fiscal Policy: Indeterminate / Domestic currency appreciates Restrictive Fiscal Policy: Domestic currency depreciates / Indeterminate With: Expansionary Monetary Policy / Restrictive Monetary Policy Expansionary Fiscal Policy: **Domestic currency depreciates** / **Indeterminate** Restrictive Fiscal Policy: **Indeterminate** / **Domestic currency appreciates**
Practice Problems	Exhibit 2 – Interbank Market Quotes	445	11 November 2024	Replace: BRL/USD 4.1699/4.1701 With: BRL/USD **4.1698/4.1702**

Economic Growth

Lesson	Location	PDF Pg	Revised	Correction	
Factors Favoring and Limiting Economic Growth	Example 1 - Solution to 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 - 5th paragraph	13	24 July 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.
Amortization of Excess Purchase Price, Fair Value Option, and Impairment	2nd to last paragraph	19	29 Jan 2024	Replace: Both IFRS and US GAAP prohibit the reversal of impairment losses even if the fair value later increases.	With: ~~Both IFRS and US GAAP prohibit the reversal of impairment losses even if the fair value later increases.~~
Financial Statement Presentation	2nd sentence	37	24 July 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	24 July 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	24 July 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 27	54	24 July 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:
Practice Problems/Solutions	Question 17 and Solution	51, 59	24 July 2024	Remove the following Question 17: Compared to accounting principles currently in use, the pooling method BetterCare used for its Statewide Medical acquisition has *most* likely caused its reported: A. revenue to be higher. B. total equity to be lower. C. total assets to be higher. _____ 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.	
Solutions	Solution to 27	61	24 July 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	24 July 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
Financial Reporting for Share-Based Compensation	Knowledge Check - Solution to 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) **+33,888**. Cash inflow from financing activities of JPY **26,160** million.
Share-Based Compensation Tax and Share Count Effects, Note Disclosures	Example 4 – Solution to 1	80-81	29 Jan 2024	Replace: Basic shares outstanding 176,401,000 Effect of dilutive securities: 1,571,667 Diluted shares outstanding: 177,972,667 Replace: RSUs: Unvested RSUs 3,028,000 Minus: Assumed repurchases of 1,456,333** Dilutive shares: 1,571,667 Replace: = 1,456,333 assumed repurchases	With: Basic shares outstanding 176,401,000 Effect of dilutive securities: **1,456,333** Diluted shares outstanding: **177,857,333** With: RSUs: Unvested RSUs 3,028,000 Minus: Assumed repurchases of **1,571,667**** Dilutive shares: **1,456,333** With: = **1,571,667** assumed repurchases

Lesson	Location	PDF Pg	Revised	Correction	
Share-Based Compensation Tax and Share Count Effects, Note Disclosures	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
Share-Based Compensation and Financial Statement Modeling	Example 8	85	22 March 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	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 **underfunded** 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: • Benefit obligation at the beginning of the year of 97 • Fair value of plan assets at the beginning of the year of 1,010	With: • Benefit obligation at the beginning of the year of **JPY 97 million** • Fair value of plan assets at the beginning of the year of **JPY 1,010 million**
Financial Reporting for Post-Employment Benefits	Example 10 - Solution to 2	95	24 July 2024	Replace: Remeasurements of 32.24 million	With Remeasurements of **30.30 million**
Practice Problems	Question 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. 20.**

Lesson	Location	PDF Pg	Revised	Correction	
Solutions	Solution to 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. **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	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) 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	9 September 2024	Replace: Basic shares outstanding: 270,4000,000	Replace: Basic shares outstanding: **270,400,000**

Financial Statement Modeling

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

Corporate Issuers

Cost of Capital: Advanced Topics

Lesson	Location	PDF Pg	Revised	Correction	
The ERP	Example 8 - Solution to 2	128	24 July 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	Question and Answers	150	22 March 2024	Missing question and answer content can be found here: Link to PDF	
Mini-Case 2	Solution to 5	150	18 August 2025	Replace (see link above): = (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	
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 | **Growth** | 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 **million**, or an EV/Sales (trailing twelve months, or TTM) multiple of 6.7 (4,000/600million in net revenues in 20X3).

Lesson	Location	PDF Pg	Revised	Correction	
Evaluating Investment Actions	Example 11 – Solution to 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 **BRL147,539 million** in equity value after subtracting cash and cash equivalents at year-end 20X7.
Evaluating Investment Actions	Example 11 - Solution to 4	198	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.
Evaluating Investment Actions	Exhibit 31 table	198	22 March 2024	Replace: Gain on sale 0 – 32,000	With: Gain on sale 0 **32,000** 32,000

Equity Valuation

Free Cash Flow Valuation

Lesson	Location	PDF Pg	Revised	Correction	
Solutions	Solution to 2	81	9 January 2025	Replace: $PV = \frac{FCFE_1}{r-g} = \frac{FCFE_0(1+g)}{r-g} = \frac{1.3(1.07)}{0.13-0.075} = \frac{1.3975}{0.055}$	With: $PV = \frac{FCFE_1}{r-g} = \frac{FCFE_0(1+g)}{r-g} = \frac{1.3\,\mathbf{(1.075)}}{0.13-0.075} = \frac{1.3975}{0.055}$
Solutions	Solution to 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**
Solutions	Solution to 45	95	24 July 2024	Replace: = $37.01	With: **= £37.01**

Market-Based Valuation: Price and Enterprise Value Multiples

Lesson	Location	PDF Pg	Revised	Correction	
Price/ Earnings: Valuation based on Forecasted Fundamentals	Example 8 – Solution to 1	117	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 **2020** 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~~, which lists companies in order of descending earnings growth forecast~~.
Price/ Earnings: Using the P/E in Valuation	Example 11	124	29 Jan 2024	Replace:	With:

Replace:

Company	Trailing P/E	Forward P/E	Five-Year EPS Growth Forecast	Forward PEG Ratio	I
AT&T	13.20	9.36	1.83%	7.20	(
Comcast Corporation	16.23	12.92	11.20	1.45	1
CenturyLink	NMF	8.89	8.52	1.04	(
China Telecom	13.14	10.31	6.90	1.90	(
Charter Communications	70.67	30.32	45.30	1.56	1
Verizon	15.03	11.99	2.51	5.99	(
Windstream Holdings	19.01	16.29	3.19	5.96	(

With:

Company	Trailing P/E	Forward P/E	Five-Year EPS Growth Forecast	Forward PEG Ratio	Beta
AT&T	13.20	9.36	1.83%	**5.11**	0.56
Comcast Corporation	16.23	12.92	**11.29**	**1.14**	1.09
CenturyLink	NMF	8.89	8.52	1.04	0.81
China Telecom	13.14	10.31	6.90	**1.49**	0.81
Charter Communications	70.67	30.32	45.30	**0.67**	1.24
Verizon	15.03	11.99	2.51	**4.78**	0.50
Windstream Holdings	19.01	16.29	3.19	**5.11**	0.45

Lesson	Location	PDF Pg	Revised	Correction
				Mean 24.55 14.30 11.30 3.59 0.78 Mean 24.55 14.30 11.30 **2.76** 0.78 Median 15.03 11.99 6.90 1.90 0.78 Median 15.03 11.99 6.90 **1.49** 0.78
Price/ Earnings: Using the P/E in Valuation	Example 11 - Solution to 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 **forward** P/Es), CenturyLink has the highest five-year EPS growth forecast and the lowest PEG ratio.
Price/ Earnings: Using the P/E in Valuation	Example 11 - Solution to 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 **Exhibit 5**, Comcast and Charter Communications had the highest EPS growth forecasts and the **third lowest and lowest** PEG ratios.
Enterprise Value/EBITDA	Example 34 - Solution to 1	165	22 March 2024	Replace: So, CL's EV is $57,372 million + $8,388 million − $720 million = $65,040 million. With: So, CL's EV is $57,372 million + **$8,623 million + $299 million – $726 million** = **$65,568 million**.
Practice Problems	Question 28	197	17 September 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	Exhibit 2	199	22 March 2024	Replace: Required rate of ROE With: Required rate of **return**
Practice Problems	Following Information Relates to Questions 36 - 37	200	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.
Solutions	Solution to 22	207	20 September 2024	Replace: Average ROE × BVPS = 0.131 × €22.48 = €2.94. With: Average ROE × BVPS = 0.131 × **€22.58** = **€2.96**.

Residual Income Valuation

Lesson	Location	PDF Pg	Revised	Correction	
Single-Stage and Multistage Residual Income Valuation	Example 10	235	26 July 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 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: 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 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.
Single-Stage and Multistage Residual Income Valuation	Example 11 - Solution to 2	236	20 September 2024	Replace: 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%) 18,856 Value per share €52.711	With: 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%) **19.956** Value per share €52.711

Discounted Dividend Valuation

Lesson	Location	PDF Pg	Revised	Correction	
The Gordon Growth Model: Other Issues	Under Equation 12	299	19 August 2025	Replace: If prices reflect value (P0 = V0), P0 less E1/r gives the market's estimate of the company's value of growth, PVGO. Referring back to Example 6, suppose that MSEX is expected to have average EPS	With: If prices reflect value (P0 = V0), P0 less E1/r gives the market's estimate of the company's value of growth, PVGO. Referring back to Example 6, suppose that MSEX is expected to have average EPS

Lesson	Location	PDF Pg	Revised	Correction	
				of $1.52 if it distributed all earnings as dividends. Its required return of 6.8% and a current price of $43.20 gives $43.20 = ($1.52/0.068) + PVGO = $22.42 + PVGO and PVGO = $43.20 − $22.42 = $20.78. So, 48% ($20.78/$43.20 = 0.48) of the company's value, as reflected in the market price, is attributable to the value of growth.	of $1.52 if it distributed all earnings as dividends. Its required return of 6.8% and a current price of $43.20 gives $43.20 = ($1.52/0.068) + PVGO = **$22.35** + PVGO and PVGO = $43.20 − **$22.35** = $20.78. So, 48% ($20.78/$43.20 = 0.48) of the company's value, as reflected in the market price, is attributable to the value of growth.
The Gordon Growth Model: Other Issues	Example 11	301	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 $\frac{P_0}{E_1} = \frac{1-b}{r-g} = \frac{0.5438}{0.056-0.0425} = 40.28.$ ~~$\frac{P_0}{E_1} = \frac{1-b}{r-g} = \frac{0.5438}{0.056-0.0425} = 40.28$~~

Private Company Valuation

Lesson	Location	PDF Pg	Revised	Correction
Private Company Valuation: Income-Based Approach	Example 12	326	29 Jan 2024	Replace:

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

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:

FCFF = EBIT(1 – Tax rate) + Depreciation(Tax rate) – ΔLT Assets – ΔWorking Capital

SGD 11,982,000
= 16,300,000×(1 – 0.17) + 900,000×0.17 – 1,200,000 – 500,000

With:

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
EBITDA	16,300,000
Depreciation and amortization	900,000
Earnings before interest and taxes	15,400,000

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:

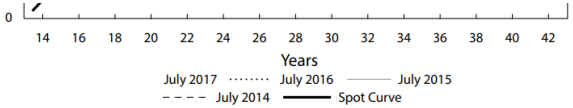
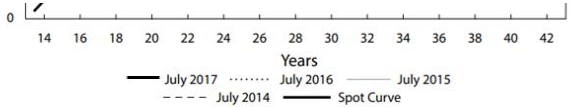
FCFF = **EBITDA(1 – Tax rate)** Depreciation(Tax rate) – ΔLT Assets – ΔWorking Capital

SGD 11,982,000
= 16,300,000×(1 – 0.17) + 900,000×0.17 – 1,200,000 – 500,000

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 Forward Rates	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**.

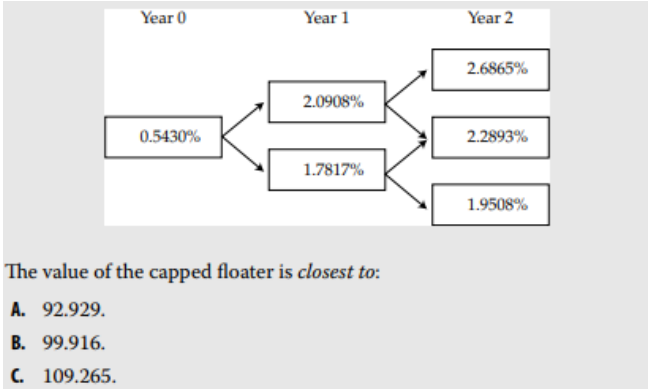
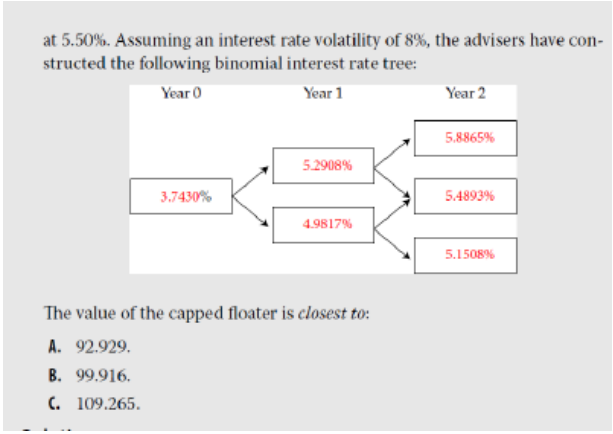
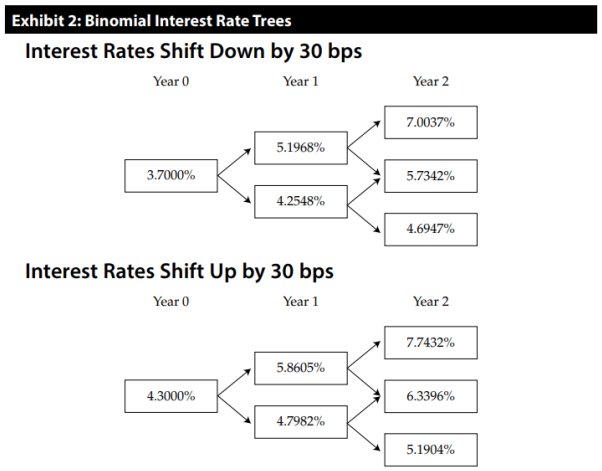
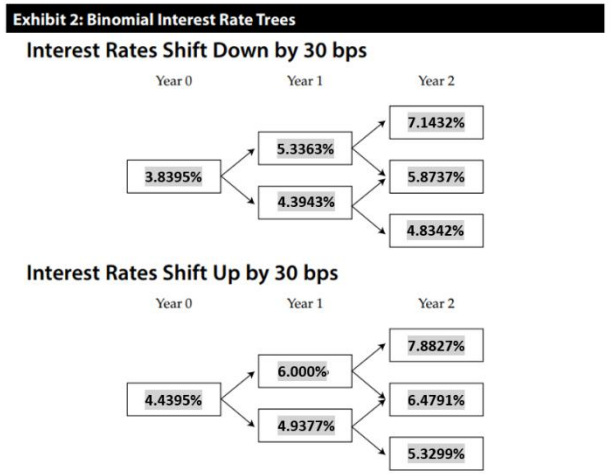
Lesson	Location	PDF Pg	Revised	Correction	
Spot Rates, Forward Rates, and the Forward Rate Model	Example 1 - Solution to 3 & 4	348	22 March 2024	Replace: 3. Calculate the forward price of a two-year bond to be issued in one year: $F_{A,B-A} = F_{1,3}$. 4. Interpret your answer to Problem 3. Solution: 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: $F_{A,B-A} = \mathbf{F_{1,2}}$. 4. Interpret your answer to Problem 3. Solution: The forward contract price of $\mathbf{F_{1,2}}$ = 0.8262 is the price agreed on today …
Spot Rates, Forward Rates, and the Forward Rate Model	Exhibit 2 - Key	353	18 November 2024	Replace: 	With: (add line before July 2017) 
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 $F_{2,1}^{new} = \frac{DF_2^{new}}{DF_1^{new}} = \frac{0.9246}{0.9615} = \mathbf{0.9615}$
YTM in Relation to Spot and Forward Rates	Paragraph following last equation	360	29 Jan 2024	Replace: The price of the forward contract is nearly unchanged.	With: The price of the forward contract **is** unchanged.

Lesson	Location	PDF Pg	Revised	Correction	
Active Bond Portfolio Management	3rd and 4th paragraphs	363	29 Jan 2024	Replace: The 6% five-year bond purchased for 100 returns 120.61 in two years [(6 × 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 × 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 **117.67** in two years [(6 × 1.02) + 6 + **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% [**105.55** = 6/1.04 + 6/(1.04)^2 + 106/(1.04)^3]. The annualized rate of return is **8.476%** [solve for r, where (**117.67**/100) = (1 + r)^2]. The 7% six-year bond purchased at par returns **121.23** in two years [(7 × 1.02) + 7 + **107.09**] with an annualized return of **10.10%**. 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% [**107.09** = 7/1.05 + 7/(1.05)^2 + + 7/(1.05)^3 + 107/(1.05)^4].
The Swap Spread and Spreads as a Price Quotation Convention	Paragraph under Exhibit 7	372	1 August 2025	Replace: As market participants transition away from survey-based Libor to alternative benchmarks based on actual transaction data, the secured overnight financing rate (SOFR), or overnight cash borrowing rate collateralized by US Treasuries, has gained prominence and is expected to replace Libor in the future.	With: As market participants transition away from survey-based Libor to alternative benchmarks based on actual transaction data, the secured overnight financing rate (SOFR), or overnight cash borrowing rate collateralized by US Treasuries, has gained prominence and **has replaced** Libor ~~in the future~~.
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	5th 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 **long-term rate volatility is mostly linked to uncertainty regarding the real economy and inflation.**

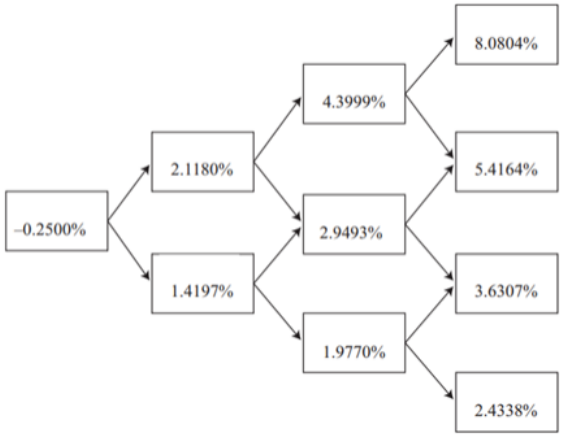
The Arbitrage-Free Valuation Framework

Lesson	Location	PDF Pg	Revised	Correction	
Term Structure Models	First sentence under The Kalotay-Williams-Fabozzi model subheader	441	22 March 2024	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.	With: 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.
Practice Problems	Practice Problems 11-19	452	22 March 2024	Replace: Statement 1: Increasing the number of paths increases the estimate's statistical accuracy. Statement 2: The bond value derived from a Monte Carlo simulation will be closer to the bond's true fundamental value.	With: **Statement 4:** Increasing the number of paths increases the estimate's statistical accuracy. **Statement 5:** The bond value derived from a Monte Carlo simulation will be closer to the bond's true fundamental value.

Valuation and Analysis of Bonds with Embedded Options

Lesson	Location	PDF Pg	Revised	Correction
Capped and Floored Floating-Rate Bonds	Example 8 – Question 3	507	10 September 2024	Replace:  The value of the capped floater is *closest to*: **A.** 92.929. **B.** 99.916. **C.** 109.265. With: 
Comparison of Risk-Return Characteristics	Exhibit 2	531	22 March 2024	Replace:  With: 

Credit Analysis Model

Lesson	Location	PDF Pg	Revised	Correction	
Modeling Credit Risk and the Credit Valuation Adjustment	Fifth paragraph	545	22 March 2024	Replace: 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%.	With: 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%.
Credit Analysis for Securitized Debt	Exhibit 3	597	22 March 2024	Add tree graphic to Exhibit 3:	
Practice Problems	Question 21	599	22 March 2024	Replace: 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?	With: Based on the research department assumption about the probability of default in **Question 18** and her own assumption in **Question 19**, which action does Ibarra most likely expect from the credit rating agencies?
Solutions	Solution to 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	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**.

Derivatives

The Term Structure and Interest Rate Dynamics

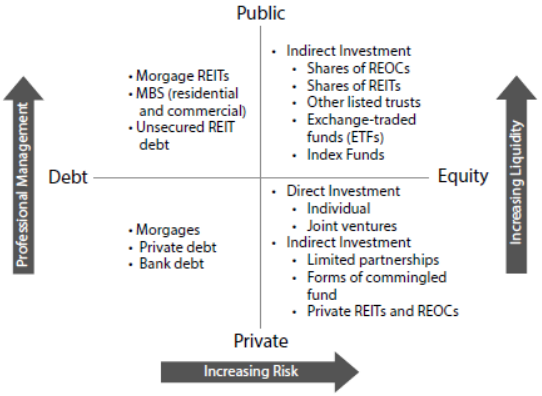
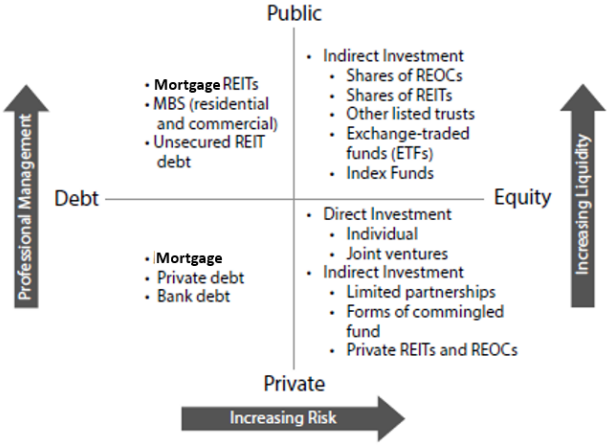
Lesson	Location	PDF Pg	Revised	Correction	
Introduction	Last paragraph	7	4 September 2024	Replace: Exhibit 2 shows the convergence property for a stock index futures/forward contact under continuous compounding and varying dividend yields.	With: Exhibit 2 shows the convergence property for a stock index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

Alternative Investments

Introduction to Commodities and Commodity Derivatives

Lesson	Location	PDF Pg	Revised	Correction	
Commodity Sectors	Exhibit 1	163	31 July 2025	Replace: Flows: Speed of maturation to slaughter weight, economic (GDP) growth/consumer income, disease, adverse weather	With: Flows: Speed of maturation to **harvest** weight, economic (GDP) growth/consumer income, disease, adverse weather
Contango, Backwardation, and the Roll Return	Paragraph under Exhibit 14	194	5 August 2025	Replace: However, since 2010, the emergence of shale oil production in the United States has increased oil's convenience yield to the point that historical scarcity risk is much lower than before.	With: However, since 2010, the emergence of shale oil production in the United States has **decreased** oil's convenience yield to the point that historical scarcity risk is much lower than before.
Practice Problems	Practice Problems relates to questions 16-22	211-212	10 December 2024	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.

Overview of Types of Real Estate Investment

Lesson	Location	PDF Pg	Revised	Correction
Basic Forms of Real Estate Investment	Exhibit 3 – second and third quadrants	224	10 December 2024	Replace: Morgage  With: Mortgage 

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: $P_{t,s} = -\frac{E_t\left(\widetilde{P}_{t+1,s-1}\right)}{1+l_{t,1}} = -0.000008.$ With: $P_{t,s} - \frac{E_t\left(\widetilde{P}_{t+1,s-1}\right)}{1+l_{t,1}} = -0.000008.$

Analysis of Active Portfolio Management

Lesson	Location	PDF Pg	Revised	Correction	
Practice Problems	The following information relates to questions 11-14	139	26 July 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

Guidance for Standards I-VII

Lesson	Location	PDF Pg	Revised	Correction	
Standard IV(A): Recommended Procedures	Incident-Reporting Procedures	266	29 Jan 2024	Replace: Report potentially unethical and illegal activities in the firm.	With: **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.

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	Replace: Ode now has three and a half years of experience in the investment industry.	With: Ode now has **two** and a half years of experience in the investment industry.
JR and Associates	Case Questions Solution 9	403	29 Jan 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.
JR and Associates	Case Questions - Solution to 9	403	29 Jan 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.