

CFA Body of Knowledge

Body of Knowledge	Level I	Level II	Level III
Ethical and Professional Standards			
Applicable laws and standards Professional standards of practice Ethical conduct and professional obligations Global differences	Code of Ethics Standards of Professional Conduct Overview of soft dollar standards Overview of other Applicable Laws and Regulations	Case study analysis, including: <ul style="list-style-type: none"> - fiduciary duty - insider trading - personal investing - corporate governance - soft dollar standards 	Case study analysis involving application and interpretation of the Code and Standards in the context of specific, complex situations
Quantitative Methods			
Basic concepts Required input variables for valuation models Time value of money Basic statistical concepts Probability theory and concepts Random variables Probability distributions Sampling theory and distributions Statistical inference Regression and correlation Decision making under uncertainty Time-series	Descriptive statistics Measures of location & dispersion Probability theory Probability distributions Sampling theory Hypothesis testing Linear regression and correlation (bivariate) Time value of money Measuring stock returns	Application of binomial distribution to option pricing Linear regression & correlation (bivariate) Linear regression & correlation (multivariate) Analysis of variance Statistical decision making techniques	Using statistical theory to support portfolio management strategies

analysis and forecasting Multivariate techniques			
Economics			
Microeconomics Macroeconomics International financial systems Perfect markets Imperfect markets Relationship of economic activity to investment process Relationship of macro- and microeconomic expectations to expected returns and risk for asset classes Currency (foreign exchange) markets	Basic economics, the supply & demand curves, national economics and the business cycle Microeconomics – economic models of competition Macroeconomics – fiscal & monetary policies for economic stability International economics Foreign exchange markets and systems	Macroeconomic analysis Policies for economic stabilization and growth Foreign exchange and parity theories	Incorporating an economic forecast into the asset allocation decision
Financial Statement Analysis			
Financial statements and other required disclosures Specific accounting principles and practices Ratio and financial analysis Short-term financing decisions Cash and liquidity management Credit and inventory	Financial statements Ratio analysis Analysis of inventories Capitalization & depreciation of long-term assets Analysis of debt financing Analysis of leases & off-balance sheet financing Analysis of taxes	Consolidated accounting Analysis of minority investments Analysis of subsidiary investments Analysis of international operations International Financial Reporting Standards	

management Analysis of business combinations Analysis of multinational operations		Accounting for pension costs and pension fund accounts Detecting and adjusting for creative accounting Forecasting future performance	
Corporate Finance			
Basic concepts of corporate finance Capital investment decisions Long-term financing decisions Mergers and acquisitions	Capital budgeting Capital budgeting with rationing Analysis of risk in Capital budgeting Cost of capital Effect of leverage on cost of capital	Warrants and convertibles Mergers Leveraged buyouts, management buyouts, leveraged restructurings	
Analysis of Debt Investments			
Characteristics of debt markets Market structures Alternative bond types Structural features of debt markets Term structure analysis Yield spread analysis Sources of risk Return or yield measures Option-free bonds Analysis of bonds with embedded options	Fundamentals of debt investments and markets Valuation of debt investments Yields on debt investments Risks associated with debt investments Measurement of interest rate risk Term structure of interest rates Simple analysis of debt investments with embedded options	Analysis & valuation of asset-backed securities Analysis of credit risk Use of duration and convexity to reduce interest rate risk Analysis of the term structure of interest rates Valuation of debt investments with embedded options Bond trading strategies	Bond portfolio management (domestic & international)

<p>Analysis of mutual bonds</p> <p>Analysis of structured securities: mortgage-backed</p> <p>Analysis of structured securities: asset-backed</p> <p>Analysis of structured securities: structured notes</p> <p>Credit analysis for corporate bonds</p>			
Analysis of Equity Investments			
<p>Characteristics of financial markets</p> <p>Market structures</p> <p>Market organizations</p> <p>Structural features of financial markets</p> <p>Equity markets and instruments</p> <p>Fundamental analysis</p> <p>Technical analysis</p>	<p>Fundamentals of financial markets</p> <p>Fundamental & technical analysis, market efficiency</p> <p>Fundamentals of equity investments and markets</p> <p>Valuation and analysis of equity investments</p> <p>Company analysis and stock selection</p> <p>Dividend policy</p>	<p>Market efficiency</p> <p>Multi-stage cash flow valuation models</p> <p>Free cash flow valuation models</p> <p>Multiplier valuation models</p> <p>Competitive strategy - five forces model</p> <p>Valuing corporate restructurings</p> <p>Valuing merger/acquisition and demerger opportunities</p> <p>Measures of value added</p>	<p>Market indexes</p> <p>International equity investment and emerging markets</p>
Analysis of Derivatives			
<p>Options markets</p> <p>Futures markets</p>	<p>Fundamentals of derivatives markets</p>	<p>Mechanism of arbitrage pricing of</p>	<p>Managing equity risk using index</p>

<p>Swap markets Analysis of fixed-income derivatives Custom interest rate agreements Analysis of interest rate swaps Analysis of equity options Analysis of warrants Hedging and hedging strategies</p>	<p>and instruments Features of interest rate derivatives Features of index derivatives</p>	<p>derivatives Pricing and valuation of interest rate forwards/futures Hedging strategies using forwards/futures Fundamentals of swaps Option strategies and payoffs Option valuation models Hedging strategies using options</p>	<p>derivatives Managing interest rate and credit risk using derivatives</p>
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Analysis of Alternative Investments

<p>Analysis of real estate investments Real estate portfolio management Analysis of private equity [venture capital] Special applications of fundamental analysis Hedge funds and other alternative investments</p>	<p>Analysis of real estate investments Venture capital</p>	<p>Valuation of real estate investments Structuring a venture capital deal</p>	<p>Real estate and alternative investments portfolio management</p>
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Portfolio Management

<p>Efficient market theory Portfolio theory Asset pricing theories and models</p>	<p>Portfolio Theory Capital asset pricing model Portfolio management Asset management</p>	<p>Portfolio Theory Capital asset pricing model Arbitrage pricing theory (factor models)</p>	<p>Overall portfolio management Investor characteristics, objectives and constraints</p>
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<p>Portfolio management policies for individuals</p> <p>Mutual funds</p> <p>Portfolio management policies for institutions</p> <p>Capital market expectations</p> <p>Asset allocation</p> <p>General portfolio construction and revision</p> <p>Fixed income portfolio management strategies</p> <p>Equity portfolio management strategies</p> <p>Risk measurement and management</p> <p>Currency portfolio management strategies</p>		<p>Incorporating real estate investments</p>	<p>Investment policy for individual investors</p> <p>Investment policy for institutional investors (e.g., pension plans, employee benefit funds, foundations, insurance companies)</p> <p>Asset allocation</p> <p>Portfolio construction and revision</p> <p>Equity and debt portfolio management strategies</p> <p>Firm wide and portfolio risk management</p> <p>Derivatives in portfolio management</p> <p>Performance measurement – evaluation and attribution</p> <p>Presentation of performance results – Global Investment Performance Standards (GIPS)</p>
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