#1-67

EASY INTERMEDIATE HARD

CFA® SAMPLE QUESTION – LEVEL I

Corporate Finance

Q: Which of the following statements about NPV and IRR is least accurate?

ⓐ The IRR is the discount rate that equates the present value of the cash inflows with the present value of outflows.

ⓑ For mutually exclusive projects, if the NPV method and the IRR method give conflicting rankings, the analyst should use the IRRs to select the project.

ⓒ The NPV method assume that cash flows will be reinvested at the cost of capital, while the IRR rankings implicitly assume that cash flows are reinvested at the IRR.

CFA Society Hong Kong Candidate Services

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