EASY   INTERMEDIATE   HARD

CFA® SAMPLE QUESTION – LEVEL I

Fixed Income

Q: If the holding period yield (HPY) on a Treasury bill (T-bill) with 197 days until maturity is 1.07%, what is the effective annual yield?

CORRECT ANSWER:

ⓐ **1.99%**

To calculate the EAY from the HPY, **the formula is: $(1 + HPY)^{(365/t)} - 1$.**

Therefore in our case, the EAY is $(1 + 0.0107)^{(365/197)} - 1$
= 0.019915 or 1.99%

**CFA Society Hong Kong
Candidate Services**

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Committee**

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