EASY   INTERMEDIATE   HARD

CFA® SAMPLE QUESTION – LEVEL I

Quantitative Methods

Q: If a stock's initial price is $35 and its year-end price is $42, then its continuously compounded annual rate of return is:

CORRECT ANSWER:

ⓐ 18.23%

The formula to calculate the continuously compounded annual rate of return is:
= In (Y1/ Y0)
Where Y1 is the new price and Y0 is the original price

So answer for our question is
= IN(42/35) = 0.18232

CFA Society Hong Kong Candidate Services

Mr. Zap Cheng, CFA Candidate Services Committee

Date of issue: 1 Jan 2024