Formatting Conventions Used for Level I Exams

Item Construction

Each item on the Level I multiple choice exam consists of a stem (question, statement, and/or table) and three choices, A, B, and C.

Two basic formats are used:

1. Stems using sentence completion with three unique choices
2. Stems phrased as questions with three unique choices

Example 1 (Stem using sentence completion)

An analyst suspects that a particular company's U.S. GAAP financial statements may require adjustment because the company uses take-or-pay contracts. The *most likely* effect of the appropriate adjustments would be to increase that company's
A. return on assets.
B. debt-to-equity ratio.
C. interest coverage ratio.

Example 2 (Stem phrased as question)

An analyst suspects that a particular company's U.S. GAAP financial statements may require adjustment because the company uses take-or-pay contracts. Which of the following is *most likely* to increase as a result of the appropriate adjustments being made to that company's financial statements?
A. Return on assets.
B. Debt-to-equity ratio.
C. Interest coverage ratio.

Item Stems

The Level I CFA exam does not use **except**, **true**, or **false** in item stems and avoids the use of **not** in item stems whenever possible. When appropriate, stems will include one of the following qualifiers: most likely, least likely, best described, most appropriate, most accurate, least appropriate, or least accurate. Each stem supports only one item on the exam.

Answer Choices

The Level I CFA exam **does not use** any of the following choices: all of the above, none of the above, A and B only, B and C only, cannot determine, cannot calculate, or not enough information to determine.

Choices consisting of words or sentences are typically ordered from shortest to longest; choices that are quantitative are ordered from the smallest number to largest number. The choices agree grammatically with the stem; language common to all choices is placed in the stem.