Public

CFA Institute®

Curriculum Errata Notice

2027 Level II CFA Program

Issue date: October 2026

Welcome to the Curriculum Errata Notice.

We review and confirm potential errors to ensure you can study with confidence. This notice includes reported issues that could affect your understanding, such as miscalculations, incorrect explanations, or mislabeled exhibits.

For the most current information, regularly check the Learning Ecosystem (Canvas) or this document. Due to the nature of our publishing process, corrections may not appear immediately in our printed materials.

In this document, you will find:

- Table of Contents by Course
- New Errata marked since the last notice
- Full list of errata organized by Course

If you spot something that seems incorrect, please let us know: cfainst.is/errata. Every report is carefully reviewed and investigated by our subject matter experts.

Good luck with your studies!

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New errata

Here are new posted errata since our last issue. You'll also find these same errata listed in the "Complete list of errata" below.

Revised	Course, Module	Lesson	Location (PDF)	Replace	With
1 Sept 2026	Equities 1: Equity Valuation: Applications and Processes	Practice Problems	Page 43 Question 1	Based on Statement 2, which of the following sources of perceived mispricing do active investment managers attempt to identify? The difference between: **A.** intrinsic value and market price. **B.** estimated intrinsic value and market price. **C.** intrinsic value and estimated intrinsic value.	Based on Statement 2, which of the following sources of perceived mispricing do active investment managers attempt to **exploit**? The difference between: **A.** intrinsic value and market price. **B.** estimated intrinsic value and market price. **C.** intrinsic value and estimated intrinsic value.

<table>
<tr>
<td>21 Sept 2026</td>
<td>Financial Statement Analysis 2: Employee Compensation: Post-Employment and Share-Based</td>
<td>2.06 Financial Reporting for Post-Employment Benefits</td>
<td>Page 97 Example 10 – Solution to 2</td>
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<tr><td>Statement of Stockholders' Equity</td><td>Remeasurements of 32.24 million</td><td>Difference between actual return on plan assets (5% of 1,010) and net interest income [2% of (1,010 - benefit obligation of 97 = 913)].</td></tr>
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<tr><td>Statement of Stockholders' Equity</td><td>Remeasurements of 30.30 million</td><td>Difference between actual return on plan assets (5% of 1,010) and net interest income [2% of (1,010 - benefit obligation of 97 = 913)].</td></tr>
<tr><td>Balance Sheet</td><td>Net pension asset of 952.56 million</td><td>JPY 913 million [beginning pension balance]+ JPY 18.26 million net interest income – JPY 9 million service cost + JPY 30.30 million remeasurement = JPY 952.56 million.</td></tr>
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Complete list of errata

Quantitative Methods

Revised	Module	Lesson	Location (PDF)	Replace	With
17 Jun 2026	1: Basics of Multiple Regression and Underlying Assumptions	1.03 The Basics of Multiple Regression	Page 8 Bullet 1	The bond index RET yields, on average, 0.0023% per month, or approximately 0.028% per year, if the changes in the government bond yields and investment-grade credit spreads are zero.	
24 Aug 2026	2: Evaluating Regression Model Fit and Interpreting Model Results	2.01 Goodness of Fit	Page 25	$R^2 = \frac{\text{Sum of squares regression}}{\text{Sum of squares total}} = \frac{\sum_{i=1}^{n}\left(Y_i - \hat{Y}_i\right)^2}{\sum_{i=1}^{n}(Y_i - \bar{Y})^2}$	$R^2 = 1 - \frac{\text{Sum of squares regression}}{\text{Sum of squares total}} = 1 - \frac{\sum_{i=1}^{n}\left(Y_i - \hat{Y}_i\right)^2}{\sum_{i=1}^{n}(Y_i - \bar{Y})^2}$
23 Jun 2026	3: Model Misspecification	3.04 Violations of Regression Assumptions: Heteroskedasticity	Page 57 Exhibit 4 Step 3	Test hypotheses on coefficients of the regressors in Step 2 using a chi-squared distributed test statistic H_0: All $a_j = 0$ versus H_a: At least one $a_j \neq 0$	Test hypotheses on coefficients of the regressors in Step 2 using a chi-squared distributed test statistic H0: All aj = 0 versus **(j > 0)** Ha: At least one aj ≠ 0
26 Jun 2026	4: Extensions of Multiple Regression	4.01 Influence Analysis	Page 79	Divide this residual by the estimated standard deviation or standard error of the residuals, s_{e^*} , which produces the studentized deleted residual, t_{i^*}:	Divide this residual by the estimated standard deviation or standard error of the **deleted** residuals, s_{e^*} , which produces the studentized deleted residual, t_{i^*}:

26 Jun 2026	4: Extensions of Multiple Regression	4.01 Influence Analysis	Page 79	Also, note the equivalent formula (on the right) for t_{i*}, whose terms are all based on the initial estimated regression with n observations, where	Also, note the equivalent formula (on the right) for t_{i*}, **whose terms e(i) and h(ii) are based** on the initial estimated regression with n observations **and MSE(i) is based on the model with the i-th observation deleted**, where
26 Jun 2026	4: Extensions of Multiple Regression	4.01 Influence Analysis	Page 79	s_{e*} = the standard deviation of all the residuals	s_{e*} = the standard deviation of **the deleted residual for observation *i***
2 July 2026	4: Extensions of Multiple Regression	4.02 Dummy Variables in a Multiple Linear Regression	Page 90 Above Question Set	Finally, we can interpret the overall result as suggesting that growth funds' returns exceed those of value funds by 2.347%, or 2.262% (GROWTH) plus 0.085% (AGE + AGE_GROWTH), for each year of a fund's age (since inception).	Finally, we can interpret the overall result as suggesting that growth funds' returns exceed those of value funds by **2.262 + 0.020 x AGE_GROWTH percentage points, everything else being constant.**
13 Aug 2026	6: Machine Learning	6.09 Case Study: Classification of Winning and Losing Funds	Pages 229/230 Exhibit 17	Replace Exhibit X with this new version. This update improves accessibility by revising alt text and accessibility elements. No content changes have been made to the exhibit itself.	
13 Aug 2026	6: Machine Learning	6.18 Choosing an Appropriate ML Algorithm	Page 264 Exhibit 37	Replace Exhibit X with this new version. This update improves accessibility by revising alt text and accessibility elements. No content changes have been made to the exhibit itself.	

9 July 2026	4: Extensions of Multiple Regression	4.03 Multiple Linear Regression with Qualitative Dependent Variables	Page 93 Below Exhibit 12	One way to estimate this marginal effect of an independent variable is to find the marginal effect for the "average" company/investment/observation. This process uses the mean value in the dataset for each of the *Xi*'s, calculates the probability using these mean values, and then calculates the probability again using the mean values for all variables except the independent variable of interest, which is increased from its mean value by one unit. This provides an estimate of the marginal effect of a change in the chosen independent variable on *P*(*Y* = 1). Most software programs have an option to conduct this analysis. For instance in Python, "sklearn, get_margeff" can be used, and in R, in the margins package, "margins," can be used.	One way to estimate this marginal effect of an independent variable is to find the marginal effect **at the means** for the "average" observation. This process uses the mean value in the dataset for each of the X_i's, calculates the probability using these mean values, and then calculates the probability again using the mean values for all variables except the independent variable of interest, which is increased from its mean value by one unit. This provides an estimate of the marginal effect of a change in the chosen independent variable on $P(Y = 1)$. Most software programs have an option to conduct this analysis. For instance in Python, "`statsmodels, LogitResults.get_margeff (at='mean')`" can be used, and in R, in the `marginaleffects` package, "`slopes(model, newdata = "mean", type = "response")`", can be used.

14 Apr 2026	4: Extensions of Multiple Regression	4.04 Multiple Linear Regression with Qualitative Dependent Variables	Page 95 Paragraph above Knowledge Check	Remove from curriculum: Logistic regression does not have an equivalent measure to *R*2 because it cannot be fitted using least squares. Pseudo-*R*2 has been proposed to capture the explained variation in a logistic regression and is generated in standard software output. The pseudo-*R*2 must be interpreted with care because it can be used only to compare different specifications of the same model (not models based on different datasets).	
3 Mar 2026	4: Extensions of Multiple Regression	Practice Problems	Page 103 Question 8	Based on the output for Logistic Regression 1 in the table below, which of the following alternatives is closest to the probability that any ETF will be a winning fund? **A.** 6.75% **B.** 5.96% **C.** 5.67%	Based on the output **in Exhibit 1: Output for Logistic Regression 1**, which of the following alternatives is closest to the probability that any ETF will be a winning fund? A. 6.75% B. 5.96% C. 5.67%
3 Mar 2026	4: Extensions of Multiple Regression	Practice Problems	Page 104 Table above Question 9	Add title: **Exhibit 1: Output for Logistic Regression**	

3 Mar 2026	4: Extensions of Multiple Regression	Practice Problems	Page 104 Question 9	Based on the output for Logistic Regression 1 and the information in the table above, which of the following alternatives is closest to the change in the probability that an ETF will be a winning fund if its price-to-earnings ratio increases by one unit and all else stays constant? **A.** 17.0% **B.** 0.16% **C.** 1.5%	Based on the output **in Exhibit 1: Output for Logistic Regression 1,** which of the following alternatives is closest to the change in the probability that an ETF will be a winning fund if its price-to-earnings ratio increases by one unit and all else stays constant? **A.** 17.0% **B.** 0.16% **C.** 1.5%
1 Apr 2026	4: Extensions of Multiple Regression	Practice Problems	Page 104 Question 10	Remove Question 10	**Assuming that the past regression results seen in Exhibit 1: Output for Logistic Regression 1 accurately describe the future state, which of the following would most reliably lead to a decrease in the probability of success?** **A. An increase in the price to book ratio** **B. A decrease in the price to sales ratio** **C. An increase in Net Assets**

1 Apr 2026	4: Extensions of Multiple Regression	Practice Problems	Page 107 Question 10—Solution	Remove solution to Question 10	**B is correct. The coefficient of price to sales is positive and is statistically different from zero at beyond the 99% level of confidence, so a decrease in this ratio would more likely be associated with a decrease in the probability of success than option A (not distinguishable from zero beyond the 70.5% confidence level) or an increase in Net Assets (which is also not distinguishable from zero beyond a fairly low confidence level of 57.2%).**
1 May 2026	5: Time-Series Analysis	5.02 Linear Trend Models	Page 115 Under Exhibit 4	Because the trend line slope is estimated to be −0.0037, Miller concludes that the linear trend model's best estimate is that the annualized rate of inflation declined at a rate of about 37 bps per month during the sample time period. The decline is not statistically significantly different from zero.	Because the trend line slope is estimated to be −0.0037, Miller concludes that the linear trend model's best estimate is that the annualized rate of inflation declined at a rate of about **0.37** bps per month during the sample time period. The decline is not statistically significantly different from zero.
22 June 2026	5: Time-Series Analysis	5.03 Log-Linear Trend Models	Page 119 Below Exhibit 8	Because the dependent and independent variables are not distinct, as in cross-sectional regressions, this assumption violation is serious and causes us to search for a better model.	Because the **observations are not independent**, as in cross-sectional regressions, this assumption violation is serious and causes us to search for a better model.

23 Mar 2026	5: Time-Series Analysis	5.04 Trend Models and Testing for Correlated Errors	Page 122 In the 3rd paragraph	(Remember that significantly small values of the Durbin–Watson statistic indicate positive serial correlation; significantly large values point to negative serial correlation; here the Durbin–Watson statistic of 1.09 indicates positive serial correlation.)	(Remember that significantly small values of the Durbin–Watson statistic indicate positive serial correlation; significantly large values point to negative serial correlation; here the Durbin–Watson statistic of **1.2145** indicates positive serial correlation.)
6 May 2026	7: Big Data Projects	7.12 Model Training	Page 336 Paragraph above Exhibit 48	From the charts in Exhibit 47, the ideal threshold p value appears to be around 0.60.	From the charts in Exhibit **48**, the ideal threshold p value appears to be around 0.60.

Economics

Revised	Module	Lesson	Location (PDF)	Replace	With

Financial Statement Analysis

Revised	Module	Lesson	Location (PDF)	Replace	With
17 Feb 2026	1: Intercorporate Investments	1.05 Amortization of Excess Purchase Price, Fair Value Option, and Impairment	Page 15 Last paragraph	Goodwill, however, is included in the carrying amount of the investment, because investment is reported as a single line item on the investor's balance sheet.	Goodwill, however, is included in the carrying amount of the investment, **not as a separate asset,** because **under the equity method,** the investment is reported as a single line item on the investor's balance sheet.
22 Apr 2026	1: Intercorporate Investments	1.07 Acquisition Method	Page 25 2nd to last paragraph	The primary beneficiary is defined as the party that will absorb the majority of the VIE's expected losses, receive the majority of the VIE's expected residual returns, or both.	The primary beneficiary is defined as the party that **has the power to direct the activities of the VIE that most significantly impact the entity's economic performance, and that** will absorb the majority of the VIE's expected losses, receive the majority of the VIE's expected residual returns, or both.
17 Feb 2026	1: Intercorporate Investments	1.07 Acquisition Method	Page 25 Above Acquisition Method	Remove from curriculum: In the past, business combinations could be accounted for either as a purchase transaction or as a uniting (or pooling) of interests. However, the use of the pooling accounting method for acquisitions is no longer permitted, and IFRS and US GAAP now require that all business combinations be accounted for in a similar manner. The *acquisition method* developed by the IASB and the FASB replaces the purchase method, and substantially reduces any differences between IFRS and US GAAP for business combinations.	

17 Feb 2026	1: Intercorporate Investments	1.07 Acquisition Method	Page 26 Recognition and Measurement of Contingent Liabilities	On the acquisition date, the acquirer must recognize any contingent liability assumed in the acquisition if 1) it is a present obligation that arises from past events, and 2) it can be measured reliably. Costs that the acquirer expects (but is not obliged) to incur, however, are not recognized as liabilities as of the acquisition date. Instead, the acquirer recognizes these costs in future periods as they are incurred. For example, expected restructuring costs arising from exiting an acquiree's business will be recognized in the period in which they are incurred.	On the acquisition date, the acquirer must recognize any contingent liability assumed in the acquisition if 1) it is a present obligation that arises from past events, and 2) it can be measured reliably. **For example, the acquirer may need to recognize a contingent liability for a potential warranty obligation of the acquiree, even if the acquiree did not previously recognize the obligation.** Costs that the acquirer expects (but is not obliged) to incur, however, are not recognized as liabilities as of the acquisition date. Instead, the acquirer recognizes these costs in future periods as they are incurred. For example, expected restructuring costs arising from exiting an acquiree's business will be recognized in the period in which they are incurred.

17 Feb 2026	1: Intercorporate Investments	1.08 The Consolidation Process	Pages 34-35 Goodwill Impairment	Goodwill impairment testing is then conducted under a two-step approach: identification of impairment and then measurement of the loss. First, the carrying amount of the reporting unit (including goodwill) is compared to its fair value. If the carrying value of the reporting unit exceeds its fair value, potential impairment has been identified. The second step is then performed to measure the amount of the impairment loss. The amount of the impairment loss is the difference between the implied fair value of the reporting unit's goodwill and its carrying amount. The implied fair value of goodwill is determined in the same manner as in a business combination (it is the difference between the fair value of the reporting unit and the fair value of the reporting unit's assets and liabilities). The impairment loss is applied to the goodwill that has been allocated to the reporting unit.	**Before proceeding to a quantitative impairment test, a reporting entity may elect to first perform an optional qualitative assessment of whether it is more likely than not (i.e., a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount. If the entity concludes that the fair value of the reporting unit is more likely than not greater than its carrying amount, no further testing is required. However, if the qualitative assessment indicates potential impairment, or if the entity elects to bypass the qualitative assessment, the entity must perform a quantitative test. The quantitative test compares the fair value of the reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, the entity should recognize a goodwill impairment loss equal to the excess of carrying amount over fair value, limited to the amount of goodwill that is allocated to that reporting unit. The impairment loss reduces the carrying amount of goodwill that has been allocated to the reporting unit.**

17 Feb 2026	1: Intercorporate Investments	1.08 The Consolidation Process	Pages 35-36 Example 10	Replace Example 10 with the content here.	
11 May 2026	Financial Statement Analysis 1: Intercorporate Investments	1.09 Financial Statement Presentation	Page 37 Top paragraph	The decrease in goodwill on the balance sheet reflects exchange adjustments recognized by GlaxoSmithKline due to the weakness of the functional currency of the parent (Pound Sterling).	The decrease in goodwill on the balance sheet reflects **foreign currency translation adjustments arising from changes in exchange rates between the functional currencies of foreign subsidiaries and the parent's reporting currency (GBP).**
17 Feb 2026	1: Intercorporate Investments	1.12 Summary	Pages 44-45 4th Bullet	Goodwill is the difference between the acquisition value and the fair value of the target's identifiable net tangible and intangible assets. Because it is considered to have an indefinite life, it is not amortized. Instead, it is evaluated at least annually for impairment. Impairment losses are reported on the income statement. IFRS use a one-step approach to determine and measure the impairment loss, whereas US GAAP uses a two-step approach.	Goodwill is the difference between the acquisition value and the fair value of the target's identifiable net tangible and intangible assets. Because it is considered to have an indefinite life, it is not amortized. Instead, it is evaluated at least annually for impairment. Impairment losses are reported on the income statement. **IFRS uses a single-step quantitative test to determine if goodwill is impaired. U.S. GAAP permits companies the option of performing a qualitative test to determine if goodwill is impaired. Under this approach, if a company concludes it is more likely that fair value is greater than carrying value, a quantitative test does not need to be performed.**

28 Apr 2026	1: Intercorporate Investments	Solutions	Page 58 Question 7 Solution	B is correct. If Cinnamon is deemed to have control over Cambridge, it would use the acquisition method to account for Cambridge and prepare consolidated financial statements. Proportionate consolidation is used for joint ventures; the equity method is used for some joint ventures and when there is significant influence but not control.	B is correct. If Cinnamon is deemed to have control over Cambridge, it would use the acquisition method to account for Cambridge and prepare consolidated financial statements. Proportionate consolidation is **not permitted** for joint ventures; the equity method is used **for joint** ventures and when there is significant influence but not control.

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21 Sept 2026</td>
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Example 10 – Solution to 2</td>
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<td>2 Jun 2026</td>
<td>4: Analysis of Financial Institutions</td>
<td>4.03 Analyzing a Bank: non-CAMELS Factors</td>
<td>Page 229
Second paragraph</td>
<td colspan="2">Delete the following from the curriculum:
Operating leases are a low-risk example of off-balance-sheet liabilities: They are not a recognized liability of a company, yet they provide a creditor with a claim on a company's future cash flows. Fortunately, visibility into such future obligations is easily accessed by investors in the lease footnotes.</td>
</tr>
</table>

10 Feb 2026	6: Integration of Financial Statement Analysis Techniques	6.05 Phases 3 and 4: Adjusting for Unusual Charges	Page 383 Above Exhibit 9	The results are shown in Exhibit 8.	The results are shown in Exhibit **9**.

Corporate Finance

Revised	Module	Lesson	Location (PDF)	Replace	With
28 Apr 2026	3: Cost of Capital: Advanced Topics	3.05 The Cost of Equity (Required Return on Equity)	Page 132 Estimating the Cost of Equity for Private Companies Section	Remove from the curriculum: The required return on equity for private companies often includes ■ a size premium (SP), ■ an industry risk premium (IP), and ■ a specific-company risk premium (SCRP).	
28 Apr 2026	3: Cost of Capital: Advanced Topics	3.05 The Cost of Equity (Required Return on Equity)	Page 132 Estimating the Cost of Equity for Private Companies Section	A smaller company size is typically associated with greater company risk which can arise from greater difficulty in securing capital, more uncertain growth prospects, and riskier business operations. Collectively, these can result in higher risk and required returns on equity for private companies. An IP can be added for private companies in relatively riskier industries.	A smaller company size is typically associated with greater company risk which can arise from greater difficulty in securing capital, more uncertain growth prospects, and riskier business operations. Collectively, these can result in higher risk and required returns on equity for private companies. An **industry premium** (IP) can be added for private companies in relatively riskier industries, **though this can implicitly be introduced if we utilize the beta for peer companies.**

28 Apr 2026	3: Cost of Capital: Advanced Topics	3.05 The Cost of Equity (Required Return on Equity)	Page 132 Estimating the Cost of Equity for Private Companies Section	The SCRP is a general risk premium that reflects factors such as geographic risk, key-person risk, or other firm-specific factors that might not be easy to diversify away.	**A specific-country risk premium (SCRP)** is a general risk premium that reflects factors such as geographic risk, key-person risk, or other firm-specific factors that might not be easy to diversify away.
28 Apr 2026	3: Cost of Capital: Advanced Topics	3.05 The Cost of Equity (Required Return on Equity)	Page 133 Equation 19	$r_e = r_f + \beta(\mathbf{ERP}) + \mathrm{SP} + \mathbf{IP} + \mathbf{SCP}$	$r_e = r_f + \beta_{peer}(\mathrm{ERP}) + \mathrm{SP} + \mathrm{SCRP}$
2 Mar 2026	3: Cost of Capital: Advanced Topics	3.07 Mini-Case 2	Page 147 Above Exhibit 19	Other notes about Precision are as follows: ■ The company's founder and CEO continues to be highly involved in all aspects of the company's operations, with no clear succession plan in place. ■ Approximately 60% of the company's revenues come from software subscriptions, and 70% come from five major customers within close geographic proximity of each other.	Other notes about Precision are as follows: ■ The company's founder and CEO continues to be highly involved in all aspects of the company's operations, with no clear succession plan in place. ■ Approximately 60% of the company's revenues come from software subscriptions, and 70% come from five major customers within close geographic proximity of each other. **■ There are no other liabilities outside of total debt.**

16 July 2026	3: Cost of Capital: Advanced Topics	3.07 Mini-Case 2	Page 151 Knowledge Check – Question 4 Solution 1	$r_e = r_f + \beta(\text{ERP})+\text{SP}+\text{IP}+\text{SCP}$	$r_e = r_f + \beta(\text{ERP})+\text{SP}+\text{IP}+SCRP+\text{SCP}$
16 July 2026	3: Cost of Capital: Advanced Topics	3.07 Mini-Case 2	Page 151 Knowledge Check – Question 5 Solution	Precision's estimated WACC is 21.13%, calculated as ... = (0.1749) (0.0887)) (1 − 0.20) + (0.8251) (0.2441) = 0.2138, or 21.38 % ,	Precision's estimated WACC is **22.21**%, calculated as ... = (0.1749) (0.0887)) (1 − 0.20) + (0.8251) (**0.2541**) = **0.2221, or 22.21**% ,

Equities

Revised	Module	Lesson	Location (PDF)	Replace	With
3 Mar 2026	1: Equity Valuation: Applications and Processes	1.04 Analysis of Financial Reports and Sources of Information	Page 16 In 'Sources of ESG Information: The Case of the US Auto Industry' case study	**Removed the following link:** https://www.globalreporting.org/information/sustainability-reporting/Pages/default.aspx	
New: 1 Sept 2026	1: Equity Valuation: Applications and Processes	Practice Problems	Page 43 Question 1	Based on Statement 2, which of the following sources of perceived mispricing do active investment managers attempt to identify? The difference between: **A.** intrinsic value and market price. **B.** estimated intrinsic value and market price. **C.** intrinsic value and estimated intrinsic value.	Based on Statement 2, which of the following sources of perceived mispricing do active investment managers attempt to **exploit**? The difference between: **A.** intrinsic value and market price. **B.** estimated intrinsic value and market price. **C.** intrinsic value and estimated intrinsic value.
5 May 2026	1: Equity Valuation: Applications and Processes	Solutions	Page 47 Question 1 Solution	A is correct. The difference between the true (real) but unobservable intrinsic value and the observed market price contributes to the abnormal return or alpha, which is the concern of active investment managers.	**B is correct.** The difference between the true (real) but unobservable intrinsic value and the observed market price contributes to the abnormal return or alpha, which is the concern of active investment managers.

2 June 2026	2: Discounted Dividend Valuation	2.05 The Gordon Growth Model: Other Issues	Page 75 Under Equation 12	and PVGO = $43.20 − $22.35 = $20.78. So, 48% ($20.78/$43.20 = 0.48) of the company's value, as reflected in the market price, is attributable to the value of growth.	and PVGO = $43.20 − $22.35 = **$20.85**. So, 48% (**$20.85**/$43.20 = 0.48) of the company's value, as reflected in the market price, is attributable to the value of growth.
28 Apr 2026	2: Discount Dividend Valuation	2.07 The H-Model and Three-Stage Dividend Discount Models	Page 87 Example 18 Question 1 Solution	The required return on equity is r = 3% + 1.2(4.2%) = 8%.	The required return on equity is r = 3% + 1.2(4.2%) **≈ 8.0**%.

6 Mar 2026	3: Free Cash Flow Valuation	3.10 Free Cash Flow Model Variations	Page 164 Exhibit 12	As Exhibit 12 shows, the value of Petrobras is very sensitive to the inputs. The value is negatively related to changes in the beta, the risk-free rate, and the equity risk premium and positively related to changes in the FCFE growth rate. Of the four variables considered, the stock valuation is most sensitive to the range of estimates for the FCFE growth rate (a range from BRL24.02 to BRL38.57. The ranges of the estimates for the other three variables, while still large, are less than the range for changes in the FCFE growth rate. Of course, the variables to which a stock price is most sensitive vary from case to case. A sensitivity analysis gives the analyst a guide as to which variables are most critical to the final valuation.	As Exhibit 12 shows, the value of Petrobras is very sensitive to the inputs. The value is negatively related to changes in the beta, the risk-free rate, and the equity risk premium and positively related to changes in the FCFE growth rate. Of the four variables considered, the stock valuation is most sensitive to the range of estimates for the FCFE growth rate (a range from BRL24.02 to BRL38.57. The ranges of the estimates for the other three variables, while still **relatively large**, are less than the range for changes in the FCFE growth rate. Of course, the variables **and degrees** to which a stock price is most sensitive vary from case to case. A **ranged based** sensitivity analysis gives the analyst a guide as to which variables are most critical to the final valuation.
6 May 2026	4: Market-Based Valuation: Price and Enterprise Value Multiples	4.04 Price/Earnings: Using the P/E in Valuation	Page 252 Example 15 Question 3	3. Compare the justified price with the stock's recent price of ¥2,837.	3. Compare the justified price with the stock's recent price of ¥**2,817**.

10 Mar 2026	4: Market-Based Valuation: Price and Enterprise Value Multiples	4.08 Price/Dividends and Dividend Yield	Page 282 Example 32 Question 2	The dividend yield is $0.976/$15.20 = 0.0642, or 6.52%.	The dividend yield is $0.976/$15.20 = 0.0642, or **6.42**%.
6 July 2026	4: Market-Based Valuation: Price and Enterprise Value Multiples	4.09 Enterprise Value/EBITDA	Page 287 Example 34 Question 1 Solution	So, CL's EV is $57,372 million + $8,623 million +$299 million − $726 million = $65,034 million.	So, CL's EV is $57,372 million + $8,623 million +$299 million − $726 million = **$65,568 million**.
22 June 2026	4: Market-Based Valuation: Price and Enterprise Value Multiples	4.09 Enterprise Value/EBITDA	Page 293 Example 35 Question 3 Solution	Compared with CHD, CL has a similar profit margin but lower revenue growth, which may explain CL's lower valuation multiples.	Compared with CHD, CL has a **higher** profit margin but **substantially** lower revenue growth, which may explain CL's lower valuation multiples.
22 June 2026	4: Market-Based Valuation: Price and Enterprise Value Multiples	4.10 Other Enterprise Value Multiples	Page 294 Example 36 Question 1 Solution	Enterprise value = €8,145 million + €2,970 million − €1,130 million = €9,994	Enterprise value = €**8,154** million + €2,970 million − €1,130 million = €9,994

7 May 2026	4: Market-Based Valuation: Price and Enterprise Value Multiples	Solutions	Page 326 Question 6 Solution	A specific reason to use forward P/Es is the fact given that RUF had some unusual items affecting EPS for 2020. The data to make appropriate adjustments to RUF's 2020 EPS are not given. In summary, Stewart should use forward P/Es.	A specific reason to use forward P/Es is the fact given that RUF had some unusual items affecting EPS for **2019**. The data to make appropriate adjustments to RUF's **2019** EPS are not given. In summary, Stewart should use forward P/Es.
10 Mar 2026	4: Market-Based Valuation: Price and Enterprise Value Multiples	Solutions	Page 328-329 Question 22 Solution	A is correct. Based on the method of average ROE, normalized EPS are calculated as the average ROE from the most recent full business cycle multiplied by current book value per share. The most recent business cycle was 2011–2014, and the average ROE over that period was 0.1_3_01 +_ 0_._137_1_ _4 + _ 0_.1_1_5_8_ +_ 0.1_4_21 = 0.131. The book value of (common) equity, or simply book value, is the value of shareholders' equity less any value attributable to the preferred stock: €1,027 million – €80 million = €947 million. Current book value per share (BVPS) is calculated as €947 million/41.94 million = €22.58. So, normalized EPS is calculated as Average ROE × BVPS = 0.131 × €22.58 = €2.96.	A is correct. Based on the method of average ROE, normalized EPS are calculated as the average ROE from the most recent full business cycle multiplied by current book value per share. The most recent business cycle was **2016-2019**, and the average ROE over that period was 0.1_3_01 +_ 0_._137_1_ _4 + _ 0_.1_1_5_8_ +_ 0.1_4_21 = 0.131. The book value of (common) equity, or simply book value, is the value of shareholders' equity less any value attributable to the preferred stock: €1,027 million – €80 million = €947 million. Current book value per share (BVPS) is calculated as €947 million/41.94 million = €22.58. So, normalized EPS is calculated as Average ROE × BVPS = 0.131 × €22.58 = €2.96.

10 Mar 2026	5: Residual Income Valuation	5.05 Accounting and International Considerations	Pages 371-372 Exhibit 14 Question 4	Given the estimated 8% growth in net income and dividends in Year 6, the estimated Year 6 net income is $4.92 ($4.56 × 1.08), and the estimated amount of Year 6 dividends is $0.42 ($0.38 × 1.08).	Given the estimated 8% growth in net income and dividends in Year 6, the estimated Year 6 net income is $4.92 ($4.56 × 1.08), and the estimated amount of Year 6 dividends is **$0.41** ($0.38 × 1.08).

Fixed Income

Revised	Module	Lesson	Location (PDF)	Replace	With
6 May 2026	1: The Term Structure and Interest Rate Dynamics	1.01 Spot Rates, Forward Rates, and the Forward Rate Model	Page 5 Above Example 1	Denote the forward rate of a loan initiated A periods from today with tenor (further maturity) of B periods by f A,B–A. Consider a forward contract in which one party, the buyer, commits to pay another party, the seller, a forward contract price f A,B–A at time A for a zero-coupon bond with maturity B – A and unit principal. Because this is an agreement to do something in the future, no money is exchanged at contract initiation. At A, the buyer will pay the seller the contracted forward price and will receive from the seller at time B a payment defined here as a single currency unit.	Denote the forward rate of a loan initiated A periods from today with tenor (further maturity) of **B - A** periods by f A,B–A. Consider a forward contract in which one party, the buyer, commits to pay another party, the seller, a forward contract price f A,B–A at time A for a zero-coupon bond with maturity **B** and unit principal. Because this is an agreement to do something in the future, no money is exchanged at contract initiation. At A, the buyer will pay the seller the contracted forward price and will receive from the seller at time B a payment defined here as a single currency unit.
2 Jun 2026	4: Credit Analysis Models	Practice Problems	Page 257 Question 21	The floating-rate note, B4, is currently rated BBB by Standard & Poor's and Fitch Ratings (and Baa by Moody's Investors Service). Based on the research department assumption about the probability of default in Question 18 and her own assumption in Question 19, which action does Ibarra most likely expect from the credit rating agencies?	The floating-rate note, B4, is currently rated BBB by Standard & Poor's and Fitch Ratings (and Baa by Moody's Investors Service). Based on the research department assumption about the probability of default in Question 18 and her own assumption in **Question 20**, which action does Ibarra most likely expect from the credit rating agencies?

1 Apr 2026	5: Credit Default Swaps	5.03 Important Features of CDS Markets	Page 284 Last paragraph	More than 90% of all CDS market activity is now derived from trading in five major CDS indexes: iTraxx Europe, iTraxx Europe Crossover, iTraxx Europe Senior Financials, CDX IG, and CDS HY.	More than 90% of all CDS market activity is now derived from trading in five major CDS indexes: iTraxx Europe, iTraxx Europe Crossover, iTraxx Europe Senior Financials, CDX IG, and **CDX** HY.

Derivatives

Revised	Module	Lesson	Location (PDF)	Replace	With
18 Jun 2026	1: Pricing and Valuation of Forward Commitments	1.03 Pricing Equity Forwards and Futures	Page 21	We cover, in turn, equity, interest rate, fixed income, and currency forwards and futures.	We cover, in turn, equity, interest rate, and **fixed-income forwards and futures.**
6 May 2026	1: Pricing and Valuation of Forward Commitments	1.04 Pricing Fixed-Income Forward and Future Contracts	Page 35 Equation 9	= $FV[S_0 + CC_0 - CB_0] = FV[S_0 + 0 - PVCI] = FV[B_0 + AI_0 - PVCI]$.	= $FV[\mathbf{B_0 + AI_0 - PVCI] - AI_T}$.

6 May 2026	1: Pricing and Valuation of Forward Commitments	1.04 Pricing Fixed-Income Forward and Future Contracts	Page 35 Under Equation 9	Recall that the bracketed term B0 + AI0 – PVCI in Equation 9 is just the full spot price S0 minus the present value of the coupons over the life of the forward or futures contract. The fixed-income forward or futures price (F0) is thus the future value of the quoted bond price plus accrued interest less any coupon payments made during the life of the contract. Again, the quoted bond price plus the accrued interest is the spot price: It is in fact the price you would have to pay to buy the bond. Market conventions in some countries just happen to break this price out into the quoted price plus the accrued interest.	Recall that the bracketed term B0 + AI0 – PVCI in Equation 9 is just the full spot price S0 minus the present value of the coupons over the life of the forward or futures contract. The fixed-income forward or futures price (F0) is thus the future value of the quoted bond price plus accrued interest less any coupon payments made during the life of the contract **less the accrued interest at maturity.** Again, the quoted bond price plus the accrued interest is the spot price: It is in fact the price you would have to pay to buy the bond. Market conventions in some countries just happen to break this price out into the quoted price plus the accrued interest.
6 May 2026	1: Pricing and Valuation of Forward Commitments	1.04 Pricing Fixed-Income Forward and Future Contracts	Page 35 Last sentence on page	$F_0 = FV[B_0 + AI_0 – PVCI] = (107 + 0.07 – 0)(1.002)^{0.25} = 107.12$.	$F_0 = FV[B_0 + AI_0 – PVCI]$ **$– AI_T$** $= (107 + 0.07 – 0)(1.002)^{0.25}$ **$– 0.2 = 106.92$**.

6 May 2026	1: Pricing and Valuation of Forward Commitments	1.04 Pricing Fixed-Income Forward and Future Contracts	Page 36 First paragraph	Note that the adjusted futures price using the quoted futures price ($Q_0 = 135$) and the conversion factor (CF = 0.80) is $F_0 = 108$. Adding the accrued interest at expiration ($AI_T = 0.20$) to the adjusted futures price gives 108.20. Remember, if you are selling a bond you receive the accrued interest; if you are buying a bond you pay the accrued interest. The adjusted futures price plus accrued interest should equal the future value of the full bond price adjusted for any carry cash flows given by Equation 9. Here, the adjusted futures price (including accrued interest) is 108.20, while the cost to buy and carry the bonds is 107.12. This implies that the futures contract is overpriced by (108.2 – 107.12) = 1.08, thus there is an arbitrage opportunity. In this case, we would simultaneously: 1) sell the overpriced futures contract; 2) borrow funds to purchase the bonds; and 3) buy the underpriced deliverable bonds.	Note that the adjusted futures price using the quoted futures price ($Q_0 = 135$) and the conversion factor (CF = 0.80) is $F_0 = 108$. **This exceeds our expected value of 106.92 - specifically by (108 – 106.92) = 1.08.** Thus, there is an arbitrage opportunity. In this case, we would simultaneously: 1) sell the overpriced futures contract; 2) borrow funds to purchase the bonds; and 3) buy the underpriced deliverable bonds.

6 May 2026	1: Pricing and Valuation of Forward Commitments	1.04 Pricing Fixed-Income Forward and Future Contracts	Page 36 Second paragraph	So, to capture the 1.08 with no risk, an arbitrageur might wish to buy this bond and carry it and short the futures contract at 108. At maturity, the arbitrageur simply delivers the bond to cover the futures contract and repays the loan. Arbitrage should allow for the capture of any over (or under) pricing. Selling the futures contract at 108 involves no initial cash flow. The short futures locks in a sale price of 108 + 0.2 = 108.20 for the bond just purchased for 107.07. Since there are no carry benefits, it costs the arbitrageur 107.12, = FV(107.07) = (107.07)(1+0.002)$^{0.25}$, to carry the bond to expiration. The result is a risk-free profit at expiration of 1.08, = 108.00 + 0.2 –107.12, for which the Time 0 PV is 1.0795, = 1.08(1.002)$^{-0.25}$.	So, to capture the 1.08 with no risk, an arbitrageur might wish to buy this bond and carry it and short the futures contract at 108. At maturity, the arbitrageur simply delivers the bond to cover the futures contract and repays the loan. Arbitrage should allow for the capture of any over (or under) pricing. Selling the futures contract at 108 involves no initial cash flow. The short futures locks in a sale price of 108 + 0.2 = 108.20 for the bond just purchased for 107.07. Since there are no carry benefits, it costs the arbitrageur 107.12, = FV(107.07) = (107.07)(1+0.002)$^{0.25}$, to carry the bond to expiration. The result is a risk-free profit at expiration of 1.08, = 108.00 + 0.2 – **(106.92 + 0.2)**, for which the Time 0 PV is 1.0795, = 1.08(1.002)$^{-0.25}$.
2 June 2026	1: Pricing and Valuation of Forward Commitments	Solutions	Page 74 Question 5 Solution	$r_{FIX} = \frac{1 - PV_n(1)}{\sum_{i=1}^{n} PV_i(1)}$ x Skipping malformed tag: mfrac	$r_{FIX} = \frac{1 - PV_n(1)}{\sum_{i=1}^{n} PV_i(1)} \times \frac{\mathbf{1}}{\boldsymbol{AP}}$

Alternative Investments

Revised	Module	Lesson	Location (PDF)	Replace	With
5 May 2026	1: Introduction to Commodities and Commodity Derivatives	1.11 Commodity Indexes	Page 46 Under Rogers International Commodity Index	Some energy constituents are denominated in non-US dollar terms—such as rubber (traded in Japan in Japanese yen) and cocoa (traded in London in British pounds)— which potentially adds a foreign exchange exposure element to the index returns.	**Some constituents** are denominated in non-US dollar terms—such as rubber (traded in Japan in Japanese yen) and cocoa (traded in London in British pounds)— which potentially adds a foreign exchange exposure element to the index returns.
5 May 2026	1: Introduction to Commodities and Commodity Derivatives	Practice Problems	Page 52 Question 9-15 Vignette Statement 2	Grains have uniform, well-defined seasons and growth cycles specific to geographic regions.	Grains **have well-defined** seasons and growth cycles specific to geographic regions.
5 May 2026	1: Introduction to Commodities and Commodity Derivatives	Solutions	Page 59 Question 10 Solution	C is correct. The life cycle of livestock does vary widely by product. Grains have uniform, well-defined seasons and growth cycles specific to geographic regions. Therefore, both statements are correct.	C is correct. The life cycle of livestock does vary widely by product. Grains **have well-defined** seasons and growth cycles specific to geographic regions. Therefore, both statements are correct.

21 Apr 2026	Alternative Investments 2: Overview of Types of Real Estate Investment	2.05 Real Estate Due Diligence and Valuation Approaches	Page 100 Question 1 Solution	The terminal cap rate is the difference between the required rate of return of 14% and the 3% growth rate, so Response B is incorrect.	The terminal cap rate is the difference between the required rate of return of 14% and the 3% growth rate, so **Response A** is incorrect.
1 June 2026	2: Overview of Types of Real Estate Investment	Practice Problems	Page 115 Question 13	B. The sales comparison approach to valuing the office property suggests that the property is overpriced by approximately 11%.	B. The sales comparison approach to valuing the office property suggests that the property is overpriced by approximately **12%.**
1 June 2026	2: Overview of Types of Real Estate Investment	Solutions	Page 119 Question 13 Solution	Comparing this amount to the expected purchase price of USD50 million reflects an approximate 11% difference.	Comparing this amount to the expected purchase price of USD50 million reflects an approximate **12%** difference.

Portfolio Construction

Revised	Module	Lesson	Location (PDF)	Replace	With
17 Apr 2026	1: Economics and Investment Markets	1.22 Valuation Models	Page 68 Exhibit 26	y-axis Ratio (0, 20, 20, 30, 40, 50, 60)	y-axis Ratio (0, **10**, 20, 30, 40, 50, 60)
21 Apr 2026	2: Analysis of Active Portfolio Management	Practice Problems	Page 142 Under Exhibit 2	Statement 1 Adding cash to the portfolio would change the portfolio's information ratio. Statement 2 Increasing the aggressiveness of active weights would not change the portfolio's information ratio.	Statement 1 Adding cash to the portfolio would change the portfolio's **expected** information ratio. Statement 2 Increasing the aggressiveness of active weights **(in a proportional manner)** would not change the portfolio's **expected** information ratio.

21 Apr 2026	2: Analysis of Active Portfolio Management	Practice Problems	Page 151 Question 14 Solution	A is correct. The information ratio for a portfolio of risky assets will generally shrink if cash is added to the portfolio. Statement 2 is incorrect. Because the diversified asset portfolio is a constrained portfolio, it's information ratio generally decreases with an increase in the aggressiveness of active weights.	**C is correct. Adding cash to the portfolio increases the expected SR, but the benchmark's expected SR remains unchanged – therefore the IR must decrease, meaning statement 1 is correct.** **As for statement 2, as long as we change the active weights in a proportional manner there should be no change in the expected information ratio – however, if we do some type of asymmetrical change across multiple sources of active risk we cannot be assured of the same result.**
20 Apr 2026	3: Exchange-Traded Funds: Mechanics and Applications	3.03 Understanding ETFs	Page 167 Exhibit 7	y-axis (-2.0, -1.5, -1.0, 50, 0, 0.5)	y-axis (-2.0, -1.5, -1.0, **-0.5**, 0, 0.5)
27 Apr 2026	3: Exchange-Traded Funds: Mechanics and Applications	3.04 ETF Risks	Page 178 Under Exhibit 13	The quoted CDS rates represent the cost to insure debt, in basis points per year; so, for example, investors could insure $1 million in Goldman Sachs bonds for just under $30,000 per year.	The quoted CDS rates represent the cost to insure debt, in basis points per year; so, for example, **assuming the CDS spread for Goldman Sachs is 30 basis points, investors could insure $1 million in Goldman Sachs bonds for just under $3,000 per year.**

6 July 2026	4: Using Multifactor Models	Practice Problems	Page 242 Question 9	Based upon the information in Exhibit 1, the expected return for Portfolio 1 is *closest* to:	**Assuming that the information in Exhibit 1 reflects the analyst's view,** the expected return for Portfolio 1 is *closest* to:
23 July 2026	4: Using Multifactor Models	Practice Problems	Page 247 Question 9	C is correct. In a macroeconomic factor model, the expected return equals the intercept only when the factor surprises are zero. Here, the question states that the error term, not the factors, is zero. Because the factor values are provided, the expected return must reflect the intercept and the portfolio's sensitivities to those factors, resulting in a return closest to 6.00%.	**A is correct. When using a macroeconomic factor model, the expected return is the intercept (when all model factors take on a value of zero). The intercept coefficient for Portfolio 1 in Exhibit 1 is 2.58.**
11 May 2026	5: Measuring and Managing Market Risk	5.05 The Monte Carlo Simulation Method of VaR Estimation	Page 267 Above Exhibit 7	Exhibit 7 displays a histogram of the simulated returns overlaid with a bell curve representing a normal distribution.	Exhibit 7 displays a histogram of the simulated returns, **which displays a bell curve shape, often associated with a normal distribution.**

Ethical and Professional Standards

Revised	Module	Lesson	Location (PDF)	Replace	With
7 July 2026	2: Guidance for Standard I: Professionalism	2.01 Standard I: Professionalism	Page 23 LOS Statement	recommend practices and procedures designed to prevent violations of the Code and Standards	recommend practices and procedures designed to prevent violations of the Code **of Ethics** and Standards **of Professional Conduct**
2 Jun 2026	9: Application of the Code and Standards: Level II	9.02 Serengeti Advisory Services	Page 235 Question 12	A. Standard III(B) Fair Dealing. B. Standard V(B) Priority of Transactions. C. Standard III(E) Preservation of Confidentiality.	A. Standard III(B) Fair Dealing. B. Standard **VI(B)** Priority of Transactions. C. Standard III(E) Preservation of Confidentiality.
2 Jun 2026	9: Application of the Code and Standards: Level II	9.02 Serengeti Advisory Services	Page 235 Question 12 Solution	In addition, Bashar violated Standard V(B) Priority of Transactions.	In addition, Bashar violated Standard **VI(B)** Priority of Transactions.

Glossary

Revised	Location (PDF)	Replace	With