

2008 Level II CFA Program Curriculum

Functional Area	Volume	Topic	Study Session	Readings
Ethics and Professional Standards	1	Ethical and Professional Standards	1	1-4
Investment Tools		Quantitative Methods	2	5-10
		Economics	3	11-13
	Financial Statement Analysis	4	14-20	
		5	21-23	
		6	24-26	
	Corporate Finance	7	27-30	
8		31-33		
Asset Valuation	4	Asset Valuation	9	34-35
		Equity Investments	10	36-39
			11	40-45
	12		46-48	
	Fixed Income Investments	13	49-54	
		14	55-57	
	6	Derivative Investments	15	58-61
			16	62-63
		17	64-67	
	Portfolio Management		Portfolio Management	18

This list of source readings is for reference and planning purposes only. Candidates and preparatory providers should not rely on original source materials for CFA exam preparation. The CFA Program custom curriculum, specifically designed for candidates, is adapted from the original material and includes additional content, practice problems, and learning resources.

Study Session 1**Ethical and Professional Standards**

1. “Code of Ethics and Standards of Professional Conduct,” *Standards of Practice Handbook*, 9th edition (CFA Institute, 2005)
2. “Guidance” for Standards I – VII, *Standards of Practice Handbook*, 9th edition (CFA Institute, 2005)
3. “CFA Institute Soft Dollar Standards” (AIMR, 1998; reprinted 2004)
4. “CFA Institute Research Objectivity Standards” (AIMR, 2003; reprinted 2005)

Study Session 2**Ethical and Professional Standards****Application**

Ethics Cases (CFA Institute, 1996; adapted 2005)

5. “The Glenarm Company,” Glen A. Holden, Jr.
6. “Preston Partners,” Jules A. Huot
7. “Super Selection,” Paul F. Van Schyndel
8. “Trade Allocation: Fair Dealing and Disclosure,” *Standards Reporter* (AIMR, November/December 1996; adapted 2005)
9. “Changing Investment Objectives,” *Standards Reporter* (AIMR, January/February 1998; adapted 2005)
10. “Prudence in Perspective,” Ch. 2, *Investing and Managing Trusts under the New Prudent Investor Rule*, John Train and Thomas A. Melfe (Harvard Business School Press, 1999)

Study Session 3**Investment Tools****Quantitative Methods for Valuation**

11. “Correlation and Regression,” Ch. 8, *Quantitative Methods for Investment Analysis*, 2nd edition, Richard A. DeFusco, Dennis W. McLeavey, Jerald E. Pinto, and David E. Runkle (AIMR, 2004)
12. Multiple Regression and Issues in Regression Analysis,” Ch. 9, *Quantitative Methods for Investment Analysis*, 2nd edition, Richard A. DeFusco, Dennis W. McLeavey, Jerald E. Pinto, and David E. Runkle (AIMR, 2004)
13. “Time-Series Analysis,” Ch. 10, *Quantitative Methods for Investment Analysis*, 2nd edition, Richard A. DeFusco, Dennis W. McLeavey, Jerald E. Pinto, and David E. Runkle (AIMR, 2004)

Study Session 4**Investment Tools****Economics for Valuation**

14. “Economic Growth,” Ch. 25, *Economics*, 7th edition, Michael Parkin (Pearson, 2005)
15. “Regulation and Antitrust Policy in a Globalized Economy,” Ch. 27, *Economics Today*, 12th edition, Roger LeRoy Miller (Pearson Addison-Wesley, 2004)
16. “Trading with the World,” Ch. 33, *Economics*, 7th edition, Michael Parkin (Pearson, 2005)
17. “International Finance,” Ch. 34, *Economics*, 7th edition, Michael Parkin (Pearson, 2005)
18. “Foreign Exchange,” Ch. 1, *International Investments*, 5th edition, Bruno Solnik and Dennis McLeavey (Addison Wesley, 2004)
19. “Foreign Exchange Parity Relations,” Ch. 2, *International Investments*, 5th edition, Bruno Solnik and Dennis McLeavey (Addison Wesley, 2004)
20. “Measuring Economic Activity,” Ch. 3, *Guide to Economic Indicators*, 6th edition (The Economist, 2007)

Study Session 5**Investment Tools****Financial Statement Analysis: Intercorporate Investments**

21. "Analysis of Intercorporate Investments," Ch.13, *The Analysis and Use of Financial Statements*, 3rd edition, Gerald I. White, Ashwinpaul C. Sondhi, and Dov Fried (Wiley, 2003)
22. "Mergers, Acquisitions, and Other Intercorporate Investments," Ch. 13, *Financial Statement Analysis: A Global Perspective*, Thomas R. Robinson, Paul Munter, and Julia Grant (Pearson-Prentice Hall, 2004)
23. "Variable Interest Entities, Intercompany Debt, Consolidated Cash Flows, and Other Issues," Ch. 6, *Advanced Accounting*, Joe B. Hoyle, Thomas F. Schaefer and Timothy P. Douppnik (McGraw-Hill, 2007)

Study Session 6**Investment Tools****Financial Statement Analysis: Pensions, Employee Stock Options, and Multinational Operations**

24. "Understanding Retirement Benefit Accounting and Disclosures for Financial Analysis," Thomas R. Robinson, Paul Munter, and Julia Grant (CFA Institute, 2006)
25. "FAS 123(R) – Accounting for Stock-Based Compensation: Happy Anniversary?" Diane Doubleday, Susan Eichen, and Linda Laarman (Mercer Human Resource Consulting, 2005)
26. "Analysis of Multinational Operations," Ch. 15, *The Analysis and Use of Financial Statements*, 3rd edition, Gerald I. White, Ashwinpaul C. Sondhi, and Dov Fried (Wiley, 2003)

Study Session 7**Investment Tools****Financial Statement Analysis: Earnings Quality Issues and Financial Ratio Analysis**

27. "Accounting Shenanigans on the Cash Flow Statement," *CPA Journal*, Marc A. Siegel (2006)
28. "Financial Reporting Quality: Red Flags and Accounting Warning Signs," *Commercial Lending Review*, Thomas R. Robinson and Paul Munter (2004)
29. "The Lessons We Learn," Ch. 10, *Analysis of Financial Statements*, Pamela P. Peterson and Frank J. Fabozzi (Wiley, 2006)
30. "Analysis of Financial Statements: A Synthesis," Ch. 17 *The Analysis and Use of Financial Statements*, 3rd edition, Gerald I. White, Ashwinpaul C. Sondhi and Dov Fried (Wiley, 2003)

Study Session 8**Investment Tools****Corporate Finance**

"*Corporate Finance for the CFA Program*" (CFA Institute, forthcoming)

31. "Capital Budgeting," Ch. 2, John D. Stowe and Jacques R. Gagné
32. "Capital Structure and Leverage," Ch. 4, Raj Aggarwal, Cynthia Harrington, Adam Kabor, and Pamela P. Peterson
33. "Dividends and Dividend Policy," Ch. 5, George H. Troughton and Catherine E. Clark

Study Session 9**Corporate Finance: Financing and Control Issues**

"*Corporate Finance for the CFA Program*" (CFA Institute, forthcoming)

34. "Corporate Governance," Ch. 1, Rebecca Todd McEnally and Kenneth Kim
35. "Mergers and Acquisitions," Ch. 8, Rosita P. Chang and Keith M. Moore

Study Session 10**Asset Valuation****Valuation Concepts**

36. "A Note on Valuation," by George H. Troughton (CFA Institute, 2006)
37. "The Equity Valuation Process," Ch. 1, *Analysis of Equity Investments: Valuation*, John D. Stowe, Thomas R. Robinson, Jerald E. Pinto, and Dennis W. McLeavey (AIMR, 2002)
38. "Equity: Markets and Instruments," Ch. 5, *International Investments*, 5th edition, Bruno Solnik and Dennis McLeavey (Addison Wesley, 2004)
39. "Capital Markets and the Economy," Ch. 12, David P. Goldman *Flying on One Engine: The Bloomberg Book of Master Market Economist*, edited by Thomas Keene (Bloomberg, 2005)

Study Session 11**Asset Valuation****Equity Investments: Industry and Company Analysis in a Global Context**

40. "Equity: Concepts and Techniques," Ch. 6, *International Investments*, 5th edition, Bruno Solnik and Dennis McLeavey (Addison Wesley, 2004)
41. "Competitive Strategy: The Core Concepts," Ch. 1, *Competitive Advantage: Creating and Sustaining Superior Performance*, Michael E. Porter (The Free Press, 1985, 1998)
42. "Industry Analysis," Ch. 6, *Security Analysis On Wall Street: A Comprehensive Guide To Today's Valuation Methods*, Jeffrey C. Hooke (Wiley, 1998)
43. "Valuation in Emerging Markets," Ch. 22, *Valuation: Measuring and Managing the Value of Companies*, 4th edition, Tim Koller, Marc Goedhart, and David Wessels (Wiley, 2004)
44. "Company Analysis and Stock Valuation," Ch. 14, *Investment Analysis and Portfolio Management*, 8th edition, Frank K. Reilly and Keith C. Brown (South-Western, 2006)
45. "US Portfolio Strategy: Seeking Value—Anatomy of Valuation," David J. Kostin, Jessica Binder, Robert Koyfman, and Caesar Maasry, *The Goldman Sachs Group, Inc.* (11 September 2006)

Study Session 12**Asset Valuation****Equity Investments: Valuation Models**

- Analysis of Equity Investments: Valuation*, John D. Stowe, Thomas R. Robinson, Jerald E. Pinto, and Dennis W. McLeavey (AIMR, 2002)
46. "Discounted Dividend Valuation," Ch. 2
 47. "Free Cash Flow Valuation," Ch. 3
 48. "Market-Based Valuation: Price Multiples," Ch. 4

Study Session 13**Asset Valuation****Equity Investments: Residual Income and Alternative Investments**

49. "Residual Income Valuation," Ch. 5, *Analysis of Equity Investments: Valuation*, John D. Stowe, Thomas R. Robinson, Jerald E. Pinto, and Dennis W. McLeavey (AIMR, 2002)
50. "Security Analysis Using Value-Based Metrics," Ch. 12, James A. Abate and James L. Grant, *The Theory & Practice of Investment Management*, Frank J. Fabozzi and Harry M. Markowitz, ed. (Wiley, 2002)
51. "Investment Analysis," Ch. 7, *Real Estate*, 13th edition, James D. Shilling (South Western, 2002)
52. "Income Property Analysis and Appraisal," Ch. 11, *Real Estate*, 13th edition, James D. Shilling (South Western, 2002)
53. "Evaluating the Performance of Your Hedge Funds," Ch. 8, *Evaluating Hedge Fund Performance*, Vinh Q. Tran (Wiley, 2006)
54. "Buyers Beware: Evaluating and Managing the Many Facets of the Risks of Hedge Funds," Ch. 9, *Evaluating Hedge Fund Performance*, Vinh Q. Tran (Wiley, 2006)

Study Session 14**Asset Valuation****Fixed Income Investments: Valuation Concepts**

Fixed Income Analysis for the Chartered Financial Analyst® Program, 2nd edition, Frank J. Fabozzi (Frank J. Fabozzi Associates, 2004)

- 55. “General Principles of Credit Analysis,” Ch. 15
- 56. “Term Structure and Volatility of Interest Rates,” Ch. 8
- 57. “Valuing Bonds with Embedded Options,” Ch. 9

Study Session 15**Asset Valuation****Fixed Income Investments: Structured Securities**

- 58. “Mortgage-Backed Sector of the Bond Market,” Ch. 10, *Fixed Income Analysis for the Chartered Financial Analyst® Program*, 2nd edition, Frank J. Fabozzi (Frank J. Fabozzi Associates, 2004)
- 59. “Europe’s Whole Loan Sales Market Burgeoning as Mortgage Credit Market Comes of Age,” Emily Bradley and Brian Kane (Standard & Poor’s Structured Finance, 2005)
- 60. “Asset-Backed Sector of the Bond Market,” Ch. 11, *Fixed Income Analysis for the Chartered Financial Analyst® Program*, 2nd edition, Frank J. Fabozzi (Frank J. Fabozzi Associates, 2004)
- 61. “Valuing Mortgage-Backed and Asset-Backed Securities,” Ch. 12, *Fixed Income Analysis for the Chartered Financial Analyst® Program*, 2nd edition, Frank J. Fabozzi (Frank J. Fabozzi Associates, 2004)

Study Session 16**Asset Valuation****Derivative Investments: Forwards and Futures**

Analysis of Derivatives for the CFA® Program, Don Chance (AIMR, 2003)

- 62. “Forward Markets and Contracts,” Ch. 2
- 63. “Futures Markets and Contracts,” Ch. 3

Study Session 17**Asset Valuation****Derivative Investments: Options, Swaps, and Interest Rate and Credit Derivatives**

Analysis of Derivatives for the CFA® Program, Don Chance (AIMR, 2003)

- 64. “Option Markets and Contracts,” Ch. 4
- 65. “Swap Markets and Contracts,” Ch. 5
- 66. “Interest Rate Derivative Instruments,” Ch. 13, *Fixed Income Analysis for the Chartered Financial Analyst® Program*, 2nd edition, Frank J. Fabozzi (Frank J. Fabozzi Associates, 2004)
- 67. “Using Credit Derivatives to Enhance Return and Manage Risk,” George Spentzos, *CFA Institute Conference Proceedings Quarterly* (2006, Vol. 23, No. 3)

Study Session 18**Portfolio Management****Capital Market Theory and the Portfolio Management Process**

- 68. “Portfolio Concepts,” Ch.11, *Quantitative Methods for Investment Analysis*, 2nd edition, Richard A. DeFusco, Dennis McLeavey, Jerald E. Pinto, and David E. Runkle (CFA Institute, 2004)
- 69. “A Note on Harry M. Markowitz’s “Market Efficiency: A Theoretical Distinction and So What?” prepared by Adam Kobor (CFA Institute, 2006)
- 70. “International Asset Pricing,” Ch. 4, *International Investments*, 5th edition, Bruno Solnik and Dennis McLeavey (Addison Wesley, 2004)

71. “The Theory of Active Portfolio Management,” Ch. 27, *Investments*, 6th edition, Zvi Bodie, Alex Kane, and Alan J. Marcus (McGraw-Hill/Irwin, 2005)
72. “The Portfolio Management Process and the Investment Policy Statement,” *Managing Investment Portfolios: A Dynamic Process*, 3rd edition, John L. Maginn, Donald L. Tuttle, Dennis W. McLeavey, and Jerald E. Pinto (CFA Institute, 2006)