Financial Exam Help 123™

2024 Level III Mock Exams

What's The Deal With These Mock Exams?

If you've never taken one of my mock exams before, you might be in for a bit of a surprise. I'd like to explain their idiosyncrasies so that you're prepared fully.

Length of the Vignettes

Occasionally, I'll write a short vignette, but more commonly they're rather long: longer than average on the real exam. What can I say? I like to write.

Why should you care? Because it will likely take you longer to read my exams than it will for you to read the real thing. I might even go so far as to suggest that if you're timing yourself on one of my exams, give yourself an extra 10 – 15 minutes, and don't feel guilty about it.

Names of People

When I started writing mock exams in the Summer of 2018, I knew that I would need a lot of names for the people in my exams, especially when writing Ethics vignettes. I also knew that as this is a global exam, I wanted names of people from around the world.

As luck would have it, the FIFA World Cup was in full swing at the time, so I decided to use the names of the footballers on the 16 squads that were competing. I found the rosters on Wikipedia, put the names into Excel, and shuffled first and last names (so that I had no actual player's name), then randomized the list. I also changed about 35% of the men's first names to women's names.

Since that time, whenever I've had a few moments free, I have added names from all of the FIFA member squads, following my original scheme (i.e., shuffling first and last names, and changing about 35% to women's names). These are all contained in an Excel file, randomly ordered. Whenever I need a name in a vignette, I grab the first unused name in the file. I have a total of 6,193 names, so I likely won't run out.

A few candidates have complained about the unusual names I have in my exams, finding them difficult to pronounce or spell. Against that, I have had candidates who have told me how nice it is to see a name from their home country (e.g., Sri Lanka), rather than having everyone named Bob, Mary, or George. On balance, I believe that my approach is the correct one.

When the names are long (e.g., Randrianantenaina) or difficult to spell (e.g., Szymański), feel free to abbreviate them (e.g., Rand, or client S). The graders will know whom you mean.

In the actual CFA Institute exams, they typically give someone's full name (e.g., Brennan Hennessey) initially, then use only their surname (Hennessey) thereafter. I have followed this practice in general, but with occasional exceptions. In Iceland, Malaysia, and Myanmar, it is considered improper to refer to someone by their surname; the convention is to refer to people by their given (Christian, or first) name (here, Brennan). I follow that convention in my exams.

Names of Fictitious Countries

Occasionally, I need to create a fictitious country for the locale of a vignette. (CFA Institute does this often.) The names I use generally fall into three broad categories:

- Names of actual countries, spelled in reverse (e.g., Mais = Siam in reverse), or otherwise shuffled (e.g., Diani = India, shuffled)
- Names derived from things that are special to me (e.g., Roshambovia, from Ro Sham Bo, our beloved corgi who passed away far too young)
- Humorous names derived from the facts of the vignette (e.g., the Verdant Republic of Lactuca: "verdant" meaning "green", and "lactuca" being the genus of lettuce, a chief export of that country in the vignette)

Locales, Languages, and Currencies

Generally, whenever I write a vignette, the locale, language, and currency will be determined by the first unused name in my names-of-people file (see above). For example, if the first unused name is from French Guiana, then the locale will be French Guiana (e.g., the portfolio management company might be based in Saint-Georges), the language will be French (e.g., the name of the portfolio management company will be given in French), and the domestic currency will be EUR (the home currency in French Guiana).

When translating names of companies into the local language, I rely on Google Translate. Occasionally, this leads to improper translations. (I had a portfolio management company in Serbia which had "Capital" in its name. Google Translate treated "Capital" as if it were the capital (city) of a country, not as if it were money.) If you ever see such a mistranslation, please let me know; I want these things to be accurate.

When the currency used in a vignette is uncommon (e.g., Polish zloty), I often give a conversion from that currency to a more widely recognized currency (typically, USD, EUR, GBP). I have had candidates ask if that conversion is meant to be a distraction. The answer is: No. The conversion is meant to give the candidate a sense of magnitude to which they can relate. For example, the exchange rate between EUR and VND (Vietnamese dong) is about VND/EUR 25,600. So, if I write a question about a pension plan in Vietnam that has an asset portfolio valued at VND 2.5 trillion, most candidates will have no idea how big that is, so I mention that it's about 98 million euro, which is a reasonable amount for a pension plan's asset portfolio. Whenever I use uncommon currencies I always research the spot exchange rate with a common currency, so that the values are accurate. In some cases, accurate for only fifteen minutes or so, but that's that.

By the way, if you have to do calculations on that portfolio value (e.g., to determine the number of equity futures contracts needed to change the allocation or the beta), don't try to put 2,500,000,000,000 into your calculator. Drop the last six or nine zeros (i.e., use 2,500 or 2,500,000), then remember to write them back in if your answer is in VND.

Difficulty of the Exams

I do not try to make my mock exams significantly more difficult than the real thing. I have studied 20 years of actual CFA Institute Level III morning (i.e., constructed response, essay) exams, and I try to model my essay exam questions to be extremely similar to those. (Unfortunately, CFA Institute never published their afternoon (i.e., multiple choice) exams, so I'm operating in the dark on those.)

I also have candidates review my exams before I publish them, and I incorporate 90% – 95% of their suggestions (which cover formatting, clarity, difficulty, errors (typos, incorrect calculations, and the like), and so on). My exams always come out much better thanks to the review process. Only occasionally will a candidate say that they thought that one of my exams was significantly harder than the real thing. Nobody has ever said that they were too easy.

I do admit that I will occasionally write a question that I know is quite challenging (i.e., I expect that only 5% – 10% of candidates will answer it correctly). Offhand, I can think of two such questions out of the 300 or so in my five mock exams. The real exam may have one such question, so I don't believe that I'm being unreasonable by including a few.

Teaching Moments

Occasionally, I will write a question whose main purpose is to give me an opportunity to teach candidates something that is ignored, treated superficially, or explained incorrectly (or quite poorly) in the curriculum. For example, I have one question on option strategies that I wrote specifically so that in my full, guideline answers I could show candidates the payoff diagrams for seagull spreads (which are absent from the curriculum, and which I have found most candidates do not know).

Command Words

I try to use as many of the official command words as I can, so that my candidates are familiar with them and won't run the risk of seeing a command word on the actual exam that they've never seen before. Sometimes this will result in a candidate losing marks on the mock exam because they're unfamiliar with the command word used (and, in particular, don't know what is required in the answer). These days, the most common example of that is the command word **evaluate**: to earn full marks, you need to state a conclusion (the statement is false, the position is appropriate, the observation is wrong, and so forth), then justify that conclusion. If you don't state the conclusion, you will receive zero marks, even if your justification is valid. Don't let that discourage you; it's better to make that mistake on a mock exam (and learn from it), than to make that mistake on the real exam.

Trivia

Since the December 2020 Level III exam (the last paper-based exam), I have had candidates tell me after every exam that they found that there was a lot of trivia covered on their exam. (Trivia, here, meaning something that was in the white text in the curriculum, but never the subject of a blue box question or an end-of-reading question.)

Because of this, I include a few questions on trivia in my exams (generally no more than two on any given exam). I don't expect that those specific questions will appear on the real exam (that would be an amazing coincidence!), but I do expect that some trivia will appear, and those questions are meant to remind you that you are responsible for the entire curriculum, not merely the most common parts.

Humor

The CFA exams are a serious undertaking, and I write my mock exams with an appropriate level of seriousness.

Nevertheless, occasionally I will try to inject a bit of subtle humor into a vignette, or into a full, guideline answer. Applied judiciously, I believe that the humor helps break the tension of the exam. My use is judicious, and, as I wrote, above, subtle. Don't search for humor whilst taking the exam; save that for the time when you're reviewing/marking your exam.