

CFA® SAMPLE QUESTION – LEVEL I

Corporate Finance

Q: Company ABC has a debt-to-equity ratio of 2.0. The firm is evaluating the cost of equity for a project in the same line of business as Company XYZ.

The CFO of company ABC decided to use the pure-play method with Company XYZ as the comparable firm.

Company XYZ has a beta of 1.30 and a debt-to-equity ratio of 2.20.

So the project beta most likely is:

- (a)** will be less than company ABC's beta.
- (b)** will be greater than company ABC's beta.
- (c)** can be greater than or less than company ABC's beta.



CFA Society Hong Kong
Candidate Services

