

CFA® SAMPLE QUESTION – LEVEL I

Quantitative Methods

Q: A stock doubled its price in last year.

Then its continuously compounded annual rate of return over the period should be:

CORRECT ANSWER:

(a) 69.32%

The formula to calculate the continuously compounded annual rate of return is:

$$= \ln(Y1/Y0)$$

Where Y1 is the new price and Y0 is the original price.

So answer for our question is:

$$= \ln(2) = 0.69315$$

(Because given that in the question, the price has been doubled)



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