

CFA® SAMPLE QUESTION - LEVEL I Alternative Investments

Q: What is the Net Operating Income (NOI) for an factory building, given that the below information:

375,000
9 %
\$22,000
\$33,000
\$27,000

CORRECT ANSWER:



NOI (Net Operating Income) is gross income less vacancy and collection costs, insurance and taxes, and utilities and maintenance. Depreciation is not a factor because it is assumed that proper maintenance will keep the property in its current condition.

The calculation is therefore: \$375,000 - (\$375,000 x 9%) - \$22,000 - \$33,000 = \$286,250



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Mr. Zap Cheng, CFA Candidate Services Committee Date of issue:

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