

CFA® SAMPLE QUESTION - LEVEL I

Alternative Investments

Q: An investor makes a \$3 million investment in a venture capital project that has an expected payoff of \$8 million at the end of four years. The cost of the capital is 10%.
If the conditional annual failure probabilities over the first four years are 10%, 20%, 15% and 10%.

What is the expected NPV of this investment?

- (a) \$310,594
- (b) -\$545,523
- (c) \$9,630



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