

CFA Space

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Academy of Professional Finance 专业金融学院

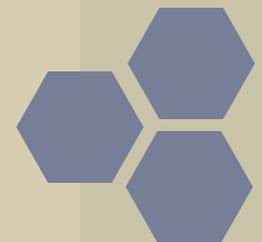


CFA Level I

Economics for Valuation

Introduction

CFA Lecturer: Jiahao Gu

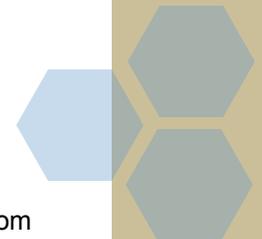


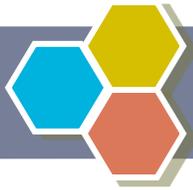


Weight of Quantitative Methods

Topic Area	Level I	Level II	Level III
Ethical and Professional Standards	15	10-15	10-15
Quantitative Methods	12	5-10	0
Economics for Valuation	10	5-10	5-15
Financial Reporting and Analysis	20	15-20	0
Corporate Finance	7	5-15	0
Equity Investments	10	15-25	5-15
Fixed Income	10	10-20	10-20
Derivatives	5	5-15	5-15
Alternative Investments	4	5-10	5-15
Portfolio Management and Wealth Planning	7	5-10	40-55
Total	100	100	100

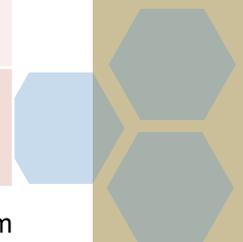
Data Source: CFAInstitute.org

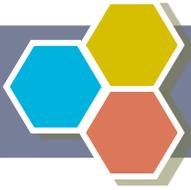




Overview

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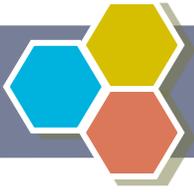




Overview of LOS

Demand and Supply Analysis -- Introduction

1. Distinguish among types of markets.
2. Explain the principles of demand and supply.
3. Describe causes of shifts in and movements along demand and supply curves.
4. Describe the process of aggregating demand and supply curves.
5. Describe the concept of equilibrium, and mechanisms by which markets achieve equilibrium.
6. Distinguish between stable and unstable equilibria, including price bubbles, and identify instances of such equilibria.
7. Calculate and interpret individual and aggregate demand, and inverse demand and supply functions, and interpret individual and aggregate demand and supply curves.
8. Calculate and interpret the amount of excess demand or excess supply associated with a non-equilibrium price.
9. Describe types of auctions and calculate the winning price(s) of an auction.



Overview of LOS

Demand and Supply Analysis

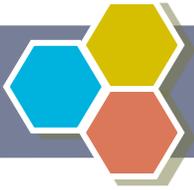
-- Introduction

10. Calculate and interpret consumer surplus, producer surplus, and total surplus.

11. Describe how government regulation and intervention affect demand and supply.

12. Forecast the effect of the introduction and the removal of a market interference on price and quantity.

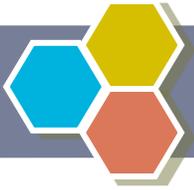
13. Calculate and interpret price, income, and cross-price elasticities of demand and describe factors that affect each measure.



Overview of LOS

Demand and Supply Analysis -- Consumer Demand

1. Describe consumer choice theory and utility theory.
2. Describe the use of indifference curves, opportunity sets, and budget constraints in decision making.
3. Calculate and interpret a budget constraint.
4. Determine a consumer's equilibrium bundle of goods based on utility analysis.
5. Compare substitution and income effects.
6. Distinguish between normal goods and inferior goods and explain Giffen goods and Veblen goods in this context.



Overview of LOS

Demand and Supply Analysis -- The Firm

1. calculate, interpret, and compare accounting profit, economic profit, normal profit, and economic rent.
2. Calculate and interpret and compare total, average and marginal revenue.
3. Describe a firm's factors of production.
4. Calculate and interpret total, average, marginal, fixed, and variable costs.
5. Determine and describe breakeven and shutdown points of production.
6. Describe approaches to determining the profit-maximizing level of output.



Overview of LOS

Demand and Supply Analysis -- The Firm

7. Describe how economies of scale and diseconomies of scale affect costs.

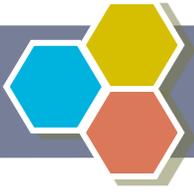
8. Distinguish between short-run and long-run profit maximization.

9. Distinguish among decreasing-cost, constant-cost, and increasing-cost industries and describe the long-run supply of each.

10. Calculate and interpret total, marginal, and average product of labor.

11. Describe the phenomenon of diminishing marginal returns and calculate and interpret the profit-maximizing utilization level of an input.

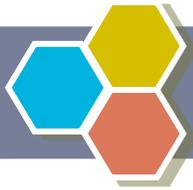
12. Determine the optimal combination of resources that minimizes cost.



Overview of LOS

The Firm and Market Structures

1. Describe characteristics of perfect competition, monopolistic competition, oligopoly, and pure monopoly.
2. Explain relationships between price, marginal revenue, marginal cost, economic profit, and the elasticity of demand under each market structure.
3. Describe a firm's supply function under each market structure.
4. Describe and determine the optimal price and output for firms under each market structure.
5. Explain factors affecting long-run equilibrium under each market structure.
6. Describe pricing strategy under each market structure.
7. Describe the use and limitations of concentration measures in identifying market structure.
8. Identify the type of market structure within which a firm operates.



Overview of LOS

Aggregate Output, Prices, and Economic Growth

1. Calculate and explain GDP using expenditure and income approaches
2. Compare the sum-of-value-added and value-of-final-output methods of calculating GDP.
3. Compare nominal and real GDP and calculate and interpret the GDP deflator.
4. Compare GDP, national income, personal income, and personal disposable income.
5. Explain the fundamental relationship among saving, investment, the fiscal balance, and the trade balance.
6. Explain the IS and LM curves and how they combine to generate the aggregate demand curve.
7. Explain the aggregate supply curve in the short run and long run.
8. Explain causes of movements along and shifts in aggregate demand and supply curves.



Overview of LOS

Aggregate Output, Prices, and Economic Growth

9. Describe how fluctuations in aggregate demand and supply cause short-run changes in the economy and the business cycle.

10. Distinguish between the following types of macroeconomic equilibria: long-run full employment, short-run recessionary gap, short-run inflationary gap, and short-run stagflation.

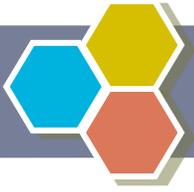
11. Explain how a short-run macroeconomic equilibrium may occur at a level above or below full employment.

12. Analyze the effect of combined changes in aggregate supply and demand on the economy.

13. Describe sources, measurement, and sustainability of economic growth.

14. Describe the production function approach to analyzing the sources of economic growth.

15. Distinguish between input growth and growth of total factor productivity as components of economic growth.



Overview of LOS

Understanding Business Cycles

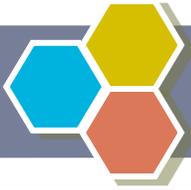
1. Describe the business cycle and its phases.
2. Describe how resource use, housing sector activity, and external trade sector activity vary as an economy moves through the business cycle.
3. Describe theories of the business cycle.
4. Describe types of unemployment and measures of unemployment.
5. Explain inflation, hyperinflation, disinflation, and deflation.
6. Explain the construction of indices used to measure inflation.
7. Compare inflation measures, including their uses and limitations.
8. Distinguish between cost-push and demand-pull inflation.
9. Describe economic indicators, including their uses and limitations.



Overview of LOS

Monetary and Fiscal Policy

1. Compare monetary and fiscal policy.
2. Describe functions and definitions of money.
3. Explain the money creation process.
4. Describe theories of the demand for and supply of money.
5. Describe the Fisher effect.
6. Describe roles and objectives of central banks.
7. Contrast the costs of expected and unexpected inflation.
8. Describe tools used to implement monetary policy.
9. Describe the monetary transmission mechanism.
10. Describe qualities of effective central banks.
11. Explain the relationship between monetary policy and economic growth, inflation, interest, and exchange rates.



Overview of LOS

Monetary and Fiscal Policy

12. Contrast the use of inflation, interest rate, and exchange rate targeting by central banks.

13. Determine whether a monetary policy is expansionary or contractionary.

14. Describe limitations of monetary policy.

15. Describe roles and objectives of fiscal policy.

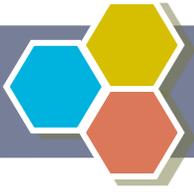
16. Describe tools of fiscal policy, including their advantages and disadvantages.

17. Describe the arguments about whether the size of a national debt relative to GDP matters.

18. Explain the implementation of fiscal policy and difficulties of implementation.

19. Determine whether a fiscal policy is expansionary or contractionary.

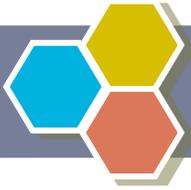
20. Explain the interaction of monetary and fiscal policy.



Overview of LOS

International Trade and Capital Flows

1. Compare GDP and GNP.
2. Describe benefits and costs of international trade.
3. Distinguish between comparative and absolute advantage.
4. Explain the Ricardian and Heckscher-Ohlin models of trade and the source(s) of comparative advantage in each model.
5. Compare types of trade and capital restrictions and their economic implications.
6. Explain motivations for and advantages of trading blocs, common markets, and economic unions.
7. Describe common objectives of capital restrictions imposed by governments.
8. Describe the balance of payments accounts including their components.
9. Explain how decisions by consumers, firms, and governments affect the balance of payments.
10. Describe functions and objectives of the international organizations that facilitate trade, including the World Bank, the IMF, and the WTO.



Overview of LOS

Currency Exchange Rates

1. Define an exchange rate and distinguish between nominal and real exchange rates and spot and forward exchange rates.
2. Describe functions of and participants in the foreign exchange market.
3. Calculate and interpret the percentage change in a currency relative to another currency.
4. Calculate and interpret currency cross-rates.
5. Convert forward quotations expressed on a points basis or in percentage terms into an outright forward quotation.
6. Explain the arbitrage relationship between spot rates, forward rates, and interest rates.
7. Calculate and interpret a forward discount or premium.
8. Calculate and interpret the forward rate consistent with the spot rate and the interest rate in each currency.
9. Describe exchange rate regimes.
10. Explain the effects of exchange rates on countries' international trade and capital flows.

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Thank You!

