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CFA Institute[®]
CFA Program

CFA LEVEL I



Premium Practice Pack

Derivatives and Economics

Book 2

CFA Level 1 - Premium Practice Pack - 2026

INDEX

Sr. No.	Topics	Page No.
1.	Derivatives - Questions	3
2.	Derivatives - Answers	21
3.	Economics - Questions	41
4.	Economics - Answers	57

Derivatives Questions

Question 1

Compared to over-the-counter (OTC) derivatives that are not cleared, the credit risk of exchange-traded derivatives is most likely:

- A. lower.
- B. the same.
- C. higher.

Question 2

Which of the following statements is most accurate?

- A. Longevity is an example of an underlying of a derivative
- B. A convertible bond is an example of a stand-alone derivative
- C. Derivatives directly pass through the returns of the underlying

Question 3

Derivatives derive their performance from:

- A. the performance of the underlying asset.
- B. eliminating the risk of counterparty default.
- C. the straight pass-through performance of the underlying.

Question 4

Compared to over-the-counter (OTC) derivative markets, exchange-traded derivative markets most likely have greater:

- A. flexibility.
- B. transparency.
- C. customization.

Question 5

Which of the following derivative underlyings is an example of a soft commodity?

- A. Gold
- B. Crude oil
- C. Soybeans

Question 6

An investor buys a call for \$5.75 that has a strike price of \$130. If the value at expiration for this call is \$17.80, the price of the underlying at expiration is closest to:

- A. \$112.20.
- B. \$142.05
- C. \$147.80.

Question 7

A call option had the following characteristics on the date it was created:

Exercise price	\$20
Option premium	\$3

If the price of the underlying is \$17 at expiration, the profit to the option holder is closest to:

- A. -\$3.
- B. \$0.
- C. \$3.

Question 8

If ST denotes the price of the underlying at the expiration date and X is the exercise price of the option, the payoff at expiration to a call seller is best described as:

- A. $-\text{Max}(0, ST - X)$.
- B. $-\text{Max}(0, X - ST)$.
- C. $\text{Max}(0, ST - X)$.

Question 9

A call option that is sold for \$4 has an exercise price of \$40. If the price of the underlying is \$43 at expiration, the value of the option to the seller is closest to: Mahakali Book Centre

- A. -\$3, and the loss to the seller is \$1.
- B. -\$3, and the profit to the seller is \$1.
- C. \$3, and the loss to the seller is \$1.

Question 10

An investor pays \$5 for a European put option with an exercise price of \$102. At expiration, if the price of the underlying is \$100, the value of the put option is:

- A. -\$3.
- B. \$0.
- C. \$2.

Question 11

An American put has a strike price of ¥5,000 and expires in one year. The current price of the underlying is ¥4,200 and the risk-free rate is 2%. The maximum value of this put is:

- A. ¥800.
- B. ¥4,900.
- C. ¥5,000.