

# Equity

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Compared to other topics of the CFA exams, the equity topic might seem more familiar with majority of the candidates. This is a very interesting and important topic and will appear in all three level exams. There are some core concepts taught in the level 1 curriculum such as organization and functioning of securities markets, constructing market indices, efficient capital market hypotheses, security valuation using top down approach with discounted cash flow model, and price multiples.

To pass the exam, not only the core concepts but those seemed to be minor topics also have high probabilities to come out on the exams. Comments from students in previous years are that this topic is easy to understand but difficult to score high marks since there are some questions asking about the parts which are considered not core by the candidates. So, the candidate should study everything or scan through all parts of the notes at least one or two times. There will be some quantitative questions in the discounted cash flow topics. Do not be alerted. These are scoring questions. You just need to put all the given cash flows into a timeline, choose correct discounted interest rate and you will be fine.

Equity analysis connects to other topics as well. This topic links to economics, quantitative methods, and financial statement analysis. The candidates are suggested to study those topics before studying equity. Bring along your financial calculator with you to the equity class.