

Chartered Financial Analyst (CFA) Ethics Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

Table of Contents

Copyright 1

Table of Contents 2

Introduction 3

How to Use This Guide 4

Questions 5

Answers 9

Explanations 11

Next Steps 17

SAMPLE

Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

SAMPLE

- 1. Which concept best expresses the idea that capital markets have societal value beyond the profits of participants?**
 - A. The integrity of the capital markets**
 - B. The ultimate benefit of society**
 - C. The fiduciary responsibility to clients**
 - D. The efficiency of market pricing**

- 2. A firm gives some clients priority in trade execution due to size, without justification. Violation?**
 - A. Standard IV.D (GIPS)**
 - B. Standard VI.A Disclosure of Conflicts**
 - C. Standard VI.B Priority of Transactions**
 - D. Standard I.B Independence and Objectivity**

- 3. What is the most appropriate action regarding a proxy voting policy?**
 - A. Vote proxies automatically**
 - B. Disclose policy to clients**
 - C. Abstain from proxy voting**
 - D. Vote against management**

- 4. A broker executes a client's order after internal orders that use preferential treatment, violating the priority of transactions. Which Standard is violated?**
 - A. Standard V.B Communication with Clients and Prospective Clients**
 - B. Standard VI.B Priority of Transactions**
 - C. Standard VI.A Disclosure of Conflicts**
 - D. Standard IV.A Loyalty, Prudence, and Care**

- 5. Which CFA Institute standard is violated when a supervisor ignores a subordinate's unethical trading?**
 - A. Standard III.C Responsibilities of Supervisors.**
 - B. Standard III.A Loyalty, Prudence, and Diligence.**
 - C. Standard IV.B Fair Dealing.**
 - D. Standard VI.A Disclosure of Conflicts.**

- 6. Under a proxy voting policy that allows proxies to be voted only when there is a cost-benefit, which action aligns with Standard III(A)?**
- A. Vote all proxies**
 - B. Vote only Barnikoff proxy**
 - C. Vote only Matric proxy**
 - D. Inform clients about policy and apply it**
- 7. Failing to properly attribute external research and presenting it as one's own could constitute a violation of which Standard?**
- A. Misrepresentation.**
 - B. Diligence and Reasonable Basis.**
 - C. Record Retention.**
 - D. Additional Compensation Arrangements.**
- 8. Under the Priority of Transactions rule within the Conflicts of Interest standard, what is required?**
- A. Members should prioritize personal investments above clients.**
 - B. Members should give priority to investment transactions for clients and employers over those in which the member is the beneficial owner.**
 - C. Priority is determined by employer's preferences alone.**
 - D. Priority is based on agent's discretion.**
- 9. A member uses a personal relationship to influence a client's investment decision without disclosure. Violation?**
- A. Standard IV.B Fair Dealing**
 - B. Standard IV.A Loyalty, Prudence, and Care**
 - C. Standard VI.A Disclosure of Conflicts**
 - D. Standard I.D Misconduct**

10. In a scenario where a research head delays informing clients about a change from a bottom-up to a top-down research approach until inventory is depleted, which CFA Standard is most at risk of violation?

- A. Supervisory Responsibility**
- B. Communication with Clients**
- C. Diligence and Reasonable Basis**
- D. Market Integrity**

SAMPLE

Answers

SAMPLE

1. B
2. C
3. B
4. B
5. A
6. D
7. A
8. B
9. B
10. B

SAMPLE

Explanations

SAMPLE

1. Which concept best expresses the idea that capital markets have societal value beyond the profits of participants?

- A. The integrity of the capital markets
- B. The ultimate benefit of society**
- C. The fiduciary responsibility to clients
- D. The efficiency of market pricing

The main idea tested is that capital markets should be viewed as contributing to society beyond the profits of those who participate in them. When markets function well, they allocate capital to productive uses, support innovation, create jobs, fund infrastructure and public goods, and help spread and manage risk. This broad, long-term impact on societal welfare is what the phrase ultimate benefit of society captures. It recognizes that the purpose of capital markets extends beyond individual or firm profits to the overall well-being and growth of society. The other aspects—integrity, fiduciary duties, and price efficiency—are essential features of how markets operate, and they support the broader goal, but they describe specific mechanisms or obligations rather than the overarching societal payoff.

2. A firm gives some clients priority in trade execution due to size, without justification. Violation?

- A. Standard IV.D (GIPS)
- B. Standard VI.A Disclosure of Conflicts
- C. Standard VI.B Priority of Transactions**
- D. Standard I.B Independence and Objectivity

The main idea being tested is fair handling of trade execution and giving client orders priority. Client orders should be treated with priority over the firm's own orders and over other clients, and any differential treatment must be justified and disclosed. Giving some clients priority merely because of the size of their orders introduces backdoor favoritism and undermines that obligation. So, when a firm makes larger clients' orders take precedence without any legitimate, disclosed justification, it violates Standard VI.B Priority of Transactions. This standard is about not placing the firm's or certain clients' interests above others and ensuring that orders are executed in a fair and nondiscriminatory manner. If there were a legitimate policy or disclosure explaining why size-based priority is used, it would need to be transparent and justified; but in this scenario there isn't, hence the violation. The other standards mentioned (GIPS, Independence and Objectivity, and disclosure of conflicts) address different areas—performance reporting, independence in analysis, and conflict disclosure—and do not directly govern the basic requirement that client orders have priority unless a justified, disclosed policy exists.

3. What is the most appropriate action regarding a proxy voting policy?

- A. Vote proxies automatically**
- B. Disclose policy to clients**
- C. Abstain from proxy voting**
- D. Vote against management**

Disclosing the proxy voting policy to clients is the appropriate action because it ensures transparency about how proxies will be handled, who makes the voting decisions, and how conflicts of interest are managed. When clients know the firm's approach, they can understand and consent to it or provide specific voting instructions aligned with their objectives. Without this disclosure, clients may be unaware of how their votes are cast, which can raise fiduciary concerns and potential conflicts. Voting automatically, abstaining outright, or consistently voting against management without client input would undermine client control and could misalign with their preferences or needs, making disclosure the responsible, proper step.

4. A broker executes a client's order after internal orders that use preferential treatment, violating the priority of transactions. Which Standard is violated?

- A. Standard V.B Communication with Clients and Prospective Clients**
- B. Standard VI.B Priority of Transactions**
- C. Standard VI.A Disclosure of Conflicts**
- D. Standard IV.A Loyalty, Prudence, and Care**

Prioritizing client orders over the broker's own or internal orders is the central obligation here. When internal orders receive preferential treatment and a client's order is executed afterward, the client's order is not given the priority it deserves. That undermines fair, timely execution and conflicts with the duty to put clients' interests first in trade handling. While conflicts of interest and loyalty concerns can arise in other situations, this specific scenario hinges on the proper sequencing of orders. So, this violates the Priority of Transactions standard.

5. Which CFA Institute standard is violated when a supervisor ignores a subordinate's unethical trading?

A. Standard III.C Responsibilities of Supervisors.

B. Standard III.A Loyalty, Prudence, and Diligence.

C. Standard IV.B Fair Dealing.

D. Standard VI.A Disclosure of Conflicts.

Supervisors have a duty to actively ensure that subordinates follow ethical standards and firm policies. When a subordinate engages in unethical trading, the supervisor must respond—investigate, correct the behavior, and escalate or discipline as needed to protect clients and uphold the firm's compliance program. Ignoring such behavior undermines the control environment and breaches the obligation to supervise, monitor, and enforce ethical conduct. This is why the standard that covers Responsibilities of Supervisors is the relevant rule: it specifically requires supervisors to establish procedures to detect and prevent unethical actions and to take appropriate action when violations occur. Loyalty, prudence, and diligence pertains to the general ethical stance individuals owe to clients and employers, including acting with care and diligence, but it does not specifically address the supervisory duty to monitor subordinates or respond to misconduct. Fair dealing centers on fairness in transactions with clients, not on internal oversight. Disclosure of conflicts deals with informing clients about potential conflicts, not with supervising subordinates' conduct.

6. Under a proxy voting policy that allows proxies to be voted only when there is a cost-benefit, which action aligns with Standard III(A)?

A. Vote all proxies

B. Vote only Barnikoff proxy

C. Vote only Matric proxy

D. Inform clients about policy and apply it

Fiduciary duty requires acting with prudent judgment and applying a documented policy consistently. If proxy voting is allowed only when there is a net cost-benefit, the responsible approach is to be transparent with clients about how proxies are handled and to apply that policy across all votes. Informing clients about the policy and then applying it ensures decisions are based on objective analysis rather than automatic voting or selective voting, protecting client interests and maintaining independence. Voting all proxies would violate the cost-benefit constraint; voting only a couple of proxies or selectively applying the rule would undermine the policy and consistency.

7. Failing to properly attribute external research and presenting it as one's own could constitute a violation of which Standard?

- A. Misrepresentation.**
- B. Diligence and Reasonable Basis.**
- C. Record Retention.**
- D. Additional Compensation Arrangements.**

Misrepresentation is the key issue: presenting external research as your own without proper attribution deceives others about the origin of the work. CFA Institute standards prohibit misrepresenting information, including claiming credit for work you did not produce or failing to disclose the true sources. When you attribute someone else's research to yourself, you imply authorship and endorsement that aren't accurate, eroding trust and undermining integrity. Proper attribution ensures transparency about sources and the basis of the analysis. The other standards address having a diligent and reasonable basis for recommendations, record retention, and disclosure of compensation arrangements, but they don't specifically cover passing off someone else's work as your own.

8. Under the Priority of Transactions rule within the Conflicts of Interest standard, what is required?

- A. Members should prioritize personal investments above clients.**
- B. Members should give priority to investment transactions for clients and employers over those in which the member is the beneficial owner.**
- C. Priority is determined by employer's preferences alone.**
- D. Priority is based on agent's discretion.**

Under the Priority of Transactions rule, the key idea is that a member must place the interests of clients and employers ahead of personal investments. When there's a potential conflict between a client or employer order and the member's own trade, the client's or employer's transaction takes precedence over the member's personal trades. This aligns directly with giving priority to investment transactions for clients and employers over those in which the member is the beneficial owner, ensuring not to let personal interests influence execution. It helps prevent conflicts like front-running or using non-public information for personal gain. The other options would undermine this duty: prioritizing personal investments over clients would harm clients; relying solely on the employer's preferences ignores the client's interests; and leaving priority to agent discretion reduces accountability and could enable self-dealing.

9. A member uses a personal relationship to influence a client's investment decision without disclosure. Violation?
- A. Standard IV.B Fair Dealing
 - B. Standard IV.A Loyalty, Prudence, and Care**
 - C. Standard VI.A Disclosure of Conflicts
 - D. Standard I.D Misconduct

Placing client interests first and acting with loyalty, prudence, and care is the key idea. Using a personal relationship to influence a client's investment choice without disclosure undermines objectivity and creates a conflict of interest, which compromises the duty to act in the client's best interests. Because a disclosure would be necessary to reveal that influence and allow the client to judge the bias, this behavior violates the obligation to be loyal and prudent in dealings with clients. While disclosure and fairness are important, the core issue here is the failure to uphold loyalty and care by letting a personal relationship improperly steer the advice.

10. In a scenario where a research head delays informing clients about a change from a bottom-up to a top-down research approach until inventory is depleted, which CFA Standard is most at risk of violation?
- A. Supervisory Responsibility
 - B. Communication with Clients**
 - C. Diligence and Reasonable Basis
 - D. Market Integrity

The main idea here is timely and clear communication to clients about material changes in how their investments are analyzed and managed. Shifting from a bottom-up to a top-down research approach is a significant change that can alter risk, potential returns, and the way portfolios are constructed. If that change isn't disclosed until inventory is depleted, clients are kept in the dark about important implications that could affect their decisions and the transparency they rely on. That lack of timely information violates the standard that requires professionals to communicate material information to clients promptly and fully. The other options don't fit as well. Supervisory responsibility concerns ensuring policies are followed, but the issue here is the client-facing communication itself. Diligence and reasonable basis focuses on the soundness of research and recommendations, which isn't the core issue when the problem is withholding information about a process change. Market integrity deals with market behavior and manipulation, not the client communication gap described.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://cfaethics.examzify.com>

We wish you the very best on your exam journey. You've got this!

SAMPLE