



CFA L-2

Changes in Syllabus

2025

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CA, CS, CFA, FRM, CAIA, CIPM, CFP, RV, CCRA, CIIB, CIRA, AIM

CFA L2 | Summary of Changes | 2025

New
Changes
Deleted

	No. of Chapters	No. of LOS	Total %
Same	41	367	99%
New	1	4	1%
Changes	0	0	0%
Total	42	371	100%
Deleted	3	26	7%

Reading No	Reading Name	No. of LOS		
		New	Changes	Deleted
31	Overview of Types of Real Estate Investment	4		
7	Economics of Regulation			9
14	Financial Statement Modeling			14
33	Real Estate Investments			3

READING WISE CHANGES

						New	Changes	Deleted
Subject	Reading No 2025	Reading Name	Details of Changes 2024-25	Reading No 2024	Reading No 2023			
Quantitative Methods	1	Multiple Regression		1	1			
	2	Time-Series Analysis		2	2			
	3	Machine Learning		3	3			
	4	Big Data Projects		4	4			
Economics	5	Currency Exchange Rates-Understanding Equilibrium Value		5	5			
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Corporate Issuers	13	Analysis of Dividends and Share Repurchases		15	15			
	14	Environmental, Social, and Governance (ESG) Considerations in Investment Analysis		16	16			
	15	Cost of Capital-Advanced Topics		17	17			
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Equity	17	Equity Valuation-Applications and Processes		19	19			
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	20	Market-Based Valuation-Price and Enterprise Value Multiples		22	22			
	21	Residual Income Valuation		23	23			
	22	Private Company Valuation		24	24			

Subject	Reading No 2025	Reading Name	Details of Changes 2024-25	Reading No 2024	Reading No 2023
Fixed Income	23	The Term Structure and Interest Rate Dynamics		25	25
	24	The Arbitrage-Free Valuation Framework		26	26
	25	Valuation and Analysis of Bonds with Embedded Options		27	27
	26	Credit Analysis Models		28	28
	27	Credit Default Swaps		29	29
Derivatives	28	Pricing and Valuation of Forward Commitments		30	30
	29	Valuation of Contingent Claims		31	31
Alternative Investments	30	Introduction to Commodities and Commodity Derivatives		32	34
	31	Overview of Types of Real Estate Investment		-	-
	32	Investments in Real Estate through Publicly Traded Securities		33	-
	33	Hedge Fund Strategies		34	-
		Real Estate Investments		33	32
Portfolio	34	Economics and Investment Markets		39	39
	35	Analysis of Active Portfolio Management		40	40
	36	Exchange-Traded Funds-Mechanics and Applications		35	35
	37	Using Multifactor Models		36	36
	38	Measuring and Managing Market Risk		37	37
	39	Backtesting and Simulation		38	38
Ethics	40	Code of Ethics and Standards of Professional Conduct		41	42
	41	Guidance for Standards I–VII		42	43
	42	Application of the Code and Standards-Level II		43	44

LOS WISE CHANGES

			New	Changes	Deleted
Reading No.	Reading Name	Learning Outcome	2025 LOS	2024 LOS	Changes
Quantitative Methods					
1	Multiple Regression	describe how model misspecification affects the results of a regression analysis and how to avoid common forms of misspecification	1a	1a	
		describe influence analysis and methods of detecting influential data points	1b	1b	
		describe the types of investment problems addressed by multiple linear regression and the regression process	1c	1c	
		evaluate how well a multiple regression model explains the dependent variable by analyzing ANOVA table results and measures of goodness of fit	1d	1d	
		explain the types of heteroskedasticity and how it affects statistical inference	1e	1e	
		formulate a multiple linear regression model, describe the relation between the dependent variable and several independent variables, and interpret estimated regression coefficients	1f	1f	
		formulate and interpret a multiple regression model that includes qualitative independent variables	1g	1g	
		formulate hypotheses on the significance of two or more coefficients in a multiple regression model and interpret the results of the joint hypothesis tests	1h	1h	
		calculate and interpret a predicted value for the dependent variable, given the estimated regression model and assumed values for the independent variable	1i	1i	
		explain serial correlation and how it affects statistical inference	1j	1j	
		explain the assumptions underlying a multiple linear regression model and interpret residual plots indicating potential violations of these assumptions	1k	1k	
		formulate and interpret a logistic regression model	1l	1l	
		explain multicollinearity and how it affects regression analysis	1m	1m	
		2	Time-Series Analysis	calculate and evaluate the predicted trend value for a time series, modeled as either a linear trend or a log-linear trend, given the estimated trend coefficients	2a
describe factors that determine whether a linear or a log-linear trend should be used with a particular time series and evaluate limitations of trend models	2b			2b	
explain the requirement for a time series to be covariance stationary and describe the significance of a series that is not stationary	2c			2c	
describe the structure of an autoregressive (AR) model of order p and calculate one- and two-period-ahead forecasts given the estimated coefficients	2d			2d	
explain how autocorrelations of the residuals can be used to test whether the autoregressive model fits the time series	2e			2e	
explain mean reversion and calculate a mean-reverting level	2f			2f	
contrast in-sample and out-of-sample forecasts and compare the forecasting accuracy of different time-series models based on the root mean squared error criterion	2g			2g	
explain the instability of coefficients of time-series models	2h			2h	
describe characteristics of random walk processes and contrast them to covariance stationary processes	2i			2i	

Reading No.	Reading Name	Learning Outcome	2025 LOS	2024 LOS	Changes
2	Time-Series Analysis	describe implications of unit roots for time-series analysis, explain when unit roots are likely to occur and how to test for them, and demonstrate how a time series with a unit root can be transformed so it can be analyzed with an AR model	2j	2j	
		describe the steps of the unit root test for nonstationarity and explain the relation of the test to autoregressive time-series models	2k	2k	
		explain how to test and correct for seasonality in a time-series model and calculate and interpret a forecasted value using an AR model with a seasonal lag	2l	2l	
		explain autoregressive conditional heteroskedasticity (ARCH) and describe how ARCH models can be applied to predict the variance of a time series	2m	2m	
		explain how time-series variables should be analyzed for nonstationarity and/or cointegration before use in a linear regression	2n	2n	
		determine an appropriate time-series model to analyze a given investment problem and justify that choice	2o	2o	
3	Machine Learning	describe supervised machine learning, unsupervised machine learning, and deep learning	3a	3a	
		describe overfitting and identify methods of addressing it	3b	3b	
		describe supervised machine learning algorithms—including penalized regression, support vector machine, k-nearest neighbor, classification and regression tree, ensemble learning, and random forest—and determine the problems for which they are best suited	3c	3c	
		describe unsupervised machine learning algorithms—including principal components analysis, k-means clustering, and hierarchical clustering—and determine the problems for which they are best suited	3d	3d	
		describe neural networks, deep learning nets, and reinforcement learning	3e	3e	
4	Big Data Projects	identify and explain steps in a data analysis project	4a	4a	
		describe objectives, steps, and examples of preparing and wrangling data	4b	4b	
		evaluate the fit of a machine learning algorithm	4c	4c	
		describe objectives, methods, and examples of data exploration	4d	4d	
		describe methods for extracting, selecting and engineering features from textual data	4e	4e	
		describe objectives, steps, and techniques in model training	4f	4f	
		describe preparing, wrangling, and exploring text-based data for financial forecasting	4g	4g	
Economics					
5	Currency Exchange Rates- Understanding Equilibrium Value	calculate and interpret the bid–offer spread on a spot or forward currency quotation and describe the factors that affect the bid–offer spread	5a	5a	
		identify a triangular arbitrage opportunity and calculate its profit, given the bid–offer quotations for three currencies	5b	5b	
		explain spot and forward rates and calculate the forward premium/discount for a given currency	5c	5c	
		calculate the mark-to-market value of a forward contract	5d	5d	
		explain international parity conditions (covered and uncovered interest rate parity, forward rate parity, purchasing power parity, and the international Fisher effect)	5e	5e	
		describe relations among the international parity conditions	5f	5f	
		evaluate the use of the current spot rate, the forward rate, purchasing power parity, and uncovered interest parity to forecast future spot exchange rates	5g	5g	
		explain approaches to assessing the long-run fair value of an exchange rate	5h	5h	

Reading No.	Reading Name	Learning Outcome	2025 LOS	2024 LOS	Changes
5	Currency Exchange Rates- Understanding Equilibrium Value	describe the carry trade and its relation to uncovered interest rate parity and calculate the profit from a carry trade	5i	5i	
		explain how flows in the balance of payment accounts affect currency exchange rates	5j	5j	
		explain the potential effects of monetary and fiscal policy on exchange rates	5k	5k	
		describe objectives of central bank or government intervention and capital controls and describe the effectiveness of intervention and capital controls	5l	5l	
		describe warning signs of a currency crisis	5m	5m	
6	Economic Growth	compare factors favoring and limiting economic growth in developed and developing economies	6a	6a	
		describe the relation between the long-run rate of stock market appreciation and the sustainable growth rate of the economy	6b	6b	
		explain why potential GDP and its growth rate matter for equity and fixed income investors	6c	6c	
		contrast capital deepening investment and technological progress and explain how each affects economic growth and labor productivity	6d	6d	
		demonstrate forecasting potential GDP based on growth accounting relations	6e	6e	
		explain how natural resources affect economic growth and evaluate the argument that limited availability of natural resources constrains economic growth	6f	6f	
		explain how demographics, immigration, and labor force participation affect the rate and sustainability of economic growth	6g	6g	
		explain how investment in physical capital, human capital, and technological development affects economic growth	6h	6h	
		compare classical growth theory, neoclassical growth theory, and endogenous growth theory	6i	6i	
		explain and evaluate convergence hypotheses	6j	6j	
		describe the economic rationale for governments to provide incentives to private investment in technology and knowledge	6k	6k	
	Economics of Regulation	Describe the economic rationale for regulatory intervention		7a	
		Explain the purposes of regulating commerce and financial markets		7b	
		Describe anticompetitive behaviors targeted by antitrust laws globally and evaluate the antitrust risk associated with a given business strategy		7c	
		Describe classifications of regulations and regulators		7d	
		Describe uses of self-regulation in financial markets		7e	
		Describe regulatory interdependencies and their effects		7f	
		Describe tools of regulatory intervention in markets		7g	
		Describe benefits and costs of regulation		7h	
		Describe the considerations when evaluating the effects of regulation on an industry		7i	
Financial Statement Analysis					
7	Intercorporate Investments	describe the classification, measurement, and disclosure under International Financial Reporting Standards (IFRS) for 1) investments in financial assets, 2) investments in associates, 3) joint ventures, 4) business combinations, and 5) special purpose and variable interest entities	7a	8a	
		compare and contrast IFRS and US GAAP in their classification, measurement, and disclosure of investments in financial assets, investments in associates, joint ventures, business combinations, and special purpose and variable interest entities	7b	8b	

Reading No.	Reading Name	Learning Outcome	2025 LOS	2024 LOS	Changes
7	Intercorporate Investments	analyze how different methods used to account for intercorporate investments affect financial statements and ratios	7c	8c	
8	Employee Compensation- Post-Employment and Share-Based	contrast types of employee compensation	8a	9a	
		explain how share-based compensation affects the financial statements	8b	9b	
		explain how to forecast share-based compensation expense and shares outstanding in a financial statement model and their use in valuation	8c	9c	
		explain how post-employment benefits affect the financial statements	8d	9d	
		explain financial modeling and valuation considerations for post-employment benefits	8e	9e	
9	Multinational Operations	compare and contrast presentation in (reporting) currency, functional currency, and local currency	9a	10a	
		describe foreign currency transaction exposure, including accounting for and disclosures about foreign currency transaction gains and losses	9b	10b	
		analyze how changes in exchange rates affect the translated sales of the subsidiary and parent company	9c	10c	
		compare the current rate method and the temporal method, evaluate how each affects the parent company's balance sheet and income statement, and determine which method is appropriate in various scenarios	9d	10d	
		calculate the translation effects and evaluate the translation of a subsidiary's balance sheet and income statement into the parent company's presentation currency	9e	10e	
		analyze how the current rate method and the temporal method affect financial statements and ratios	9f	10f	
		analyze how alternative translation methods for subsidiaries operating in hyperinflationary economies affect financial statements and ratios	9g	10g	
		describe how multinational operations affect a company's effective tax rate	9h	10h	
		explain how changes in the components of sales affect the sustainability of sales growth	9i	10i	
10	Analysis of Financial Institutions	analyze how currency fluctuations potentially affect financial results, given a company's countries of operation	9j	10j	
		describe how financial institutions differ from other companies	10a	11a	
		describe key aspects of financial regulations of financial institutions	10b	11b	
		explain the CAMELS (capital adequacy, asset quality, management, earnings, liquidity, and sensitivity) approach to analyzing a bank, including key ratios and its limitations	10c	11c	
		analyze a bank based on financial statements and other factors	10d	11d	
		describe other factors to consider in analyzing a bank	10e	11e	
		describe key ratios and other factors to consider in analyzing an insurance company	10f	11f	
11	Evaluating Quality of Financial Reports	demonstrate the use of a conceptual framework for assessing the quality of a company's financial reports	11a	12a	
		explain potential problems that affect the quality of financial reports	11b	12b	
		describe how to evaluate the quality of a company's financial reports	11c	12c	
		evaluate the quality of a company's financial reports	11d	12d	
		describe indicators of earnings quality	11e	12e	
		describe the concept of sustainable (persistent) earnings	11f	12f	
		explain mean reversion in earnings and how the accruals component of earnings affects the speed of mean reversion	11g	12g	
		evaluate the earnings quality of a company	11h	12h	
		evaluate the cash flow quality of a company	11i	12i	
		describe indicators of balance sheet quality	11j	12j	
		evaluate the balance sheet quality of a company	11k	12k	
		describe indicators of cash flow quality	11l	12l	
		describe sources of information about risk	11m	12m	

Reading No.	Reading Name	Learning Outcome	2025 LOS	2024 LOS	Changes
12	Integration of Financial Statement Analysis Techniques	demonstrate the use of a framework for the analysis of financial statements, given a particular problem, question, or purpose (e.g., valuing equity based on comparables, critiquing a credit rating, obtaining a comprehensive picture of financial leverage, evaluating the perspectives given in management's discussion of financial results)	12a	13a	
		identify financial reporting choices and biases that affect the quality and comparability of companies' financial statements and explain how such biases may affect financial decisions	12b	13b	
		evaluate the quality of a company's financial data and recommend appropriate adjustments to improve quality and comparability with similar companies, including adjustments for differences in accounting standards, methods, and assumptions	12c	13c	
		evaluate how a given change in accounting standards, methods, or assumptions affects financial statements and ratios	12d	13d	
		analyze and interpret how balance sheet modifications, earnings normalization, and cash flow statement related modifications affect a company's financial statements, financial ratios, and overall financial condition	12e	13e	
	Financial Statement Modeling	compare top-down, bottom-up, and hybrid approaches for developing inputs to equity valuation models		14a	
		compare "growth relative to GDP growth" and "market growth and market share" approaches to forecasting revenue		14b	
		evaluate whether economies of scale are present in an industry by analyzing operating margins and sales levels		14c	
		demonstrate methods to forecast cost of goods sold and operating expenses		14d	
		demonstrate methods to forecast non-operating items, financing costs, and income taxes		14e	
		describe approaches to balance sheet modeling		14f	
		demonstrate the development of a sales-based pro forma company model		14g	
		explain how behavioral factors affect analyst forecasts and recommend remedial actions for analyst biases		14h	
		explain how competitive factors affect prices and costs		14i	
		evaluate the competitive position of a company based on a Porter's five forces analysis		14j	
		explain how to forecast industry and company sales and costs when they are subject to price inflation or deflation		14k	
		evaluate the effects of technological developments on demand, selling prices, costs, and margins		14l	
		explain considerations in the choice of an explicit forecast horizon		14m	
		explain an analyst's choices in developing projections beyond the short-term forecast horizon		14n	
Corporate Issuers					
13	Analysis of Dividends and Share Repurchases	describe the expected effect of regular cash dividends, extra dividends, liquidating dividends, stock dividends, stock splits, and reverse stock splits on shareholders' wealth and a company's financial ratios	13a	15a	
		compare theories of dividend policy and explain implications of each for share value given a description of a corporate dividend action	13b	15b	
		describe types of information (signals) that dividend initiations, increases, decreases, and omissions may convey	13c	15c	
		explain how agency costs may affect a company's payout policy	13d	15d	
		explain factors that affect dividend policy in practice	13e	15e	

Reading No.	Reading Name	Learning Outcome	2025 LOS	2024 LOS	Changes
13	Analysis of Dividends and Share Repurchases	calculate and interpret the effective tax rate on a given currency unit of corporate earnings under double taxation, dividend imputation, and split-rate tax systems	13f	15f	
		compare stable dividend with constant dividend payout ratio, and calculate the dividend under each policy	13g	15g	
		describe broad trends in corporate payout policies	13h	15h	
		compare share repurchase methods	13i	15i	
		calculate and compare the effect of a share repurchase on earnings per share when 1) the repurchase is financed with the company's surplus cash and 2) the company uses debt to finance the repurchase	13j	15j	
		calculate the effect of a share repurchase on book value per share	13k	15k	
		explain the choice between paying cash dividends and repurchasing shares	13l	15l	
		calculate and interpret dividend coverage ratios based on 1) net income and 2) free cash flow	13m	15m	
14	Environmental, Social, and Governance (ESG) Considerations in Investment Analysis	identify characteristics of companies that may not be able to sustain their cash dividend	13n	15n	
		describe global variations in ownership structures and the possible effects of these variations on corporate governance policies and practices	14a	16a	
		evaluate the effectiveness of a company's corporate governance policies and practices	14b	16b	
		describe how ESG-related risk exposures and investment opportunities may be identified and evaluated	14c	16c	
15	Cost of Capital-Advanced Topics	evaluate ESG risk exposures and investment opportunities related to a company	14d	16d	
		explain top-down and bottom-up factors that impact the cost of capital	15a	17a	
		compare methods used to estimate the cost of debt.	15b	17b	
		explain historical and forward-looking approaches to estimating an equity risk premium	15c	17c	
		compare methods used to estimate the required return on equity	15d	17d	
		estimate the cost of debt or required return on equity for a public company and a private company	15e	17e	
16	Corporate Restructuring	evaluate a company's capital structure and cost of capital relative to peers	15f	17f	
		explain types of corporate restructurings and issuers' motivations for pursuing them	16a	18a	
		explain the initial evaluation of a corporate restructuring	16b	18b	
		demonstrate valuation methods for, and interpret valuations of, companies involved in corporate restructurings	16c	18c	
		demonstrate how corporate restructurings affect an issuer's EPS, net debt to EBITDA ratio, and weighted average cost of capital	16d	18d	
		evaluate corporate investment actions, including equity investments, joint ventures, and acquisitions	16e	18e	
		evaluate corporate divestment actions, including sales and spin offs	16f	18f	
evaluate cost and balance sheet restructurings	16g	18g			
Equity					
17	Equity Valuation-Applications and Processes	define valuation and intrinsic value and explain sources of perceived mispricing	17a	19a	
		explain the going concern assumption and contrast a going concern value to a liquidation value	17b	19b	
		describe definitions of value and justify which definition of value is most relevant to public company valuation	17c	19c	
		describe applications of equity valuation	17d	19d	

Reading No.	Reading Name	Learning Outcome	2025 LOS	2024 LOS	Changes
17	Equity Valuation-Applications and Processes	describe questions that should be addressed in conducting an industry and competitive analysis	17e	19e	
		contrast absolute and relative valuation models and describe examples of each type of model	17f	19f	
		describe sum-of-the-parts valuation and conglomerate discounts	17g	19g	
		explain broad criteria for choosing an appropriate approach for valuing a given company	17h	19h	
18	Discounted Dividend Valuation	compare dividends, free cash flow, and residual income as inputs to discounted cash flow models and identify investment situations for which each measure is suitable	18a	20a	
		calculate and interpret the value of a common stock using the dividend discount model (DDM) for single and multiple holding periods	18b	20b	
		calculate the value of a common stock using the Gordon growth model and explain the model's underlying assumptions	18c	20c	
		calculate the value of non-callable fixed-rate perpetual preferred stock	18d	20d	
		describe strengths and limitations of the Gordon growth model and justify its selection to value a company's common shares	18e	20e	
		calculate and interpret the implied growth rate of dividends using the Gordon growth model and current stock price	18f	20f	
		calculate and interpret the present value of growth opportunities (PVGO) and the component of the leading price-to-earnings ratio (P/E) related to PVGO	18g	20g	
		calculate and interpret the justified leading and trailing P/Es using the Gordon growth model	18h	20h	
		estimate a required return based on any DDM, including the Gordon growth model and the H-model	18i	20i	
		evaluate whether a stock is overvalued, fairly valued, or undervalued by the market based on a DDM estimate of value	18j	20j	
		explain the growth phase, transition phase, and maturity phase of a business	18k	20k	
		explain the assumptions and justify the selection of the two-stage DDM, the H-model, the three-stage DDM, or spreadsheet modeling to value a company's common shares	18l	20l	
		describe terminal value and explain alternative approaches to determining the terminal value in a DDM	18m	20m	
		calculate and interpret the value of common shares using the two-stage DDM, the H-model, and the three-stage DDM	18n	20n	
explain the use of spreadsheet modeling to forecast dividends and to value common shares	18o	20o			
calculate and interpret the sustainable growth rate of a company and demonstrate the use of DuPont analysis to estimate a company's sustainable growth rate	18p	20p			
19	Free Cash Flow Valuation	compare the free cash flow to the firm (FCFF) and free cash flow to equity (FCFE) approaches to valuation	19a	21a	
		explain the ownership perspective implicit in the FCFE approach	19b	21b	
		explain the appropriate adjustments to net income, earnings before interest and taxes (EBIT), earnings before interest, taxes, depreciation, and amortization (EBITDA), and cash flow from operations (CFO) to calculate FCFF and FCFE	19c	21c	
		calculate FCFF and FCFE	19d	21d	
		describe approaches for forecasting FCFF and FCFE	19e	21e	
		explain how dividends, share repurchases, share issues, and changes in leverage may affect future FCFF and FCFE	19f	21f	
		compare the FCFE model and dividend discount models	19g	21g	

Reading No.	Reading Name	Learning Outcome	2025 LOS	2024 LOS	Changes
19	Free Cash Flow Valuation	evaluate the use of net income and EBITDA as proxies for cash flow in valuation	19h	21h	
		explain the use of sensitivity analysis in FCFF and FCFE valuations	19i	21i	
		explain the single-stage (stable-growth), two-stage, and three-stage FCFF and FCFE models and justify the selection of the appropriate model given a company's characteristics	19j	21j	
		estimate a company's value using the appropriate free cash flow model(s)	19k	21k	
		describe approaches for calculating the terminal value in a multistage valuation model	19l	21l	
		evaluate whether a stock is overvalued, fairly valued, or undervalued based on a free cash flow valuation model	19m	21m	
20	Market-Based Valuation-Price and Enterprise Value Multiples	contrast the method of comparables and the method based on forecasted fundamentals as approaches to using price multiples in valuation and explain economic rationales for each approach	20a	22a	
		calculate and interpret a justified price multiple	20b	22b	
		describe rationales for and possible drawbacks to using alternative price multiples and dividend yield in valuation	20c	22c	
		calculate and interpret alternative price multiples and dividend yield	20d	22d	
		calculate and interpret underlying earnings, explain methods of normalizing earnings per share (EPS), and calculate normalized EPS	20e	22e	
		explain and justify the use of earnings yield (E/P)	20f	22f	
		describe fundamental factors that influence alternative price multiples and dividend yield	20g	22g	
		calculate and interpret a predicted P/E, given a cross-sectional regression on fundamentals, and explain limitations to the cross-sectional regression methodology	20h	22h	
		calculate and interpret the justified price-to-earnings ratio (P/E), price-to-book ratio (P/B), and price-to-sales ratio (P/S) for a stock, based on forecasted fundamentals	20i	22i	
		calculate and interpret the P/E-to-growth (PEG) ratio and explain its use in relative valuation	20j	22j	
		calculate and explain the use of price multiples in determining terminal value in a multistage discounted cash flow (DCF) model	20k	22k	
		evaluate whether a stock is overvalued, fairly valued, or undervalued based on comparisons of multiples	20l	22l	
		evaluate a stock by the method of comparables and explain the importance of fundamentals in using the method of comparables	20m	22m	
		explain alternative definitions of cash flow used in price and enterprise value (EV) multiples and describe limitations of each definition	20n	22n	
		calculate and interpret EV multiples and evaluate the use of EV/EBITDA	20o	22o	
explain sources of differences in cross-border valuation comparisons	20p	22p			
describe momentum indicators and their use in valuation	20q	22q			
explain the use of the arithmetic mean, the harmonic mean, the weighted harmonic mean, and the median to describe the central tendency of a group of multiples	20r	22r			
21	Residual Income Valuation	calculate and interpret residual income, economic value added, and market value added	21a	23a	
		describe the uses of residual income models	21b	23b	
		calculate the intrinsic value of a common stock using the residual income model and compare value recognition in residual income and other present value models	21c	23c	
		explain fundamental determinants of residual income	21d	23d	
		explain the relation between residual income valuation and the justified price-to-book ratio based on forecasted fundamentals	21e	23e	

Reading No.	Reading Name	Learning Outcome	2025 LOS	2024 LOS	Changes
21	Residual Income Valuation	calculate and interpret the intrinsic value of a common stock using single-stage (constant-growth) and multistage residual income models	21f	23f	
		calculate the implied growth rate in residual income, given the market price-to-book ratio and an estimate of the required rate of return on equity	21g	23g	
		explain continuing residual income and justify an estimate of continuing residual income at the forecast horizon, given company and industry prospects	21h	23h	
		compare residual income models to dividend discount and free cash flow models	21i	23i	
		explain strengths and weaknesses of residual income models and justify the selection of a residual income model to value a company's common stock	21j	23j	
		describe accounting issues in applying residual income models	21k	23k	
		22	Private Company Valuation	contrast important public and private company features for valuation purposes	22a
describe uses of private business valuation and explain key areas of focus for financial analysts	22b			24b	
explain cash flow estimation issues related to private companies and adjustments required to estimate normalized earnings	22c			24c	
explain factors that require adjustment when estimating the discount rate for private companies	22d			24d	
compare models used to estimate the required rate of return to private company equity (for example, the CAPM, the expanded CAPM, and the build-up approach)	22e			24e	
explain and evaluate the effects on private company valuations of discounts and premiums based on control and marketability	22f			24f	
explain the income, market, and asset-based approaches to private company valuation and factors relevant to the selection of each approach	22g			24g	
calculate the value of a private company using income-based methods	22h			24h	
calculate the value of a private company using market-based methods and describe the advantages and disadvantages of each method	22i			24i	
Fixed Income					
23	The Term Structure and Interest Rate Dynamics	describe relationships among spot rates, forward rates, yield to maturity, expected and realized returns on bonds, and the shape of the yield curve	23a	25a	
		describe how zero-coupon rates (spot rates) may be obtained from the par curve by bootstrapping	23b	25b	
		describe the assumptions concerning the evolution of spot rates in relation to forward rates implicit in active bond portfolio management	23c	25c	
		describe the strategy of rolling down the yield curve	23d	25d	
		explain the swap rate curve and why and how market participants use it in valuation	23e	25e	
		calculate and interpret the swap spread for a given maturity	23f	25f	
		describe short-term interest rate spreads used to gauge economy-wide credit risk and liquidity risk	23g	25g	
		explain traditional theories of the term structure of interest rates and describe the implications of each theory for forward rates and the shape of the yield curve	23h	25h	
		explain how a bond's exposure to each of the factors driving the yield curve can be measured and how these exposures can be used to manage yield curve risks	23i	25i	
		explain the maturity structure of yield volatilities and their effect on price volatility	23j	25j	

Reading No.	Reading Name	Learning Outcome	2025 LOS	2024 LOS	Changes
23	The Term Structure and Interest Rate Dynamics	explain how key economic factors are used to establish a view on benchmark rates, spreads, and yield curve changes	23k	25k	
24	The Arbitrage-Free Valuation Framework	explain what is meant by arbitrage-free valuation of a fixed-income instrument	24a	26a	
		calculate the arbitrage-free value of an option-free, fixed-rate coupon bond	24b	26b	
		describe a binomial interest rate tree framework	24c	26c	
		describe the process of calibrating a binomial interest rate tree to match a specific term structure	24d	26d	
		describe the backward induction valuation methodology and calculate the value of a fixed-income instrument given its cash flow at each node	24e	26e	
		compare pricing using the zero-coupon yield curve with pricing using an arbitrage-free binomial lattice	24f	26f	
		describe pathwise valuation in a binomial interest rate framework and calculate the value of a fixed-income instrument given its cash flows along each path	24g	26g	
		describe a Monte Carlo forward-rate simulation and its application	24h	26h	
		describe term structure models and how they are used	24i	26i	
25	Valuation and Analysis of Bonds with Embedded Options	describe fixed-income securities with embedded options	25a	27a	
		explain the relationships between the values of a callable or puttable bond, the underlying option-free (straight) bond, and the embedded option	25b	27b	
		describe how the arbitrage-free framework can be used to value a bond with embedded options	25c	27c	
		explain how interest rate volatility affects the value of a callable or puttable bond	25d	27d	
		explain how changes in the level and shape of the yield curve affect the value of a callable or puttable bond	25e	27e	
		calculate the value of a callable or puttable bond from an interest rate tree	25f	27f	
		explain the calculation and use of option-adjusted spreads	25g	27g	
		explain how interest rate volatility affects option-adjusted spreads	25h	27h	
		calculate and interpret effective duration of a callable or puttable bond	25i	27i	
		compare effective durations of callable, puttable, and straight bonds	25j	27j	
		describe the use of one-sided durations and key rate durations to evaluate the interest rate sensitivity of bonds with embedded options	25k	27k	
		compare effective convexities of callable, puttable, and straight bonds	25l	27l	
		calculate the value of a capped or floored floating-rate bond	25m	27m	
		describe defining features of a convertible bond	25n	27n	
		calculate and interpret the components of a convertible bond's value	25o	27o	
		describe how a convertible bond is valued in an arbitrage-free framework	25p	27p	
26	Credit Analysis Models	compare the risk–return characteristics of a convertible bond with the risk–return characteristics of a straight bond and of the underlying common stock	25q	27q	
		explain expected exposure, the loss given default, the probability of default, and the credit valuation adjustment	26a	28a	
		explain credit scores and credit ratings	26b	28b	
		calculate the expected return on a bond given transition in its credit rating	26c	28c	
		explain structural and reduced-form models of corporate credit risk, including assumptions, strengths, and weaknesses	26d	28d	
		calculate the value of a bond and its credit spread, given assumptions about the credit risk parameters	26e	28e	

Reading No.	Reading Name	Learning Outcome	2025 LOS	2024 LOS	Changes
26	Credit Analysis Models	interpret changes in a credit spread	26f	28f	
		explain the determinants of the term structure of credit spreads and interpret a term structure of credit spreads	26g	28g	
		compare the credit analysis required for securitized debt to the credit analysis of corporate debt	26h	28h	
27	Credit Default Swaps	describe credit default swaps (CDS), single-name and index CDS, and the parameters that define a given CDS product	27a	29a	
		describe credit events and settlement protocols with respect to CDS	27b	29b	
		explain the principles underlying and factors that influence the market's pricing of CDS	27c	29c	
		describe the use of CDS to manage credit exposures and to express views regarding changes in the shape and/or level of the credit curve	27d	29d	
		describe the use of CDS to take advantage of valuation disparities among separate markets, such as bonds, loans, equities, and equity-linked instruments	27e	29e	
Derivatives					
28	Pricing and Valuation of Forward Commitments	describe how equity forwards and futures are priced, and calculate and interpret their no-arbitrage value	28a	30a	
		describe the carry arbitrage model without underlying cashflows and with underlying cashflows	28b	30b	
		describe how interest rate forwards and futures are priced, and calculate and interpret their no-arbitrage value	28c	30c	
		describe how fixed-income forwards and futures are priced, and calculate and interpret their no-arbitrage value	28d	30d	
		describe how interest rate swaps are priced, and calculate and interpret their no-arbitrage value	28e	30e	
		describe how currency swaps are priced, and calculate and interpret their no-arbitrage value	28f	30f	
		describe how equity swaps are priced, and calculate and interpret their no-arbitrage value	28g	30g	
29	Valuation of Contingent Claims	describe and interpret the binomial option valuation model and its component terms	29a	31a	
		describe how the value of a European option can be analyzed as the present value of the option's expected payoff at expiration	29b	31b	
		identify an arbitrage opportunity involving options and describe the related arbitrage	29c	31c	
		calculate the no-arbitrage values of European and American options using a two-period binomial model	29d	31d	
		calculate and interpret the value of an interest rate option using a two-period binomial model	29e	31e	
		identify assumptions of the Black–Scholes–Merton option valuation model	29f	31f	
		interpret the components of the Black–Scholes–Merton model as applied to call options in terms of a leveraged position in the underlying	29g	31g	
		describe how the Black–Scholes–Merton model is used to value European options on equities and currencies	29h	31h	
		describe how the Black model is used to value European options on futures	29i	31i	
		describe how the Black model is used to value European interest rate options and European swaptions	29j	31j	
		interpret each of the option Greeks	29k	31k	
describe how a delta hedge is executed	29l	31l			
describe the role of gamma risk in options trading	29m	31m			
define implied volatility and explain how it is used in options trading	29n	31n			

Reading No.	Reading Name	Learning Outcome	2025 LOS	2024 LOS	Changes
Alternative Investments					
30	Introduction to Commodities and Commodity Derivatives	compare characteristics of commodity sectors	30a	32a	
		compare the life cycle of commodity sectors from production through trading or consumption	30b	32b	
		contrast the valuation of commodities with the valuation of equities and bonds	30c	32c	
		describe types of participants in commodity futures markets	30d	32d	
		analyze the relationship between spot prices and futures prices in markets in contango and markets in backwardation	30e	32e	
		compare theories of commodity futures returns	30f	32f	
		describe, calculate, and interpret the components of total return for a fully collateralized commodity futures contract	30g	32g	
		contrast roll return in markets in contango and markets in backwardation	30h	32h	
		describe how commodity swaps are used to obtain or modify exposure to commodities	30i	32i	
		describe how the construction of commodity indexes affects index returns	30j	32j	
31	Overview of Types of Real Estate Investment	compare important real estate investment features for valuation purposes	31a		
		explain economic value drivers of real estate investments and their role in a portfolio	31b		
		discuss the distinctive investment characteristics of commercial property types	31c		
		explain the due diligence process and valuation approaches for real estate investments	31d		
		discuss real estate investment indexes, including their construction and potential biases	31e	33e	
32	Investments in Real Estate through Publicly Traded Securities	discuss types of publicly traded real estate securities	32a	33f	
		justify the use of net asset value per share (NAVPS) in valuation of publicly traded real estate securities and estimate NAVPS based on forecasted cash net operating income	32b	33g	
		describe the use of funds from operations (FFO) and adjusted funds from operations (AFFO) in REIT valuation	32c	33h	
		calculate and interpret the value of a REIT share using the net asset value, relative value (price-to-FFO and price-to-AFFO), and discounted cash flow approaches	32d	33i	
		explain advantages and disadvantages of investing in real estate through publicly traded securities compared to private vehicles	32e	33j	
33	Hedge Fund Strategies	discuss how hedge fund strategies may be classified	33a	34a	
		discuss investment characteristics, strategy implementation, and role in a portfolio of equity-related hedge fund strategies	33b	34b	
		discuss investment characteristics, strategy implementation, and role in a portfolio of event-driven hedge fund strategies	33c	34c	
		discuss investment characteristics, strategy implementation, and role in a portfolio of relative value hedge fund strategies	33d	34d	
		discuss investment characteristics, strategy implementation, and role in a portfolio of opportunistic hedge fund strategies	33e	34e	
		discuss investment characteristics, strategy implementation, and role in a portfolio of specialist hedge fund strategies	33f	34f	
		discuss investment characteristics, strategy implementation, and role in a portfolio of multi-manager hedge fund strategies	33g	34g	
		describe how factor models may be used to understand hedge fund risk exposures	33h	34h	

Reading No.	Reading Name	Learning Outcome	2025 LOS	2024 LOS	Changes
		evaluate the impact of an allocation to a hedge fund strategy in a traditional investment portfolio	33i	34i	
	Real Estate Investments	compare the characteristics, classifications, principal risks, and basic forms of public and private real estate investments		33a	
		explain portfolio roles and economic value determinants of real estate investments		33b	
		discuss commercial property types, including their distinctive investment characteristics		33c	
		explain the due diligence process for both private and public equity real estate investment		33d	
Portfolio					
34	Economics and Investment Markets	explain the notion that to affect market values, economic factors must affect one or more of the following: 1) default-free interest rates across maturities, 2) the timing and/or magnitude of expected cash flows, and 3) risk premiums	34a	39a	
		explain the role of expectations and changes in expectations in market valuation	34b	39b	
		explain the relationship between the long-term growth rate of the economy, the volatility of the growth rate, and the average level of real short-term interest rates	34c	39c	
		explain how the phase of the business cycle affects policy and short-term interest rates, the slope of the term structure of interest rates, and the relative performance of bonds of differing maturities	34d	39d	
		describe the factors that affect yield spreads between non-inflation-adjusted and inflation-indexed bonds	34e	39e	
		explain how the phase of the business cycle affects credit spreads and the performance of credit-sensitive fixed-income instruments	34f	39f	
		explain how the characteristics of the markets for a company's products affect the company's credit quality	34g	39g	
		explain the relationship between the consumption hedging properties of equity and the equity risk premium	34h	39h	
		explain how the phase of the business cycle affects short-term and long-term earnings growth expectations	34i	39i	
		describe cyclical effects on valuation multiples	34j	39j	
				describe the economic factors affecting investment in commercial real estate	34k
35	Analysis of Active Portfolio Management	describe how value added by active management is measured	35a	40a	
		calculate and interpret the information ratio (ex post and ex ante) and contrast it to the Sharpe ratio	35b	40b	
		describe and interpret the fundamental law of active portfolio management, including its component terms—transfer coefficient, information coefficient, breadth, and active risk (aggressiveness)	35c	40c	
		explain how the information ratio may be useful in investment manager selection and choosing the level of active portfolio risk	35d	40d	
		compare active management strategies, including market timing and security selection, and evaluate strategy changes in terms of the fundamental law of active management	35e	40e	
		describe the practical strengths and limitations of the fundamental law of active management	35f	40f	
36	Exchange-Traded Funds-Mechanics and Applications	explain the creation/redemption process of ETFs and the function of authorized participants	36a	35a	
		describe how ETFs are traded in secondary markets	36b	35b	
		describe sources of tracking error for ETFs	36c	35c	
		describe factors affecting ETF bid-ask spreads	36d	35d	

Reading No.	Reading Name	Learning Outcome	2025 LOS	2024 LOS	Changes
36	Exchange-Traded Funds-Mechanics and Applications	describe sources of ETF premiums and discounts to NAV	36e	35e	
		describe costs of owning an ETF	36f	35f	
		describe types of ETF risk	36g	35g	
		identify and describe portfolio uses of ETFs	36h	35h	
37	Using Multifactor Models	describe arbitrage pricing theory (APT), including its underlying assumptions and its relation to multifactor models	37a	36a	
		define arbitrage opportunity and determine whether an arbitrage opportunity exists	37b	36b	
		calculate the expected return on an asset given an asset's factor sensitivities and the factor risk premiums	37c	36c	
		describe and compare macroeconomic factor models, fundamental factor models, and statistical factor models	37d	36d	
		describe uses of multifactor models and interpret the output of analyses based on multifactor models	37e	36e	
		describe the potential benefits for investors in considering multiple risk dimensions when modeling asset returns	37f	36f	
		explain sources of active risk and interpret tracking risk and the information ratio	37g	36g	
38	Measuring and Managing Market Risk	explain the use of value at risk (VaR) in measuring portfolio risk	38a	37a	
		compare the parametric (variance–covariance), historical simulation, and Monte Carlo simulation methods for estimating VaR	38b	37b	
		estimate and interpret VaR under the parametric, historical simulation, and Monte Carlo simulation methods	38c	37c	
		describe advantages and limitations of VaR	38d	37d	
		describe extensions of VaR	38e	37e	
		describe sensitivity risk measures and scenario risk measures and compare these measures to VaR	38f	37f	
		demonstrate how equity, fixed-income, and options exposure measures may be used in measuring and managing market risk and volatility risk	38g	37g	
		describe the use of sensitivity risk measures and scenario risk measures	38h	37h	
		describe advantages and limitations of sensitivity risk measures and scenario risk measures	38i	37i	
		explain constraints used in managing market risks, including risk budgeting, position limits, scenario limits, and stop-loss limits	38j	37j	
39	Backtesting and Simulation	explain how risk measures may be used in capital allocation decision	38k	37k	
		describe risk measures used by banks, asset managers, pension funds, and insurers	38l	37l	
		describe objectives in backtesting an investment strategy	39a	38a	
		describe and contrast steps and procedures in backtesting an investment strategy	39b	38b	
		interpret metrics and visuals reported in a backtest of an investment strategy	39c	38c	
		identify problems in a backtest of an investment strategy	39d	38d	
		evaluate and interpret a historical scenario analysis	39e	38e	
		contrast Monte Carlo and historical simulation approaches	39f	38f	
explain inputs and decisions in simulation and interpret a simulation	39g	38g			
demonstrate the use of sensitivity analysis	39h	38h			
Ethics					
40	Code of Ethics and Standards of Professional Conduct	describe the six components of the Code of Ethics and the seven Standards of Professional Conduct	40a	41a	
		explain the ethical responsibilities required of CFA Institute members and candidates in the CFA Program by the Code and Standards	40b	41b	

Reading No.	Reading Name	Learning Outcome	2025 LOS	2024 LOS	Changes
41	Guidance for Standards I–VII	demonstrate a thorough knowledge of the CFA Institute Code of Ethics and Standards of Professional Conduct by applying the Code and Standards to specific situations	41a	42a	
		recommend practices and procedures designed to prevent violations of the Code of Ethics and Standards of Professional Conduct	41b	42b	
42	Application of the Code and Standards-Level II	evaluate practices, policies, and conduct relative to the CFA Institute Code of Ethics and Standards of Professional Conduct	42a	43a	
		explain how the practices, policies, and conduct do or do not violate the CFA Institute Code of Ethics and Standards of Professional Conduct	42b	43b	