



Applied Financial Planning Certification Examination Candidate Guidelines

JULY 2024

TABLE OF CONTENTS

Introduction	1
Qualifying for the AFP Certification Examination	1
AFP Certification Examination Criteria	2
Using the PFP® Professional Competency Profile in Exam Preparation	3
Examination Blueprints	4
Examination Structure	5
Examination Development	6
AFP Exam 1: Examination Question Format	6
AFP Exam 2: Case Studies and Constructed-Response Questions	10
AFP Exam 2: Examination Question Format	11
Sample AFP Exam 2	17
Materials Required for AFP Certification Examinations	17
Exam Security	18
Scoring the AFP Certification Examination	18
Exam Results Notification	19
Exam Feedback	19
Candidate Performance Records	20
Appealing Exam Results	20

Introduction

These guidelines are provided to assist candidates preparing to write the Applied Financial Planning (AFP) Certification Examination to earn the Personal Financial Planner (PFP®) certification. The AFP Certification Examination consists of two examinations, completed separately: AFP Exam 1 and AFP Exam 2. Successful completion of the AFP Certification Examination is required prior to becoming certified as a PFP®.

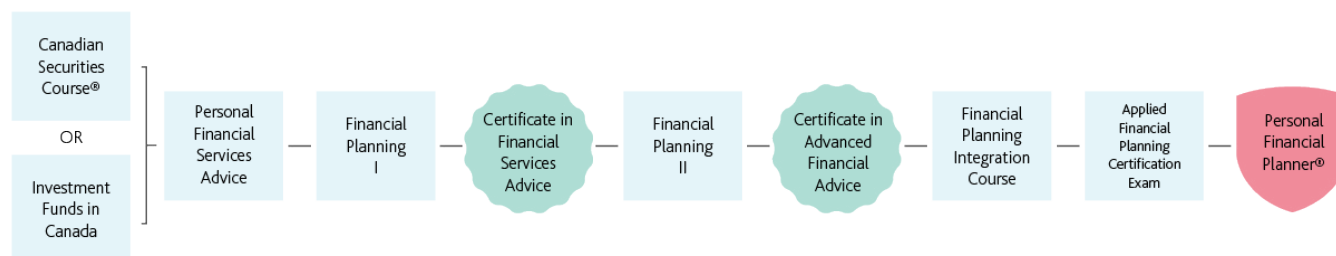
The AFP Certification Examination assesses the theoretical and applied knowledge, skills and attitudes possessed by fully competent financial planners as demonstrated in the [2022 PFP® Professional Competency Profile](#) and validated by practitioners in the field.

Qualifying for the AFP Certification Examination

The PFP® designation requires applicants to complete an approved educational path prior to enrolling in the AFP Certification Examination. There are currently approved paths offered by CSI, [Mohawk College](#), [Seneca College](#) and [Fanshawe College](#).

For the CSI path, candidates can enter the program through one of two entry points: the [Investment Funds in Canada \(IFC\) course](#) or the [Canadian Securities Course \(CSC\)](#) and complete the required courses thereafter. In selecting a course of study, candidates should choose the path that relates most appropriately to their learning and career goals and objectives.

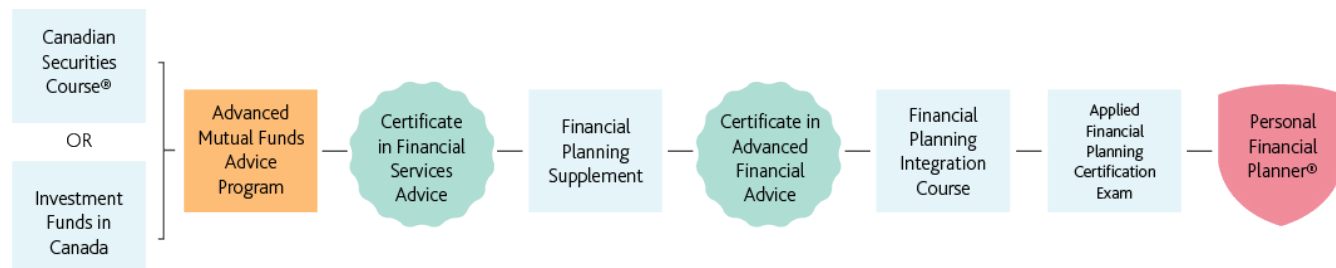
Personal Financial Planner (PFP®) – Pathway for Banking and Credit Union Employees



Personal Financial Planner (PFP®) – Pathway for Investment Advisors



Personal Financial Planner (PFP®) – Pathway for Independent Mutual Fund Advisors



Each course in the education path is designed to support an individual's' career progression by building on their knowledge base. To earn the PFP® designation, applicants must also have three years of relevant [work experience](#) in addition to completing the required courses and successful completion of the AFP Certification Examination.

Graduates of approved college programs are also eligible to write the AFP Certification Examination and on successful completion must meet all other requirements for certification.

CSI may provide course exemptions for their approved education path to the AFP Certification Examination. Individuals who have completed recognized financial planning courses from educational providers other than CSI can [apply](#) for course exemptions for IFC, PFSA, FP I or FP II.

Completing the education, work experience and examination requirements are components of meeting the requirements for PFP® Certification and other components must be met to earn the certification. Additional details about these requirements are available at the [PFP® page](#) of the CSI website.

AFP Certification Examination Criteria

The [2022 PFP® Professional Competency Profile](#) (*the Competency Profile*) is the criteria for the AFP Certification Examination and what each of AFP Exam 1 and AFP Exam 2 assesses. The *Competency Profile* lays out the specific competencies expected of practitioners certified as Personal Financial Planners. A competency is the specific knowledge, skills and attitudes demonstrated by those practitioners; it describes more than just what a practitioner needs to know to practice but provides a description of what they must be able to do in practice.

The *Competency Profile* was created by practicing financial planners and validated through an exhaustive process by PFP® holders in keeping with best practices for developing competency profiles. This process resulted in a competency profile in which the competency statements are classified in eight broad competency themes. These include two enabling competency areas, where the competencies drive performance across all areas of financial planning:

Enabling Competencies

- Professional Conduct and Regulatory Compliance
- Client Relationship and Practice Management

And, six technical competency areas that drive performance in specific functions within financial planning:

Technical Competencies

- Asset and Liability Management
- Risk Management and Insurance
- Investment Planning
- Tax Planning
- Retirement Planning
- Estate Planning

Within each competency grouping, the competency statements describe the various behaviours and actions related to the competency area. The competency statement is assigned to the most relevant competency area, but may also be applicable within the realm of other competency areas reflecting the integrative nature of financial planning.

Each of the eight competency areas includes a list of knowledge statements that drives performance of the related competencies. A practitioner cannot be deemed competent without possessing the necessary knowledge and skills to demonstrate the competencies. Each set of competency statements includes an applicable high-level listing of knowledge and skills. Candidates for the AFP Certification Examination should recognize that the list of knowledge and skills is not all-inclusive and other knowledge may be applicable within the practice of financial planning.

Using the PFP® Professional Competency Profile in Exam Preparation

It is sometimes a common error that candidates for professional certification examinations fail to understand the scope of a professional certification exam. Some candidates may believe that simply reading the textbook from the last course in a qualifying education program can be sufficient preparation; however, that is seldom the case. Professional certification examinations, like AFP Exam 1 and AFP Exam 2 typically cover the full breadth of knowledge, skills and attitudes required by the position to be certified, and this scope is usually articulated in documents like the [2022 PFP® Professional Competency Profile](#). As such, it is imperative that candidates for the AFP Examinations use the *Competency Profile* to guide their preparation by aiding in identifying what information is required for examination success.

As it is the criteria for the AFP Certification Examination, only the areas listed in the *Competency Profile* is subject to testing on the examinations. It is important to note that all competency statements, and knowledge and skills of the *Competency Profile* are examinable on each of AFP Exam 1 and AFP Exam 2 as per their respective exam blueprints. It is equally important to note that it is not possible to test all competency statements, with the complete combination of knowledge and skills, on any one exam. Instead, CSI samples from the *Competency Profile* in keeping with the published examination blueprint.

As you begin your preparation for AFP Exam 1 and AFP Exam 2, create a study plan that sets out the time commitment, where you will study and what you will study. Although CSI does not have a recommended number of study hours for the certification examination, our surveying of exam candidates does tell us that the majority of candidates spend more than 80 - 100 hours preparing for their AFP Exam. Your study plan should be created to allow you sufficient time to adequately prepare for either exam.

Professional certification examinations are often exercises in self-study, including the collection of preparation resources and materials. As you prepare to study for and write your certification examination, you should collect your course materials from your qualifying education path, and other reference materials as resources for your exam preparation. Remember – the certification exam is based on the *Competency Profile*, not your course materials; however, the courses that form the education path to the certification examination were approved as such because the education aligns with the expectations of the *Competency Profile*. You will need those course materials, and possibly others, to prepare for your exam attempts.

The *Competency Profile* should be the centerpiece of your exam preparation:

- Cross-reference the *Competency Profile* with your course and study materials.
 - » Start with the knowledge statements:
 - › Do the reference materials provide sufficient information about the knowledge and skills to allow you to demonstrate the competencies?
 - › Identify gaps in the materials. Identify the gaps in your own learning and knowledge.
 - › Research beyond the materials that you have to gain sufficient information to fill in those gaps.
 - » Review each competency statement.
 - › Think about the actions that you would perform to demonstrate that competency.
 - What would you be doing or how would you be interacting with a client if you were “Explaining the impact of credit standing on the ability to borrow” (competency 3.12)?
 - › Review the knowledge statements associated with the competencies. Do you possess sufficient knowledge for each statement to effectively demonstrate the competency? Ensure that you have sufficient knowledge and skills to demonstrate each competency statement; research and review to enhance your knowledge and skills.
 - » Understand the relative weightings for each competency area from the Examination Blueprint. Allocate your study and preparation time appropriately.

Examination Blueprints

CSI builds examinations using an examination blueprint, which outlines what will be assessed on the examination and how each topic will be weighted on the examination.

Both the AFP Exam 1 and AFP Exam 2 assess a candidate's ability to demonstrate the competencies of the [2022 PFP® Professional Competency Profile](#) by requiring that candidates apply the related knowledge in answering the posed questions.

Both of AFP Exam 1 and AFP Exam 2 are three hours in duration. AFP Exam 1 consists of 105 stand-alone multiple-choice questions, and AFP Exam 2 is a constructed-response examination that includes four case studies, reflecting typical financial planning situations. Each case includes three – five related questions to be completed by constructing written responses to the posed questions.

The AFP Certification Examinations will draw from all competencies from the PFP® Professional Competency Profile, but each of AFP Exam 1 and AFP Exam 2 is uniquely weighted to reflect the expected cognitive level and assessment format of the respective examination. These weightings are noted on the following table.

Exam Blueprint: Approximate Exam Percentage Weightings

COMPETENCY		AFP Exam 1	AFP Exam 2
		% WEIGHTING BY COMPETENCY	% WEIGHTING BY COMPETENCY
ENABLING COMPETENCIES			
01	Professional Conduct and Regulatory Compliance	10%	10%
02	Client Relationship and Practice Management	6%	7%
TECHNICAL COMPETENCIES			
03	Asset and Liability Management	11%	13%
04	Risk Management and Insurance	12%	12%
05	Investment Planning	17%	15%
06	Tax Planning	14%	14%
07	Retirement Planning	17%	19%
08	Estate Planning	13%	10%
TOTAL		100%	100%

CSI adheres to this examination blueprint with +/- 2% when building examinations. Each question is linked to one or more competency statements, and the examinations overall meets the requirement of this blueprint. Candidates for the AFP Certification Examination should use these blueprints with the PFP® Professional Competency Profile as the basis of preparation for the Certification Examination. Using these materials will help focus preparation strategies and allocate time and resources appropriately.

Examination Structure

The AFP Certification Examination requires that candidates successfully complete **both** examinations per enrolment to be eligible to apply for the PFP® certification.

CSI *strongly recommends* that candidates successfully complete AFP Exam 1 prior to attempting AFP Exam 2. The assessment in AFP Exam 2 builds on the content and depth examined in AFP Exam 1 with a greater expectation for candidates to analyze, evaluate and formulate strategies to present solutions for client situations. The Candidate Performance Report from AFP Exam 1 may also assist candidates in identifying areas of weakness for preparation for AFP Exam 2.

Examination Development

The AFP Certification Examination is subject to a rigorous test development process that adheres to the utmost standards in certification. We meticulously align our practices with international testing standards to ensure compliance with rigorous certification protocols.

Examination content – including multiple-choice questions for AFP Exam 1 and the case studies and constructed-response questions for AFP Exam 2 – are developed by practicing subject matter experts who receive extensive training and feedback on developing such materials. The examination questions are designed using accepted best practices in test development and to measure the competencies set out in the *Competency Profile*. All examination questions are subject to a rigorous review process conducted by a volunteer Exam Review Committee - comprised of designation holders and financial planning practitioners - who verifies the accuracy of the examination content, and assignment and application of the appropriate competency.

Exam questions are subject to a structural, editorial and technical review. The technical review involves practitioners from across Canada and the financial planning industry who review materials to ensure accuracy and relevance of questions, and adherence to the *Competency Profile*. Further, these reviews also require approval that the language of the examination questions is clear, unambiguous and free, as much as possible, of bias. Only after such review and approval are questions included on the AFP Certification Examination.

For AFP Exam 2 the exam developers and reviewers also create and approve the solution key and instructions for marking the constructed-response questions.

AFP Exam 1: Examination Question Format

AFP Exam 1 includes only multiple-choice questions that test the application of the competencies required of a financial planner. Multiple-choice questions provide an excellent method to assess candidates' ability to demonstrate that they can apply their knowledge of the various facets of financial planning to real situations. AFP Exam 1 contains questions with four options and candidates are expected to choose the best or most appropriate response from the four options presented.

Each multiple-choice question is designed to assess a candidate's ability to apply knowledge to demonstrate the competencies required of a financial planner. The following pages include a sampling of the types of questions that will be provided with an identification of how the question is linked to the *Competency Profile*.

EXAMPLES

Question 1:

What combination of data would a financial planner look for on a client's cash flow statement?

- a) Stocks, RESPs, liability insurance, RRSPs, GICs.
- b) Capital gains, rent, home insurance, value of automobile.
- c) Salaries, profit-sharing stock, federal taxes, CPP contributions.
- d) Dividend income, alimony payments, disability premiums, tuition.

Question Example on the Exam Platform:

The screenshot shows a digital exam interface. On the left is a vertical list of question numbers from 1 to 33, with question 5 highlighted in green. The main area displays the question: "What combination of data would a financial planner look for on a client's cash flow statement?". Below the question are four options, each in a text box: A. Stocks, RESPs, liability insurance, RRSPs, GICs.; B. Capital gains, rent, home insurance, value of automobile.; C. Salaries, profit-sharing stock, federal taxes, CPP contributions.; D. Dividend income, alimony payments, disability premiums, tuition. At the bottom of the interface are icons for a calculator, a question mark, and navigation buttons labeled "Back" and "Next".

Solution: d) Dividend income, alimony payments, disability premiums, tuition.

Rationale: Cash flow statements itemize various forms of income and expenses. Each of option a), b) and c), contain data that would appear on a net worth statement, comingled with sources of income and types of expenses. Only option d) lists forms of income and expenses exclusively.

PFP® Professional Competency Profile - Competencies Assessed:

In correctly answering this question, a candidate is expected to demonstrate **Competency 3.8**

Prepare personal financial statements **from competency area 3**. Asset and Liability Management.

By correctly answering this question the candidate is applying the linked knowledge of: Cash flow statement.

Question 2:

If Kyra deposits \$4,000 annually at the end of each year in a savings account that earns 4% interest annually, approximately how much will she have after six years?

- a) \$17,498
- b) \$26,532
- c) \$27,593
- d) \$31,593

Question Example on the Exam Platform:

The screenshot shows a digital exam interface. At the top, it says 'Test:' and 'Candidate: VIERA Amanda'. On the left is a vertical list of question numbers from 1 to 35. Question 5 is highlighted. The main area displays the question: 'If Kyra deposits \$4,000 annually at the end of each year in a savings accounts that earns 4% interest annually, approximately how much will she have after six years?'. Below the question are two icons: 'Acronyms' and 'Calculator'. There are four answer options, each in a text box: A. \$17,498, B. \$26,532, C. \$27,593, and D. \$31,593. At the bottom of the interface are icons for a calculator, a question mark, and navigation buttons labeled '< Back' and 'Next >'.

Solution: b) \$26,532

Rationale: Using a time value of money calculation, the correct response is calculated:

$N = 6$ years

$I/Y = 4\%$ interest annually

$PMT = -\$4,000$

$PV = \$0$

Solve for $FV = \$26,532$

Option a) is incorrect because the N and I/Y values were inversed; option c) is incorrect because the calculator was put on BGN mode; option d) is incorrect because a PV of 4,000 is used.

PFP® Professional Competency Profile - Competencies Assessed:

In correctly answering this question, a candidate is expected to demonstrate Competency 3.10

Create financial projections for future cash flow, net worth, and budget **from competency area 3**. Asset and Liability Management.

By correctly answering this question the candidate is applying the linked knowledge of: Time value of money.

Question 3:

Simon and Geena recently purchased a commercial property, financing it using a 5-year fixed interest rate mortgage amortized over 15 years. What kind of life insurance is most appropriate to protect their investment if either of them dies?

- a) Joint first-to-die life insurance.
- b) Term-to-100 life insurance on each of them.
- c) Ten-year renewable term life insurance on each of them.
- d) Participating convertible term insurance on each of them.

Question Example on the Exam Platform:

Test : Candidate : VIERO Amanda

Simon and Geena recently purchased a commercial property, financing it using a 5-year fixed interest rate mortgage amortized over 15 years. What kind of life insurance is most appropriate to protect their investment if either of them dies?

Acronyms
Calculator

A. Joint first-to-die life insurance.

B. Term-to-100 life insurance on each of them.

C. Ten-year renewable term life insurance on each of them.

D. Participating convertible term insurance on each of them.

Solution: c) Ten-year renewable term life insurance on each of them

Rationale: The main need for these clients is over the next 15 years; therefore, there is little need for term-to-100 insurance. This will eliminate b). Furthermore, as the purpose of the insurance is to protect against any loss relating to the mortgage, permanent insurance would not be necessary, in addition to being a more costly option. This will eliminate option d). Lastly, a joint, first-to-die (JFTD) policy such as a) did not state either permanent JFTD policy or JFTD term policy; also it did not indicate the term length if it is a term policy so there is not enough information to select this as the "most appropriate answer"; therefore, the "most appropriate answer" would be c).

PFP® Professional Competency Profile - Competencies Assessed:

In correctly answering this question, a candidate is expected to demonstrate Competency 3.10

Create financial projections for future cash flow, net worth, and budget **from competency area 3**. Asset and Liability Management.

By correctly answering this question the candidate is applying the linked knowledge of: Time value of money.

This question uses the term 'most appropriate' implying that the candidate has to evaluate which of the four options is the most appropriate. And, even though the other options may also be appropriate, only one of them is the most so as to meet the full scope of the client's needs.

AFP Exam 2: Case Studies and Constructed-Response Questions

This three-hour examination consists of four financial planning scenarios (case study), each with three – five related questions. Questions may include sub-questions or have the question broken down into smaller parts to earn the total marks (e.g., Question 1a and 1b).

Each case study is independent of the others and any information related to a particular case study refers to the questions assigned to that case study only and should not be used in the attempt to solve or respond to any other questions on the exam. It is important to read each case study in its entirety, including any related information (e.g., cash flow statements, statements of net worth and assumptions), prior to providing your responses. It is equally important to apply only information that is supplied by the case study or required by the questions to your responses, and to not assume or include any new information into the question (e.g., inflation rates, province-specific rules).

Candidates construct a response to the posed question and provide a written response (in long-hand) on the exam platform. The examination may also include a number of charts or data sheets requiring completion (e.g., cash flow, statement of net worth, etc.).

A case study and related questions is used to test candidates' ability to demonstrate the competencies and ability to apply the professional knowledge and skills as set out in the *Competency Profile*. The individual case scenarios could include any or all of the following components of a financial plan relative to the client's described financial situation:

- Professional Conduct and Regulatory Compliance
- Client Relationship and Practice Management
- Asset and Liability Management
- Risk Management and Insurance
- Investment Planning
- Tax Planning
- Retirement Planning
- Estate Planning

Questions presented on AFP Exam 2 will focus specifically on the candidate's ability to apply their financial planning knowledge to demonstrate competence in the practice of financial planning as required by the case study and related questions. Candidates should be prepared to demonstrate their knowledge of the various components of financial planning in responding to questions on AFP Exam 2.

Like AFP Exam 1, any and all competencies from the *Competency Profile* are subject to testing and candidates should be prepared to demonstrate those competencies across the entire exam. Candidates should be prepared that AFP Exam 2 places a more significant emphasis on analyzing information and formulating strategies and recommendations across the examination than does the AFP Exam 1. The Exam Blueprint shows how AFP Exam 2 is approximately weighted by the competency areas of the *Competency Profile*.

AFP Exam 2: Examination Question Format

AFP Exam 2 includes only constructed-response questions that require candidates to provide a written response to posed questions that will assess a candidate's competence in the area of financial planning. Constructed-response questions provide an excellent opportunity to demonstrate the ability to analyze information provided in the case study and apply that analysis to a client's financial situation.

The case study provides a scenario from which exam questions were developed and from which candidates will need to respond to those questions. There are four case studies presented in AFP Exam 2, with three – five questions presented for each scenario. Many of those questions may also include sub-questions (labeled a, b, c, etc.). Where questions have more than one part, a heading on the page where the question begins will indicate the number of parts in that question, i.e. "Question 2 has two parts: 2a and 2b".

Generally speaking, all questions on AFP Exam 2 adhere to the following structure:

- A posed question or directive with a template provided for a response. The template is there to provide guidance and may be in the form of various financial planning documents, such as a cash flow forecast or net worth statement or a simple table that provide a space and context for a response.

Instructions for the examination questions also include the marks assigned to each question, or question part thereof.

Following are some general tips for answering the examination questions for AFP Exam 2:

- Review the question directive to understand exactly what is required of the response, both in content and format.
- Pay careful attention to the verbs directing you for your response – questions may ask you to *list, identify, explain, recommend, calculate*, etc. Understand from those verbs the depth required in your response – the expectation of a response for a question that directs candidates to list something is quite different than the expectation for a question that asks candidates to explain.
 - » Reading the question carefully helps ensure that you can respond appropriately to the question directive without providing too much or not enough information for the direction in the question.
- Pay careful attention to the assigned marks per question (or part thereof) and the exam time. Candidates should remember that due to various factors, some questions may require more time than others and some will require less. Candidates should monitor the time as they move through the exam questions.
 - » Understand the relationship between the number of marks, the question directive and the expected response. If a question directs the candidate to "List and explain three factors that will impact the client's desired changes to her estate plan." and has six marks assigned, it is reasonable to conclude that there is one mark awarded for each listed factor, and one mark for each explanation. Candidates can only earn the maximum number of marks for each question and it is therefore unnecessary and a drain on the examination time to write more information than is required. If a question asks for three factors, as an example, and is worth three marks, do not write six points – only three marks can be awarded.

- Unless explicitly stated otherwise in the question directive, candidates can use brief phrases, or bullet points, but should be sure that such response is answering the question as instructed and aligned with the assigned marks. Marks are assigned only for correct responses that answer the question posed; marks are not deducted for incorrect responses.

On the next pages are a short case and two related questions that demonstrate examination questions with a response template. Both questions are actual past examination questions from past AFP Exam 2 exams. A Sample AFP Exam 2, which provides four case study scenarios and related questions, is available on the BlackBoard learning portal, which is accessible after enrolment for the AFP Certification Examination.

Case Study Example:

Malcolm, age 40, works as a luxury car salesman and has enjoyed investing as a hobby. In the past, he would spend a great deal of time researching investments and had been an active equity trader. Now as he has become busier and more successful at work, he feels he has less time available to manage his investment portfolio. He would like keep the same level of returns, but wishes to reduce risk and opt for a more balanced portfolio of 60% equities/40% fixed income moving forward. He has based certain financial goals on the results he had previously achieved, but would like to remove some of the overall volatility experienced in his portfolio to achieve them. Malcolm feels that though he has seen success in his investment strategy, he would now have greater peace of mind knowing the volatility his portfolio might experience would decrease. He is meeting with an advisor to discuss the potential delegation of this task.

Malcolm earned an income of \$160,000 last year. Based on customer loyalty and referrals, he expects his earnings to remain the same for the foreseeable future. He has never contributed to an RRSP, but has accumulated \$100,000 in a non-registered investment account and \$25,000 in a TFSA. He has an additional \$35,000 of available contribution room in the TFSA, and has an RRSP contribution limit currently of \$110,000.

One of Malcolm's greatest concerns is the amount of personal income tax that he pays. Given his income, his marginal tax rate is 43%. He would like to explore strategies that would help him reduce his overall tax payable.

EXAMPLE QUESTION A:

Instructions: Identify two advantages and two disadvantages of rebalancing Malcolm's overall investment portfolio to reduce risk.

Marks: 4

Provide your answer in the template provided below.

Rebalancing the Portfolio to Reduce Investment Risk: (4 marks)	
Advantages	
1.	
2.	
Disadvantages	
1.	
2.	

Case Study Example on the Exam Platform:

PDF Viewer

90%

Sample Case Study 1: Malcolm's Portfolio

Read Sample Case Study 1. Answer sample questions 1 to 2.

Malcolm, age 40, works as a luxury car salesman and has enjoyed investing as a hobby. In the past, he would spend a great deal of time researching investments and had been an active equity trader. Now as he has become busier and more successful at work, he feels he has less time available to manage his investment portfolio. He would like the same level of returns, but wishes to reduce risk and opt for a more balanced portfolio of 60% equities/40% fixed income. Moving forward, he has sensed certain financial goals on the horizon he has previously identified, but would like to remove some of the overall volatility experienced in the portfolio to achieve them. Malcolm feels that though he has seen success in his investment strategy, he would now have greater peace of mind knowing the volatility his portfolio might experience would decrease. He is meeting with an advisor to discuss the potential delegation of this task.

Malcolm earned an income of \$180,000 last year. Based on customer loyalty and referrals, he expects his earnings to remain the same for the foreseeable future. He has never contributed to an RRSP, but has accumulated \$100,000 in a non-registered investment account and \$25,000 in TFSA. He has an additional \$25,000 of available contribution room in the TFSA, and has an RRSP contribution limit currently of \$17,500.

One of Malcolm's greatest concerns is the amount of personal income tax that he pays. Given his income, his marginal tax rate is 43%. He would like to explore strategies that would help him reduce his overall tax payable.

Page: 12
Section: Introduction
Introduction Time Rem...
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Finish Test

Test: Applied Financial Planning Certification Examination 2
Candidate: VIER, Amanda

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Answering Constructed Response Questions

Constructed response questions require a written analysis or explanation. Questions will appear on one or multiple pages. Some questions may contain one or multiple answer boxes, and for each answer box, answers are to be written in the provided fields.

Read each question and carefully note the direction in the question for the expected response and the marks awarded for each question; provide responses accordingly. Additional marks are not awarded if a candidate provides more information than required.

Once you have finished practicing, click the 'Next' button to continue to the second part of the sample question.

Sample Question 1 (10 Marks)

Sample Question 1 is comprised of two parts: 1.1 and 1.2.

Sample Question 1.1: 4 Marks

Sample Question instructions: Identify two advantages and two disadvantages of rebalancing Malcolm's overall investment portfolio to reduce risk.

Sample Case Header
Acronyms
Calculator

Rebalancing the Portfolio to Reduce Investment Risk: (4 marks)

Advantages:

1.

2.

Disadvantages:

1.

2.

This page requires scrolling

Back Next Start the Test

Solution to Example Question A:

Note that for Sample Question A, one mark would be awarded for each advantage and disadvantage provided.

Rebalancing the Portfolio to Reduce Investment Risk: (4 marks)	
Advantages	
1.	- Reduces portfolio risk and volatility. OR - Less volatile portfolio is more appropriate for Malcolm's reduced time to manage investments.
2.	Would allow Malcolm to have greater peace of mind regarding his portfolio.
Disadvantages	
1.	The same level of returns may not be achievable in a balanced portfolio.
2.	Malcolm may have to revise his goals, basing them instead on returns achievable in a balanced portfolio.

PFP® Professional Competency Profile - Competencies Assessed:

In correctly answering this question, a candidate is expected to demonstrate **Competency 5.11** Analyze advantages and disadvantages of investment strategies in relation to the client's goals and objectives **from competency area 5**. Investment Planning.

By correctly answering this question the candidate is applying the linked knowledge of: Relationship between risk and return, and Asset allocation.

Example Question B

Instructions: Recommend three tax planning strategies that Malcolm could implement that would decrease his total tax payable. For each recommendation, provide an explanation as to how this strategy would reduce his tax burden.

Provide your answer in the template provided below.

Marks: 6

1.	Tax Planning Strategy: (1 mark)
	How will this strategy reduce Malcolm's tax burden? (1 mark)
2.	Tax Planning Strategy: (1 mark)
	How will this strategy reduce Malcolm's tax burden? (1 mark)
3.	Tax Planning Strategy: (1 mark)
	How will this strategy reduce Malcolm's tax burden? (1 mark)

Case Study Example on the Exam Platform:

PDF Viewer

100%

Sample Case Study 4: Malcolm's Portfolio

Read Sample Case Study 4, answer sample questions 1 to 3.

Malcolm, age 40, works as a luxury car salesman and has acquired investing as a hobby. In the past, he would spend a great deal of time researching investments and had been an active trader before. Even as he has become busier and more successful at work, he has not left much time available to manage his investment portfolio. He would like to keep the same mix of returns, but wishes to reduce risk and opt for a more substantial portfolio of US-listed equities 40%, fixed income 30%, and cash 30%. He has asked your financial planner for his results but has previously allowed that the risk of a downturn in the market could be catastrophic. He would now like to have greater peace of mind knowing the volatility his portfolio might experience would decrease. He is meeting with an advisor to discuss the potential delegation of the task.

Malcolm earned an income of \$100,000 last year. Based on customer loyalty and referrals, he expects his earnings to remain flat going forward for the foreseeable future. He has never contributed to an RRSP, but has accumulated \$100,000 in a non-registered investment account and \$25,000 in RRSP. He has an additional \$10,000 in a TFSA. He has a taxable contribution room in the TFSA, and has a contribution limit currently of \$5,000.

One of Malcolm's greatest concerns is the amount of personal income tax that he pays. Given his income, the marginal tax rate is 54%. He would like to explore strategies that would help him reduce his overall tax payable.

Page: 13
Section: Introduction

Introduction Time Rem.: 00:21:07
Progress 0%
Candidate: VIER'S ANSWERS

Test: Applied Financial Planning Certification Examination 2

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20

Answering Constructed Response Questions - Cont.

Practice typing your response for the second part of the question below. Once you have finished practicing, click the 'Next button to continue.

Sample Question 1.2: 6 Marks

Sample Question Instructions: Recommend three tax planning strategies that Malcolm could implement that would decrease his total tax payable. For each recommendation, provide an explanation as to how this strategy would reduce his tax burden.

Sample Case Header

Acronyms

Calculator

1. Tax Planning Strategy: (1 mark)

How will this strategy reduce Malcolm's tax burden? (1 mark)

2. Tax Planning Strategy: (1 mark)

How will this strategy reduce Malcolm's tax burden? (1 mark)

3. Tax Planning Strategy: (1 mark)

How will this strategy reduce Malcolm's tax burden? (1 mark)

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Solution to Example Question B:

Note that for Sample Question B, one mark would be awarded for each identified tax planning strategy, and one mark would be awarded for each explanation of how that strategy would reduce Malcolm's tax burden.

1.	Tax Planning Strategy: (1 mark)
	• Top up TFSA using funds from the non-registered account.
	How will this strategy reduce Malcolm's tax burden? (1 mark)
	• Transferring the funds will shelter any future growth from tax.
2.	Tax Planning Strategy: (1 mark)
	• Contribute funds in non-registered account to an RRSP.
	How will this strategy reduce Malcolm's tax burden? (1 mark)
	• Would provide for an immediate and potentially significant income tax savings and refund in the year of contribution, and will allow funds to grow tax-sheltered until withdrawal.
	OR
	• RRSP contributions can be used to offset future years rather than just the year of contribution. This is relevant to Malcolm who is highly successful and has variable commission-based income that may fluctuate greatly from year to year.
3.	Tax Planning Strategy: (1 mark)
	• Begin regular contributions to an RRSP.
	How will this strategy reduce Malcolm's tax burden? (1 mark)
	• Regular contributions to an RRSP will reduce Malcolm's earned income, therefore reducing his income tax owing.

PFP® Professional Competency Profile - Competencies Assessed:

In correctly answering this question, a candidate is expected to demonstrate Competency 6.6

Determine appropriate tax planning strategies **from competency area 6.** Tax Planning.

By correctly answering this question the candidate is applying the linked knowledge of: Tax Shelters and Taxation of registered and non-registered accounts.

Sample AFP Exam 2

Upon enrolling for the AFP Certification Examination, candidates will have access to a Sample AFP Exam 2 through the BlackBoard learning portal. The Sample AFP Exam 2 includes:

- Four case studies describing the personal financial situations of unique clients.
- Four questions (some including sub-questions) related to each situation;
- A solution key that provides a selection of possible responses to the posed questions, and links from those responses to the PFP® Professional Competency Profile.

This Sample AFP Exam 2 is provided for the purpose of demonstrating:

- The format of the AFP Exam 2 case studies;
- A selection of different exam question and response template formats that you may encounter on an actual AFP Exam 2; however, you should be aware that these samples are not all-inclusive and other question formats may appear on an actual exam;
- The depth and complexity of exam questions;
- A selection of appropriate responses to the posed questions.

You should complete the Sample AFP Exam 2 as if you were writing an actual AFP Exam 2, keeping in mind that even though it contains four case studies and related questions that it is not necessarily the same length or difficulty as the actual examination. Please note that the solution key provides only a selection of possible responses and other responses may also be appropriate that are not listed in the solution. An actual AFP Exam 2 solution key usually has a range of possible responses to account for the complexity of financial planning situations and solutions as warranted by the exam question.

This Sample AFP Exam 2 is not designed as a diagnostic tool and should not be used as an indicator of performance on the actual AFP Exam 2. Further, the Sample AFP Exam 2 should not be used as a replacement for other exam preparation such as the *Competency Profile*, course materials or other preparatory materials.

Materials Required for AFP Certification Examinations

- Non-programmable financial planning calculator, supplied by the candidate. Calculators will be checked by invigilators prior to beginning exams.
- Visit [CSI's examination administration link](#) for a list of the general identification information and materials all candidates are required to have with them during exams. Candidates are subject to all CSI exam policies listed therein.

Exam Security

- An exam proctor monitors and records candidates in real time to ensure exam assets remain secure and guarantees fairness during the test-taking process. The exam platform also detects and blocks inappropriate key-strokes and tracks head movement.
- Candidate exam appointments have live video review functionality that can be recalled and reviewed for exam misconduct by test security staff.
- Anomaly detection algorithms are run routinely to flag and analyze candidates for unusual exam taking behaviors. Forensic analysis is conducted and may result in a summons to the ethics committee for review. The Committee can impose penalties ranging from giving a grade of zero to a suspension and advising of employers and regulators.

Scoring the AFP Certification Examination

The purpose of grading for AFP Exam 1 and AFP Exam 2 is to identify those candidates who meet the minimum standard necessary to pass the examinations and those who do not. To identify those passing candidates, the passing grade for AFP Exam 1 and AFP Exam 2 is established using sound psychometric principles for setting examination standards. Specifically, a best practice methodology for setting the passing score for certification examinations is used.

This methodology (the modified-Angoff method) uses the expert judgment of practitioners in the field of financial planning to determine the expected standard that must be met on each of AFP Exam 1 and AFP Exam 2 to demonstrate competence in the field of financial planning. These practitioners create and refine the definition of what is expected of a candidate who would meet the minimum standard of competence, and against that definition make an independent assessment of the expected performance of that candidate on each examination question. This process is repeated with all questions on the examination, and with aggregate candidate performance data informing the judgment. This process results in the determination of a raw passing score for the administered examination, which is subject to approval by the PFP® Advisory Council, an oversight committee responsible for the PFP® designation.

The raw passing score for the examination is not published. Instead, the raw score for each of AFP Exam 1 and AFP Exam 2 are transformed to a scale of 1 to 100, and 60 is presented as the passing score. Candidates who receive a scaled score of 60 or greater pass the examination; those who score less than 60 do not pass the exam.

AFP Exam 1 includes only multiple-choice questions, and are scored by the computer. There are protocols in place to identify any technical glitches or errors that may occur. AFP Exam 2 is subject to a rigorous marking administration to support consistency and accuracy of scoring and fairness to all candidates. Each examination is scored by two independent markers, who are practicing financial planners, against the examination answer key. The answer key has been meticulously created and vetted by the Exam Review Committee and against actual candidate responses. Any significant discrepancies in the scores between the two independent markers are reviewed by a third marker, and a final mark is awarded.

Exam Results Notification

- Official exam results will generally be available for AFP Exam 1 within 24 hours of writing the examination.
- Official exam results will generally be available for AFP Exam 2 within 30 business days of writing the examination.

Exam Feedback

CSI values feedback provided by candidates for examination processes and content. Candidates have the opportunity during the exam session to leave comments as feedback directly on each question for review by the Exam Design & Measurement (EDM) department.

Candidate comments added to a specific exam item are reviewed in aggregate with performance metrics. The Exam Review Committees for AFP Exam 1 and AFP Exam 2 also review comments received regarding examination questions. CSI will not be able to provide individual responses to specific exam questions due to the secure nature of the examinations.

How to Leave a Comment on the Exam Platform:

To comment on a question, click the **Comment** button displayed at the bottom right hand side of the exam screen. Then proceed to type the comment in the pop-up window, or remove the comment if necessary.

A screenshot of a 'Leave a comment' pop-up window. The window has a dark grey header with the title 'Leave a comment' and a close button (X) on the right. Below the header is a large text input area with a light blue border. At the bottom of the input area, there is a character count '0/300'. Below the input area are three buttons: 'Remove comment' (green), 'Cancel' (green), and 'Save' (green). A small green icon with a speech bubble is visible in the top left corner of the window.

Please make sure your comment is relevant to the question you are viewing. The Comments are only intended to identify errors or problems in the question and you should briefly identify what the problem is. Please note that providing feedback is optional. The examination timer will continue to run while comments are being entered.

Candidate Performance Records

A Candidate Performance Record will be available to candidates of AFP Exam 1 and AFP Exam 2 on the release of the individual exam result. The Candidate Performance Record provides an overall result (Pass or Fail), the individual exam score and the breakdown of the candidate performance against the published weightings of the competency areas in the AFP Exam Blueprint. Candidates will receive a percentage score for each of the competency areas in the [2022 PFP® Professional Competency Profile](#). This score shows the percentage score within that competency only and is not a percentage of the entire exam score. This is provided to assist candidates in identifying areas of strength and weakness so that the candidate can strengthen those weaker areas for a future examination attempt or in their financial planning practice. On receipt of the Candidate Performance Record candidates should refer to the PFP® Professional Competency Profile to identify for review any weaker performing areas.

Appealing Exam Results

It is highly unlikely that an exam score will change from “fail” to “pass” as a result of appealing exam results due to the reliable scoring methodologies in place.

In the event that candidates would still like to have either AFP Exam 1 or AFP Exam 2 remarked, a request can be made by submitting the [Re-Mark Request Form](#), available at our website, within four weeks of the release of your results. A fee of \$100 will apply for AFP Exam 1 and \$150 for AFP Exam 2. For AFP Exam 1, the response data from the candidate's appointment is re-run through a psychometric software platform. A psychometrician then reviews the scores and outcomes. For AFP Exam 2, the exam will be remarked by an additional marker, with any discrepancies between the first set of markers reviewed and a final mark awarded.

On completion of the remarking, candidates will receive a letter noting the result of the remarking and should a mark change from “fail” to “pass” the remark fee will be refunded. In no circumstances will additional details or insight be provided regarding exam performance, and the published or candidate's completed examination will not be available for review.