

Tips for a successful FRM examination
(as well as multiple-choice question exams)

(1) Exam strategy

There is no penalty for wrong questions, so you should answer all questions. Suppose there are 4 possible answers. In this case, even totally random choices should lead to an average score of 25%. Oftentimes, however, the answers can be narrowed down to a subset of two by discarding totally unrealistic answers. If not sure, take a random guess among these remaining two. Remember, let statistics play in your favor.

(2) Time management

The FRM exam has a large number of questions. Do not spend 30 minutes on one difficult question, just to find that you do not have time to answer easy questions later. Skip the difficult questions and come back to them later.

(3) Wording of questions

Answering multiple choice questions require careful reading of the wording. Sometimes, questions involve a negative statement (e.g., “is not”, “is incorrect”...), which can be confusing when interpreting the possible answers. I would advise circling negative statements in the question to highlight them.

Pay also attention to the type of compounding. This can be either continuous or discrete, in which case this will be typically annual. Double-check, however.

(4) Broad view

For questions that require numerical computations, the reader can often develop a rough estimate of the answer by taking a broad view. For example, suppose the answers are listed as the numbers 10.1, 20.3, 30.2, 40.2. It is sometimes possible to guess that the answer should be around 20. A detailed computation should confirm this result but will take time. In fact, this broad view is a very useful skill for risk managers, who need to be able to judge whether the output of their models make economic sense. Indeed, risk management can be described as the art of the approximation.