

## CTFA.aba

Number: CTFA  
Passing Score: 800  
Time Limit: 120 min



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## Exam A

### QUESTION 1

The amount of interest one pays to open credit depends\_\_\_\_\_ on the method the lender uses to calculate the balances on which they apply finance charges.

- A. Partly
- B. Fully
- C. Quarterly
- D. None of these

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

### QUESTION 2

They say it pays to shop around and when it comes to credit cards that are certainly true. Regardless of which category they fall into, there are basically four credit card features to look for. Which of the following is/are out of those features?



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- A. Annual fees
- B. Rate of interest charged on account balance
- C. Length of the expiration period
- D. Method of calculating balances

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 3**

It is a form of legal recourse open to insolvent debtors, who may petition a court for protection from creditors and arrange for the orderly liquidation and distribution of their assets.

- A. Personal bankruptcy
- B. Straight bankruptcy
- C. Wage earn plan
- D. Both A and B

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 4**

It is a legal proceeding that results in “wiping the slate clean and starting anew”; most of the debtor’s obligations are eliminated in an attempt to put the debtor’s financial affairs in order. What is it?

- A. Personal bankruptcy
- B. Straight bankruptcy
- C. Wage earn plan
- D. Both A and B

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 5**

It is a professional financial advisor who assists overextended consumers in repairing budgets for both spending and debt repayment.

- A. Credit counselor
- B. Consumer counselor
- C. Financial planner
- D. Underwriter

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 6**

Loans made for specific purposes using formally negotiated contracts that specify the borrowing terms and repayments are called:

- A. Mortgage loans
- B. Credit lines
- C. Consumer loans
- D. SME loans

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 7**

Collateral is a/an:

- A. An item of value used to secure the interest amount
- B. An item of value used to secure the principle portion of a loan
- C. An item of value used to secure the credit line of a loan
- D. An item of value used to secure the repayments of a loan

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 8**

Student loans are amortized with monthly payments over a period of 5 to 10 years. To help you service the debt, if you have several student loans outstanding then you can consolidate the loans, at a single blended rate, and extend the repayment period to s long as:

- A. 20 years
- B. 30 years
- C. 25 years
- D. 40 years

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 9**

Single payment loan is a loan:

- A. Made for a specified period
- B. At the end of which payment is due in full
- C. At the end of which half of the payment is due
- D. That expires within a year

**Correct Answer:** AB

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 10**

A loan that is repaid in a series of fixed, scheduled payments rather than a lump-sum is referred to as:

- A. Single payment loan
- B. Mortgage loan
- C. Installment loan
- D. College savings plan

**Correct Answer:** C

**Section: (none)**  
**Explanation**

**Explanation/Reference:**

**QUESTION 11**

In \_\_\_\_\_ the use of single-payment loan to finance a purchase or pay bills in situations where the funds to be used for repayment are known to be forthcoming in the near future.



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- A. Interim financing
- B. Installment loans
- C. College savings plan
- D. Commercial loans

**Correct Answer: A**  
**Section: (none)**  
**Explanation**

**Explanation/Reference:**

**QUESTION 12**

A firm that makes secured and unsecured personal loans to qualified individuals, also called a small loan company is called:

- A. Credit unions
- B. Consumer finance company
- C. Sales finance company
- D. Captive finance company

**Correct Answer: B**  
**Section: (none)**  
**Explanation**

**Explanation/Reference:**

**QUESTION 13**

With continuous compounding at 10 percent for 30 years, the future value of an initial investment of \$2,000 is closest to:

- A. \$34,898
- B. \$40,171
- C. \$164,500
- D. \$328,282

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 14**

You want to buy an ordinary annuity that will pay you \$4,000 a year for the next 20 years. You expect annual interest rates will be 8 percent over that time period. The maximum price you would be willing to pay for the annuity is closest to:

- A. \$32,000
- B. \$39,272
- C. \$40,000
- D. \$80,000

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 15**

A profitability index of .85 for a project means that:

- A. The present value of benefits is 85% greater than the project's costs

- B. The project's NPV is greater than zero
- C. The project returns 85 cents in present value for each current dollar invested
- D. The payback period is less than one year

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 16**

BackInSoon, Inc., has estimated that a proposed project's 10-year annual net cash benefit, received each year end, will be \$2,500 with an additional terminal benefit of \$5,000 at the end of the tenth year. Assuming that these cash inflows satisfy exactly BackInSoon's required rate of return of 8 percent, calculate the initial cash outlay. (Hint: With a desired IRR of 8%, use the IRR formula:  $ICO = \text{discounted cash flows}$ .)

- A. \$16,775
- B. \$19,090
- C. \$25,000
- D. \$30,000

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 17**

Which of the following statements is correct?

- A. If the NPV of a project is greater than 0, its PI will equal 0
- B. If the IRR of a project is 0%, its NPV, using a discount rate,  $k$ , greater than 0, will be 0
- C. If the PI of a project is less than 1, its NPV should be less than 0
- D. If the IRR of a project is greater than the discount rate,  $k$ , its PI will be less than 1 and its NPV will be greater than 0

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 18**

Assume that a firm has accurately calculated the net cash flows relating to an investment proposal. If the net present value of this proposal is greater than zero and the firm is not under the constraint of capital rationing, then the firm should:

- A. calculate the IRR of this investment to be certain that the IRR is greater than the cost of capital
- B. Compare the profitability index of the investment to those of other possible investments
- C. Calculate the payback period to make certain that the initial cash outlay can be recovered within an appropriate period of time
- D. Accept the proposal, since the acceptance of value-creating investments should increase shareholder wealth

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 19**

A project's profitability index is equal to the ratio of the of a project's future cash flows to the project's.



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- A. Present value; initial cash outlay
- B. Net present value; initial cash outlay
- C. Present value; depreciable basis
- D. Net present value; depreciable basis

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

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**QUESTION 20**

The discount rate at which two projects have identical is referred to as Fisher's rate of intersection.

- A. Present values
- B. Net present values
- C. IRRs
- D. Profitability indexes

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 21**

Two mutually exclusive investment proposals have "scale differences" (i.e., the cost of the projects differ). Ranking these projects on the basis of IRR, NPV, and PI methods give contradictory results.

- A. Will never
- B. Will always
- C. May
- D. Will generally

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 22**

If capital is to be rationed for only the current period, a firm should probably first consider selecting projects by descending order of.

- A. Net present value
- B. Payback period
- C. Internal rate of return

D. Profitability index

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 23**

The method provides correct rankings of mutually exclusive projects, when one is Not subject to capital rationing.

- A. Net present value
- B. Internal rate of return
- C. Payback period
- D. Profitability index

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 24**

In an NPV sensitivity graph, a steep sensitivity line for a particular input variable means that a in that variable results in a in NPV.

- A. Small percentage change; large change
- B. Large percentage change; small change
- C. Large percentage change; large change
- D. Small percentage change; small change

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 25**

One potential problem with sensitivity analysis is that it generally looks at sensitivity "one variable at a time." However, one way to judge the sensitivity of results to simultaneous changes in two variables, at least, is to construct an.

- A. NPV profile
- B. NPV sensitivity matrix
- C. NPV sensitivity graph
- D. None of these

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 26**

A bond issue may be retired by:

- A. calling the bonds if there is a call feature
- B. converting the bonds (if convertible) into common stock
- C. making a single-sum payment at final maturity
- D. All of the above

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 27**

Protective covenants are:

- A. To protect employees
- B. To protect the interest of the company
- C. To protect shareholders
- D. To protect bondholders

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 28**

Which of the following bonds offer the investor the most protection?

- A. First-mortgage bonds
- B. Debentures
- C. Sub Ordinated Debentures
- D. Income bonds

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 29**

A company refunds its bonds for any of the following reasons Except for:

- A. To eliminate restrictive covenants
- B. To reduce interest costs
- C. To show higher reported profits
- D. To issue new bonds at higher rate of interest

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 30**

The call-option value of a callable bond is likely to be high when:

- A. Interest rates are volatile
- B. Interest rates are low and expected to remain low
- C. Interest rate are high and expected to remain high
- D. Markets are inefficient

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

### **QUESTION 31**

Treasury stock is:

- A. Common stock issued by the U.S. government
- B. Preferred stock issued by the U.S. government
- C. Common stock that has been repurchased and is being held by the issuing company
- D. A corporation's common stock outstanding

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

### **QUESTION 32**

A call provision, a sinking fund, and/or conversion are used to retire:

- A. Bonds and preferred stock
- B. Bonds and common stock
- C. Preferred stock and common stock
- D. Only common stock

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 33**

Preferred shareholders' claims on assets and income of a firm come those of creditors those of common shareholders.

- A. Before; and also before
- B. After; but before
- C. After; and also after
- D. Equal to; and equal to

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 34**

Dual classes of are common in new ventures where promotional usually goes to the founders.

- A. Bonds; bonds
- B. Preferred stock; preferred stock
- C. Common stock; common stock
- D. Warrants; warrants

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**



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**QUESTION 35**

Palo Alto Industries has a debt-to-equity ratio of 1.6 compared with the industry average of 1.4. This means that the company:

- A. Will not experience any difficulty with its creditors
- B. Has less liquidity than other firms in the industry
- C. Will be viewed as having high creditworthiness
- D. Has greater than average financial risk when compared to other firms in its industry

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 36**

A legal claim permitting the lender in case the borrower defaults, to liquidate the items serving as collateral to satisfy the obligation is called:

- A. Chattel mortgage
- B. Lien
- C. Collateral note
- D. Loan application

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 37**

It is a mortgage on personal property given as a security for the payment of an obligation.

- A. Chattel mortgage
- B. Lien
- C. Collateral note
- D. Loan application

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 38**

\_\_\_\_\_ is a legal note giving to the lender the right to sell collateral if the borrower defaults on the obligation.

- A. Chattel mortgage
- B. Lien
- C. Collateral note
- D. Loan application

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 39**

These are additional charges you may owe if you decide to pay off your loan prior to maturity. What are these?

- A. Prepayment penalty
- B. Loan rollover
- C. Loan disclosure
- D. Loan repayment

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 40**

A universal life insurance policy provides two types of death protection. The first type, known as Option A, provides a level death benefit. As the cash value increases:

- A. The amount of pure insurance protection decreases
- B. The amount of pure insurance protection increases
- C. The amount of pure insurance protection remains same
- D. The amount of pure insurance protection start vary

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 41**

A method of calculating interest by computing finance charges on the original loan balance and then adding the interest to that balance.

- A. Rule of 78s
- B. Add-on method
- C. Credit life
- D. Pre-payment penalties

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 42**

Credit life or disability insurance is:

- A. A type of insurance in which the coverage decreases at the same rate as the loan balance
- B. A type of insurance in which the coverage increases at the same rate as the loan balance
- C. A type of insurance in which the coverage decreases at an inverse rate as the loan balance
- D. A type of insurance in which the coverage decreases at the half rate as the loan balance

**Correct Answer:** A

**Section: (none)**  
**Explanation**

**Explanation/Reference:**

**QUESTION 43**

Sometimes, as a condition of receiving an installment loan, a borrower is required to buy credit life insurance. From borrower's perspective, credit life insurance not a good deal because:

- A. It's very costly
- B. It does little more than give lenders a lucrative source of income
- C. It increases market interest charges
- D. It increases inflation

**Correct Answer: AB**

**Section: (none)**  
**Explanation**

**Explanation/Reference:**

**QUESTION 44**

An activity that reduces the probability that a loss will occur is called:

- A. Risk avoidance
- B. Loss Control
- C. Loss prevention
- D. Insurance policy

**Correct Answer: C**

**Section: (none)**  
**Explanation**

**Explanation/Reference:**

**QUESTION 45**

Loss control is an activity that:

- A. Avoid the act that would create loss
- B. Lessens the severity of loss once it occurs
- C. Lessens the severity of loss after its occurrence
- D. None of these

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 46**

Underwriting directly affects an insurance company's chances of success. If underwriting standards are too high, then people will be unjustly denied insurance converge and insurance sales will:

- A. Boost up
- B. Rise
- C. Drop
- D. Remain same

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 47**

Just as with other aspects of personal financial planning, life insurance decision can be made easier by following a step-by-step approach. You will need to answer some questions. Which of the following is/are Not out of those questions?

- A. Do you need life insurance?
- B. If so, how much life insurance do you need?
- C. Which type of life insurance is best?
- D. What risk factor can affect the final decision?

**Correct Answer:** D

**Section: (none)**

**Explanation**

**Explanation/Reference:**

**QUESTION 48**

Life insurance is intangible. You can't see, smell, touch or taste its benefits and those benefits mainly happen when someone is died. However, life insurance does have some important benefits that should not be ignored in the financial planning process. Which of the following is out of those benefits?



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- A. Protection from debtors
- B. Financial protection from dependents
- C. Vehicle for savings
- D. Interest benefit

**Correct Answer: BC**

**Section: (none)**

**Explanation**

**Explanation/Reference:**

**QUESTION 49**

A method of determining the amount of life insurance coverage needed by multiplying gross annual earnings by some selected number is called:

- A. Multiple of earnings method
- B. Need analysis method
- C. Tax saving method
- D. Whole life coverage

**Correct Answer: A**

**Section: (none)**

**Explanation**

**Explanation/Reference:**

**QUESTION 50**

According to multiple of earnings method, the rule of thumb used by many insurance agents is that your insurance coverage should be equal to 5 to 10 times your current income. For example, if you currently earn \$70,000 a year, using the multiple of earning method then you need between:

- A. \$300,000 and \$700,000 life insurance
- B. \$400,000 and \$700,000 life insurance
- C. \$390,000 and \$800,000 life insurance
- D. \$350,000 and \$700,000 life insurance

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 51**

Need analysis method is a more detailed approach than multiple-of-earnings method. This method considers both financial obligations and financial resources of the insured and his or her dependents. Which of the following steps is/are involved in this method?

- A. Estimate the total economic resources needed if the individual were to die
- B. Determine all financial resources that would be available after death, including existing life insurance and pension plan death benefits
- C. Subtract available resources from the amount needed to determine how much additional life insurance is required
- D. All of these

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 52**

Insurance that provides only death benefits, for a specified period, and does not provide accumulation of cash value is called:

- A. Straight term policy
- B. Term life insurance
- C. Decreasing term policy
- D. Renewability

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 53**

It is a term life policy written for a given number of years with coverage remaining unchanged throughout the effective period. What is it?

- A. Straight term policy
- B. Term life insurance
- C. Decreasing term policy
- D. Renewability

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 54**

It is a term life policy provision allowing the insured to renew the policy at the end of its term without having to show evidence of insurability

- A. Straight term policy
- B. Term life insurance
- C. Decreasing term policy
- D. Renewability

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 55**

Decreasing term policy is:

- A. A term insurance policy that maintains a level premium throughout all periods of coverage while the amount of protection decreases
- B. A term insurance policy that maintains a level premium throughout all periods of coverage while the amount of protection increases
- C. A term insurance policy that maintains a level premium throughout all periods of coverage while the amount of protection remains unchanged
- D. None of these

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 56**

\_\_\_\_\_ is the accumulated refundable value of an insurance policy; results from the investment earnings on paid-in insurance premiums.

- A. Cash value
- B. Nonforefeiture right
- C. Decreasing term policy
- D. Continuous premium

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 57**

Three major types of whole life policies are available. Which of the following is/are Not out of those?

- A. Continuous Premium
- B. Limited Premium

- C. Single premium
- D. None of these

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 58**

Whole life insurance is a life insurance designed to offer ongoing insurance coverage over the course of an insured's entire life. The noteworthy advantage of whole life insurance is:

- A. Premium payments contribute towards building an estate
- B. One can budget premium payments for a long period
- C. It's a low-load life insurance
- D. These are sold only by agents

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 59**

Group health insurance is the health insurance consisting of contracts written between a group, (employer, union, etc.) and the health care provider. Most health insurance plans fall into one of two categories. Which one of the following set represents those two categories?

- A. Traditional indemnity and PPO
- B. Traditional indemnity and managed care plans
- C. Fee-for-service indemnity and managed care plans
- D. Both B and C

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 60**

A form of HMO in which subscribers receive services from physicians practicing from their own offices and from community hospitals affiliated with the IPA.

- A. Individual practice association
- B. Preferred provider organization
- C. Exclusive provider organization
- D. Point-of-service plan

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 61**

It's a managed care plan that is similar to a plan that is similar to a PPO but reimburses members only when affiliated providers are used. What is it?

- A. Individual practice association
- B. Preferred provider organization
- C. Exclusive provider organization
- D. Point-of-service plan

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 62**

\_\_\_\_\_ is a hybrid form of HMO that allows members to go outside the HMO network for care and reimburses them at a specified percentage of the cost.

- A. Individual practice association
- B. Preferred provider organization
- C. Exclusive provider organization

D. Point-of-service plan

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 63**

If you have caused an accident, which type of automobile insurance would cover damage to your own car?

- A. Term
- B. Collision
- C. Comprehensive
- D. Liability

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 64**

Many savings programs are protected by the federal government against loss. Which of the following is Not?

- A. A bond issued by one of the 50 states
- B. A U.S. Treasury bond
- C. A U.S. savings bond
- D. A certificate of deposit at the bank

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 65**

Which of the following instruments is NOT typically associated with spending?

- A. Cash
- B. Credit card
- C. Debit card
- D. Certificate of deposit

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 66**

Doug must borrow \$12,000 to complete his college education. Which of the following would NOT be likely to reduce the finance charge rate?



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- A. If his parents took out an additional mortgage on their house for the loan
- B. If the loan was insured by the federal government
- C. If he went to a state college rather than a private college
- D. If his parents co-signed the loan

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 67**

If you had a savings account at a bank, which of the following would be correct concerning the interest that you would earn on this account?

- A. Sales tax may be charged on the interest that you earn
- B. You cannot earn interest until you pass your 18th birthday
- C. Earnings from savings account interest may not be taxed
- D. Income tax may be charged on the interest if your income is high enough

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 68**

Under which of the following circumstances would it be financially beneficial to you to borrow money to buy something now and repay it with future income?

- A. When some clothes you like go on sale
- B. When the interest on the loan is greater than the interest you get on your savings
- C. When you need to buy a car to get a much better paying job
- D. When you really need a weeklong vacation

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 69**

Retirement income paid by a company is called:

- A. Rents and Profits
- B. Social security
- C. 401(k)
- D. Pension

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 70**

Many people put aside money to take care of unexpected expenses. If John and Jenny have money put aside for emergencies, in which of the following forms would it be of LEAST benefit to them if they needed it right away?

- A. Stocks
- B. Saving account
- C. Invested in a down payment in the house
- D. Checking account

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 71**

Many young people receive health insurance benefits through their parents. Which of the following statements is true about health insurance coverage?

- A. Young people don't need health insurance because they are so healthy
- B. You continue to be covered by your parents' insurance as long as you live at home, regardless of your age
- C. You are covered by your parents' insurance until you marry, regardless of your age
- D. If your parents become unemployed, your insurance coverage may stop, regardless of your age

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 72**

If your credit card is stolen and the thief runs up a total debt of \$1,000, but you notify the issuer of the card as soon as you discover it is missing, what is the maximum amount that you can be forced to pay according to federal law?

- A. Nothing
- B. \$50
- C. \$500
- D. \$1000

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 73**

Kelly and Pete just had a baby. They received money as baby gifts and want to put it away for the baby's education. Which of the following tends to have the highest growth over periods of time as long as 18 years?

- A. A U.S. government savings bond
- B. A savings account
- C. A checking account
- D. Stocks

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 74**

Maria worked her way through college earning \$20,000 per year. After graduation, her first job pays \$40,000. The total dollar amount Maria will have to pay in federal income taxes in her new job will:

- A. Stay the same as when she was in college
- B. Be lower than when she was in college
- C. Double, at least, from when she was in college
- D. Go up a little from when she was in college

**Correct Answer:** C

**Section:** (none)

## **Explanation**

### **Explanation/Reference:**

#### **QUESTION 75**

A voluntary program under Medicare that provides payments for services not covered under basic hospital insurance is called:

- A. Supplementary medical insurance
- B. Medicare
- C. National health care
- D. Blue cross

**Correct Answer:** A

**Section:** (none)

## **Explanation**

### **Explanation/Reference:**

#### **QUESTION 76**

Prescription drug coverage is:

- A. A voluntary program
- B. A state-run public assisted program
- C. Needs co-payments and co-insurances
- D. Both A and C are correct

**Correct Answer:** A

**Section:** (none)

## **Explanation**

### **Explanation/Reference:**

#### **QUESTION 77**

A universal life insurance provides two types of death protections, i.e. Type A and B. As with any insurance policy, universal life insurance has its own pros and cons. There are two principle advantages. Which of the followings is/are out of those advantages?



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- A. Flexibility
- B. Flexibility and savings feature
- C. Flexibility and variability
- D. Variability and savings feature

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 78**

It is an insurance plan designed to supplement the basic coverage of hospitalization, surgical and physician expenses; used to finance more catastrophic medical costs. What is it?

- A. Major medical plan
- B. Covered medical services
- C. Comprehensive major medical insurance
- D. None of these

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 79**

\_\_\_\_\_ is a health insurance plan that combines into a single policy the coverage for basic hospitalization, surgical, and physician expenses along with major medical protection.

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- A. Major medical plan
- B. Covered medical services
- C. Comprehensive major medical insurance
- D. None of these

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 80**

Most of the major types of health plans are sufficient to meet the protection needs of most individuals and families. But, insurance companies offer other options that provide limited protection against certain types of perils. Which one of the following is the example of those limited types of protections?

- A. Accident protection
- B. Home income policies
- C. Comprehensive medical insurance
- D. Both A and B

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 81**

It is the initial amount not covered by an insurance policy and thus the insured's responsibility; it's usually determined on a calendar-year basis or on a per-illness or eraccident basis. We may call it as:

- A. Participation clause
- B. Deductible
- C. Internal limits
- D. Co-insurance

**Correct Answer:** B

**Section:** (none)

## **Explanation**

### **Explanation/Reference:**

#### **QUESTION 82**

A participation or co-insurance clause stipulates that the company will pay some portion of the covered loss in excess of the deductible rather than the entire amount. How much portion of the covered loss may be paid by the company?

- A. 60%-70%
- B. 70%- 90%
- C. 80%-90%
- D. Any one of these

**Correct Answer: C**

**Section: (none)**

## **Explanation**

### **Explanation/Reference:**

#### **QUESTION 83**

There is a feature which is commonly found in health insurance policies that limit the amount that will be paid for certain specified expenses, even if the claim does not exceed overall policy limit. What is that feature?

- A. Internal limits
- B. External limits
- C. Credit limits
- D. Insurance limits

**Correct Answer: A**

**Section: (none)**

## **Explanation**

### **Explanation/Reference:**

#### **QUESTION 84**

Several insurance provisions affect a health insurance plan's value to you. Some important provisions address:

- A. The persons and places covered
- B. Cancellation
- C. Re-existing conditions
- D. Rehabilitation coverage

**Correct Answer:** ABD

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 85**

Many health insurance plans omit or offer only reduced benefits for treatment of mental disorders. For example, a health insurance policy may offer hospitalization benefits that continue to pay as long as you are hospitalized except for mental illness. It may restrict payment for mental illness to one-half of the normally provided payment amounts and for a period not to exceed:

- A. 15 days
- B. 20 days
- C. 30 days
- D. 25 days

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 86**

The delivery of medical and personal care, other than hospital care, to persons with chronic medical conditions resulting from either illness or frailty is called:

- A. Short-term care
- B. Basic care
- C. Long-term care
- D. Guaranteed renewability

**Correct Answer:** C

**Section: (none)**  
**Explanation**

**Explanation/Reference:**

**QUESTION 87**

\_\_\_\_\_ is a policy provision ensuring continued insurance coverage for the insured's lifetime as long as premiums continue to be paid.

- A. Waiting period
- B. Guaranteed Renewability
- C. Optional renewability
- D. None of these

**Correct Answer: B**  
**Section: (none)**  
**Explanation**

**Explanation/Reference:**

**QUESTION 88**

Even if the policy's requirements are met, the insured must pay long-term care expenses during waiting, or elimination period. Typical waiting periods are:

- A. 90 to 100 days
- B. 80 to 90 days
- C. 60 to 70 days
- D. 70 to 100 days

**Correct Answer: A**  
**Section: (none)**  
**Explanation**

**Explanation/Reference:**

**QUESTION 89**

It is a contractual clause allowing the insured to continue insurance only at the insurer's option. What is it?

- A. Waiting period
- B. Guaranteed Renewability
- C. Optional renewability
- D. ADL

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 90**

When a family member becomes sick for an extended period, the effect on the family goes beyond medical bills. The average chance of a person age 35 becoming disabled for 90 days or longer before 65 is about:

- A. 30%
- B. 40%
- C. 50%
- D. 55%

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 91**

Insurance coverage that protects real and personal property from catastrophic losses caused by a variety of perils, such as fire, theft, vandalism, and windstorm is referred as:

- A. Property insurance
- B. Insurance premium
- C. Liability insurance
- D. Peril

**Correct Answer:** B

**Section:** (none)

## **Explanation**

### **Explanation/Reference:**

#### **QUESTION 92**

Negligence is:

- A. Failing to act in a reasonable manner
- B. Failing to take necessary steps to protect others from harm
- C. Causing a loss
- D. Losing the judgment

**Correct Answer:** AB

**Section:** (none)

## **Explanation**

### **Explanation/Reference:**

#### **QUESTION 93**

What is that principle which states that an insured may not be compensated by the insurance company in an amount exceeding the insured's economic loss?

- A. Principle of cash value
- B. Principle of indemnity
- C. Right of subrogation
- D. Co-insurance

**Correct Answer:** B

**Section:** (none)

## **Explanation**

### **Explanation/Reference:**

#### **QUESTION 94**

Assume that fire destroys two rooms of furniture that were 6 years old and had an estimated useful life of 10 years. The replacement cost is \$5,000. Therefore at the time of loss, the furniture was subject to an assumed physical depreciation of 60%, i.e., 3,000 in this case. Because the actual cash value is estimated at \$2,000. So, the maximum insurer would have to pay is:

- A. \$2,200
- B. \$2,000
- C. \$3,000
- D. \$5,000

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 95**

Co-insurance is:

- A. A provision in property insurance
- B. A provision in actual cash value
- C. A provision in liability insurance
- D. A provision in health insurance

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 96**

The amount of insurance coverage you receive depends on the type of homeowner's policy you buy. You can also obtain coverage if you're a renter or a condominium owner. The basic form(HO-1) covers perils like:

- A. Smoke and Hail



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- B. Theft vandalism
- C. Civil commotion
- D. All of the above

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 97**

\_\_\_\_\_ is an endorsement or policy providing either blanket or scheduled coverage of expensive personal property not adequately covered in a standard homeowner's policy.

- A. Personal property floater
- B. Peril
- C. Condominium
- D. Co-insurance

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 98**

Many types of properties are covered by homeowner's policies. These policies also define the types of losses they cover and the persons and the locations covered. There are three types of property-related losses when misfortune occurs. Which one of the following is Not out of those losses?

- A. Direct loss of property
- B. Indirect loss occurring due to damaged property
- C. Additional expenses occurring due to direct and indirect losses
- D. Replacement cost

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 99**

A comprehensive automobile insurance policy designed to be easily understood by the “typical” insurance purchaser is called:

- A. Personal automobile policy
- B. Bodily injury liability
- C. Property damage
- D. Auto insurance coverage

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 100**

Uninsured motorists insurance is fairly low in cost. Because, the cost of the coverage is low compared to the amount of protection it provides, drivers should purchase at least:

- A. The maximum available limit
- B. The minimum available limit
- C. The equality limit
- D. None of these

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 101**

It is an automobile insurance that reimburses the parties involved in an accident without regard to negligence.

- A. No-fault automobile insurance

- B. Comprehensive automobile insurance
- C. Collision insurance
- D. Automobile accidental damage coverage

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 102**

An insurance policy providing excess liability coverage for homeowner's and automobile insurance as well as additional coverage not provided by either policy is referred as:

- A. Personal liability umbrella policy
- B. Captive agent
- C. Independent agent
- D. Claims adjuster

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 103**

What can be the possible strategy to avoid liability?

- A. Understand what causes liability
- B. Develop you own safety program
- C. Carry adequate liability insurance
- D. None of these

**Correct Answer:** ABC

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 104**

\_\_\_\_\_ is an insurance specialist who works for the insurance company as an independent adjuster or for an adjustment bureau, to investigate claims.

- A. Personal liability umbrella
- B. Captive agent
- C. Independent agent
- D. Claims adjuster

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 105**

What is that form of investing in which future value and expected returns are highly uncertain?

- A. Hedging
- B. Speculating
- C. Short-term investment
- D. Long-term investment

**Correct Answer:** AB

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 106**

\_\_\_\_\_ is a statement, preferably written, that specifies how investment capital will be invested to achieve a specific goal.

- A. Investment Line
- B. Investment plan
- C. Investment direction

D. Investment goal

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 107**

People often put money aside, sometimes for years, to save up enough to make just one major expenditure. Here are some common ones. Which of the following is Not out of those expenditures:

- A. The down payment on a home
- B. An regular vacation
- C. Some capital for going into business
- D. Funds for retirement

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 108**

Securities market is a market place in which stocks, bonds, and other financial instruments are traded. Such markets can be:

- A. Physical businesses
- B. Electronic businesses
- C. Having outstanding securities
- D. All of these

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 109**

A document made available to prospective security buyers that describes the firm and a new security issue. \_\_\_\_\_ are responsible for ensuring that all the information in the prospectus accurately represents the facts.

- A. Federal agencies
- B. Private parties
- C. Local governments
- D. State government

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 110**

Which of the following is least likely to be considered a short-term marketable security?

- A. An original issue 30-year corporate bond with one-year remaining until final maturity
- B. An original issue 30-year government bond with one-year remaining until final maturity
- C. A 90-day Treasury bill
- D. Short-term corporate debt instruments with a 9-month original maturity

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 111**

The optimal balance of marketable securities held to take care of probable deficiencies in the firm's cash account is referred to as the \_\_\_\_\_ segment in the one's portfolio of short-term marketable securities.

- A. Ready cash
- B. Controlled cash
- C. Free cash

D. Cash and cash equivalent

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 112**

The marketable securities available for unassigned purposes at the current time is referred to as the \_\_\_\_\_ segment in the one's portfolio of short-term marketable securities.

- A. Ready cash
- B. Controlled cash
- C. Free cash
- D. Cash and cash equivalent

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 113**

Which of the following is not a standard method of transferring funds when using concentration banking?

- A. Depository transfer check
- B. Automated clearinghouse electronic transfer
- C. Wire transfer
- D. Payable through draft (PTD)

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 114**

Which of the following marketable securities is issued by the U.S. federal government?

- A. Commercial papers
- B. Negotiable certificates of deposit
- C. Repurchase agreement
- D. T-bills

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 115**

Which of the following was not suggested by John Maynard Keynes as a reason for holding cash?

- A. Speculative motive
- B. Investment motive



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- C. Precautionary motive
- D. Transaction motive

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 116**

Which of the following statements most accurately describes the modern approach to cash management?

- A. Cash management involves the efficient disbursement of cash
- B. Cash management involves the efficient collection and disbursement of cash
- C. Cash management involves the efficient processing, collection, and depositing of cash
- D. Cash management involves the efficient processing and depositing of cash

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 117**

Collection float is the \_\_\_\_\_.

- A. Total time between the mailing of the check by the customer and the availability of cash to the receiving firm
- B. Time consumed in clearing the check through the banking system
- C. Time the check is in the mail
- D. Time during which the check received by the firm remains uncollected

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 118**

Deposit float is the \_\_\_\_\_.

- A. Total time between the mailing of the check by the customer and the availability of cash to the receiving firm
- B. Time consumed in clearing the check through the banking system
- C. Time the check is in the mail
- D. Time during which the check received by the firm remains uncollected

**Correct Answer:** D

**Section:** (none)

## Explanation

### Explanation/Reference:

#### QUESTION 119

Availability float is the \_\_\_\_\_.

- A. Total time between the mailing of the check by the customer and the availability of cash to the receiving firm
- B. Time consumed in clearing the check through the banking system
- C. Time the check is in the mail
- D. Time during which the check received by the firm remains uncollected

**Correct Answer:** B

**Section:** (none)

## Explanation

### Explanation/Reference:

#### QUESTION 120

Eurodollars are best described as \_\_\_\_\_.

- A. The new currency of the European Union
- B. A U.S. dollar-denominated deposit -- generally in a bank located outside the United States -- that is not subject to U.S. banking regulations
- C. A currency deposited outside its country of origin
- D. A foreign-denominated deposit subject to U.S. banking regulations

**Correct Answer:** B

**Section:** (none)

## Explanation

### Explanation/Reference:

#### QUESTION 121

Which of the following statements concerning remote disbursement and controlled disbursement is correct?

- A. These two terms mean the same thing--just like working capital means the same thing as current assets

- B. Remote disbursement is viewed as an ethical disbursement procedure, whereas controlled disbursement is often viewed as an unethical disbursement procedure
- C. Both remote and controlled disbursement are generally perceived as unethical practices and, therefore, their use is in decline
- D. Remote disbursement is often viewed as an unethical disbursement procedure, whereas controlled disbursement is not viewed in such a negative light

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 122**

The field of Electronic Commerce (EC) is awash with acronyms (i.e., a word formed from the initial letter or letters of a series of successive words). Which of the following acronyms does not belong with the other Electronic Commerce-related acronyms?

- A. SWIFT
- B. CHIPS
- C. SPECTRE
- D. EDI

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 123**

Under which measurement scale is data categorized, but not ranked?

- A. An ordinal scale.
- B. A nominal scale.
- C. An interval scale.
- D. None of these

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 124**

The joint probability of events A and B is 32 percent with the probability of event A being 60 percent and the probability of event B being 50 percent. Based on this information, the conditional probability of event A given event B has occurred is closest to:

- A. 30.0%
- B. 53.3%
- C. 64.0%
- D. 56.6%

**Correct Answer: C**

**Section: (none)**

**Explanation**

**Explanation/Reference:**

**QUESTION 125**

An analyst is developing net present value (NPV) profiles for two investment projects. The only difference between the two projects is that Project 1 is expected to receive larger cash flows early in the life of the project, while Project 2 is expected to receive larger cash flows late in the life of the project. The slope of the NPV profile for Project 1 when compared to the slope of the NPV profile for Project 2 is most likely:

- A. Equal
- B. Flatter
- C. Steeper
- D. Unequal

**Correct Answer: B**

**Section: (none)**

**Explanation**

**Explanation/Reference:**

**QUESTION 126**

An equity analyst working for a growth oriented mutual fund has a tendency to misvalue the stocks of popular companies that she has previously recommended and the fund already owns. Her behavior is most likely consistent with which of the following biases?

- A. Escalation bias
- B. Prospect theory
- C. Confirmation bias
- D. Probability bias

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 127**

A portfolio manager is evaluating investments in mortgage securities as part of a portfolio to fund long term liabilities. If she wants to minimize prepayment risk in her portfolio she is most likely to invest in:

- A. Mortgage loans
- B. Mortgage pass through securities
- C. Collateralized mortgage obligations
- D. Investment evaluation

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 128**

Compared to investors with long investment time horizons, investors with short investment time horizons most likely require:

- A. Less liquidity and less emphasis on capital appreciation
- B. More liquidity and less emphasis on capital appreciation
- C. Less liquidity and greater emphasis on capital appreciation
- D. More liquidity and greater emphasis on capital appreciation

**Correct Answer:** B

**Section: (none)**  
**Explanation**

**Explanation/Reference:**

**QUESTION 129**

A primary motivation for investment in commodities is most likely the:

- A. Positive correlation of commodities with unexpected inflation
- B. Positive correlation of commodities with stock and bond investments
- C. Positive volatility of commodities relative to stock and bond investments
- D. Positive correlation of commodities relative to stock and bond investments

**Correct Answer: A**

**Section: (none)**

**Explanation**

**Explanation/Reference:**

**QUESTION 130**

A person purchased a share of Acme.com common stock exactly one year ago for \$45. During the past year the common stock paid an annual dividend of \$2.40. The person sold the security today for \$85. What is the rate of return the firm has earned?



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- A. 5.3%
- B. 194.2%
- C. 88.9%
- D. 94.2%

**Correct Answer: D**

**Section: (none)**

**Explanation**

**Explanation/Reference:**

**QUESTION 131**

A set of possible values that a random variable can assume and their associated probabilities of occurrence are referred to as \_\_\_\_\_.

- A. Probability distribution
- B. The expected return
- C. The standard deviation
- D. Co-efficient of variation

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 132**

A statistical measure of the variability of a distribution around its mean is referred to as \_\_\_\_\_.

- A. Probability distribution
- B. The expected return
- C. The standard deviation
- D. Co-efficient of variation

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 133**

The weighted average of possible returns, with the weights being the probabilities of occurrence is referred to as \_\_\_\_\_.

- A. Probability distribution
- B. The expected return

- C. The standard deviation
- D. Co-efficient of variation

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 134**

Which of the following statements regarding covariance is correct?

- A. Covariance always lies in the range -1 to +1
- B. Covariance, because it involves a squared value, must always be a positive number (or zero)
- C. Low co-variances among returns for different securities leads to high portfolio risk
- D. Co-variances can take on positive, negative, or zero values

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 135**

Total portfolio risk is \_\_\_\_\_.

- A. Equal to systematic risk plus non-diversifiable risk
- B. Equal to avoidable risk plus diversifiable risk
- C. Equal to systematic risk plus unavoidable risk
- D. Equal to systematic risk plus diversifiable risk

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 136**

It is a market condition normally associated with investor optimism, economic recovery, and expansion; characterized by generally rising securities prices.

- A. Bear market
- B. Bull market
- C. OTC
- D. Dealers market

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 137**

\_\_\_\_\_ is a condition of the markets typically associated with investor pessimism and economic slowdown; characterized by generally falling securities prices.

- A. Bear market
- B. Bull market
- C. OTC
- D. Dealers market

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 138**

A person who buys and sells securities on behalf of clients and gives them investment advice and information is called:

- A. Stockholder
- B. Account executive
- C. Financial consultant
- D. All are one and the same

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 139**

A broker is:

- A. Far more than a salesperson
- B. Mostly interested in his own commission
- C. May not be socially known
- D. Can trade your stock without your permission

**Correct Answer:** AB

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 140**

A broker who, in addition to executing clients' transactions, offers a full array of brokerage services is:

- A. Full-service broker
- B. Discount broker
- C. Online broker
- D. OTC broker

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 141**

Which of the following is NOT the kind of Insurance?

- A. Business policies
- B. fire and alliance lines
- C. inland marine
- D. professional liability

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 142**

A package of coverage including most property and liability coverage except workers' compensation, automobile insurance and surety bonds is called:

- A. Single peril
- B. Multiple peril
- C. Property lines
- D. professional Property

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 143**

Fidelity bonds cover employees against dishonest acts by employees.

- A. True
- B. False

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 144**

What provide for monetary compensation to third parties for failure by the insured to perform specifically covered acts with in a state period?

- A. Worker compensation pools
- B. Multiple perils
- C. Surety bonds
- D. Inter-insurance act

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 145**

Excess liability:

- A. covers the insured against the loss in excess of an actual amount, but only for profits as covered and defined in a predetermined plan.
- B. covers the insured against the loss in excess of an actual amount, but only for profits as covered and defined in an underlying policy.
- C. covers all uninsured against the gain in excess of a stated amount, but only for losses as covered and defined in an underlying policy.
- D. covers the insured against the loss in excess of a stated amount, but only for losses as covered and defined in an underlying policy.

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 146**

Coverage of risks that do not fit normal underwriting patterns and that are not commensurate with standard rates is normally refers to as:

- A. Surplus lines
- B. Commercial lines
- C. Risk lines

D. Standardized lines

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 147**

In which plan all activities writing automobile insurance in a state are allocated a share of the involuntary business on an equitable basis?

- A. Automobile equitability
- B. Automobile insurance
- C. Automobile assurance
- D. None of the above

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 148**

Mutual entities, reciprocal or inter-insurance exchanges, public entity risk pools are all principal kinds of:

- A. Property and expense insurance organizations
- B. Feasibility and performance assurance organizations
- C. Property and liability insurance organizations
- D. Building and asset related organizations

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 149**

The organizations in which the ownership and control of operations are vested in the policyholders are known as:

- A. Private entities
- B. Public entities
- C. Reciprocal entities
- D. Mutual entities

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 150**

Which of the following is NOT the kind of public entity risk pools?

- A. Risk-avoiding pools
- B. Insurance-purchasing pools
- C. Banking pools
- D. Claim-serving pools

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 151**

The arrangements by which pools manage separate accounts for each pool member from which the losses of that member are paid is called:

- A. employee pools
- B. claim-serving pools
- C. singular entity pools
- D. None of the above

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 152**

The private pools can fall in which two categories:



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- A. Risk retention and sale groups
- B. Risk retention and purchasing groups
- C. Public and purchasing groups
- D. None of the above

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 153**

Risk retention group is:

- A. A public entity formed by the members of the public pool primarily to provide business risk competency to the members.
- B. A business entity formed by the members of the private pool primarily to provide commercial asset insurance to the members.
- C. An insurance entity formed by the members of the private pool primarily to provide commercial liability insurance to the members.
- D. An insurance entity formed by the members of the public pool primarily to provide commercial expense insurance to the members.

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 154**

Insurance agents act as contractors in groups who express one or more entity with express authority to act for the entity in dealing with insured.

- A. True
- B. False

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 155**

The methods used for the premium rates establishment are:

- A. Manual, judgmental and premium rating
- B. Commercial, judgmental and merit rating
- C. Manual, experimental and merit rating
- D. Manual, judgmental and merit rating

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 156**

Spreading of risks among insurance entities is called:

- A. Reinsurance
- B. Syndication
- C. Consortium act
- D. Risk Diffusion

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 157**

The entity transferring the risk is called the ceding entity and the entity to which the risk is transferred is called the assuming entity.

- A. True
- B. False

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 158**

What is applied to the sale of all or a block of an entity's insurance in force of another entity?

- A. Insurance impede
- B. Portfolio Reinsurance
- C. Poly-holder insurance
- D. Syndicated insurance

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 159**

When no tax deductions are allowed if risks are not transferred, whereas premiums paid to insurers are tax deductible, this leads to the formation of:

- A. Portfolio

- B. Claims
- C. Captives
- D. Fronting

**Correct Answer:** C  
**Section:** (none)  
**Explanation**

**Explanation/Reference:**

**QUESTION 160**

Insurance entities establish \_\_\_\_\_ to investigate and settle some or all of the claims of the member companies.

- A. Company competency
- B. Claim opportunities
- C. Corrective strategies
- D. Adjustment bureaus

**Correct Answer:** D  
**Section:** (none)  
**Explanation**

**Explanation/Reference:**

**QUESTION 161**

Principal objectives of state statutes are:

- A. restrict investments of insurance entities
- B. prescribe methods of admitted asset recovery
- C. acquisition of risk-based capitals
- D. Both B & C

**Correct Answer:** A  
**Section:** (none)  
**Explanation**

**Explanation/Reference:**

**QUESTION 162**

The reason behind, when an insurance entity may request permission from the domiciliary state regulatory authority to use a specific accounting practice in the preparation of its statutory financial statements, may include:

- A. the entity wishes to depart from Statutory Accounting Practices (SAP)
- B. the prescribes SAP address the accounting for transaction
- C. Both A & B
- D. Neither A nor B

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 163**

Short-duration contracts provide insurance protection for fixed period and can cancel the contract at the end of any contract period.

- A. True
- B. False

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 164**

The contracts that are not subject to unilateral changes in its provision and requires the performance of various functions and services for an extended period is called:

- A. Short-duration
- B. Long-duration
- C. Medium-duration
- D. Fixed-duration

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 165**

SAP stresses measurement of emerging earnings of a business from period to period while GAAP stresses measurement of the ability to pay claims in the future.

- A. True
- B. False

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 166**

Audit risk consists of:

- A. Risk of material misstatement
- B. detection of risk
- C. Both A & B
- D. Neither A nor B

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 167**

The maximum error in the population that the auditor is willing to accept is called:

- A. Risk of material misstatement

- B. detection of risk
- C. Both A & B
- D. Neither A nor B

**Correct Answer:** C  
**Section:** (none)  
**Explanation**

**Explanation/Reference:**

**QUESTION 168**

Which risk assessment procedures are used to obtain an understanding of the entity and its environment, including its internal control?

- A. Inquiries of management
- B. Analytical procedures
- C. Observation
- D. All of the above

**Correct Answer:** D  
**Section:** (none)  
**Explanation**

**Explanation/Reference:**

**QUESTION 169**

The profitability of an insurance entity on a statutory basis is generally gauged by:

- A. combined ratio and its operating ratio
- B. single module ratio and its operating ratio
- C. Net ratio
- D. Gross ration and actual ratio

**Correct Answer:** D  
**Section:** (none)  
**Explanation**

**Explanation/Reference:**

**QUESTION 170**

The combined ratio is the sum of it:

- A. loss ratio
- B. Expense ratio
- C. Dividend ratio
- D. All of the above

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 171**

The operating ratio is the combined ratio less than the ratio of investment income, to earned premiums.

- A. True
- B. False

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 172**

The auditor should obtain a sufficient understanding by performing risk assessment procedures to:



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- A. Evaluate the design of controls not relevant to audit of financial statement
- B. Determine whether design of controls have been implemented
- C. Both A & B
- D. Neither A nor B

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 173**

A process designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations is called:

- A. External control
- B. Internal auditing
- C. Internal control
- D. None of the above

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 174**

Which of the following is NOT the interrelated component of internal control?

- A. Control environment
- B. Risk assessment
- C. Control activities
- D. Planning control

**Correct Answer:** D

**Section:** (none)

## **Explanation**

### **Explanation/Reference:**

#### **QUESTION 175**

Which control includes the procedures for system design, including the acquisition of software packages, should encourage active participation by the accounting department and internal auditors?

- A. Organizations and operations control
- B. System development control
- C. Access control
- D. Procedural control

**Correct Answer:** A

**Section:** (none)

## **Explanation**

### **Explanation/Reference:**

#### **QUESTION 176**

Final approval should be obtained prior to placing a new system into operation is the activity that can be fall into which control?

- A. Organizations and operations control
- B. System development control
- C. Access control
- D. Procedural control

**Correct Answer:** B

**Section:** (none)

## **Explanation**

### **Explanation/Reference:**

#### **QUESTION 177**

An attitude that includes a questioning mind and a critical assessment of audit evidence is called:

- A. Operational skepticism
- B. Audit skepticism
- C. Professional skepticism
- D. None of the above

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 178**

Which are the types of misstatements relevant to the auditor's consideration of fraud in a financial statement audit?

- A. Misstatements arising from fraudulent financial reporting
- B. Misstatements arising from misappropriations of assets
- C. Both A & B
- D. Neither A nor B

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 179**

Which of the following may Not involve a high degree of management judgment and subjectivity and may present risks of material misstatement due to fraud?

- A. Investments
- B. Deferred acquisition costs
- C. Reinsurance
- D. key estimates

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 180**

An estimate due to time lags in the receipt of reports from cedants is called reinsurance.

- A. True
- B. False

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 181**

The auditor responds to risks of material misstatements due to fraud in which of the following ways?

- A. A response that has an overall effect on how the audit is conducted
- B. A response to identified risks involving the nature, timing and extent of auditing procedures to be performed
- C. A response involving the performance of certain procedures to further address the risk of material misstatement due to fraud involving management override of controls
- D. All of the above

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 182**

The Module Rule requires the insurer to provide:

- A. To the insurance commissioner of the state of domicile, a copy of notification of adverse financial condition
- B. To the auditor, evidence that the notification has been provided to the organization
- C. Both A & B

D. Neither A nor B

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 183**

The SEC rules clarify that management's assessment and report is limited to internal control over financial reporting.

A. True

B. False

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 184**

\_\_\_\_\_ is an unmanaged fund designed to replicates closely as possible the performance of a specified index of market activity.

A. Index fund

B. Reserve fund

C. Mutual fund

D. Pension fund

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 185**

Short-term portfolios are:

- A. Portfolios consisting of liabilities with maturities of one year to meet dollar needs.
- B. Portfolios consisting of combined revenues of less than one year to meet liquidity needs.
- C. Portfolios consisting of assets with maturities of less than one year to meet liquidity needs.
- D. Portfolios consisting of expenses with maturities of less than or equal to one year to meet dollar needs.

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 186**

Audit regulatory is more reliable when it is obtained from knowledgeable independent sources inside the entity.

- A. True
- B. False

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 187**

\_\_\_\_\_ is provided by original documents is more reliable than audit evidence provided by photocopies or facsimiles.

- A. Enterprise evidence
- B. Property evidence
- C. Audit evidence
- D. Regulatory evidence

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 188**

When policy periods expire, the premiums written are earned and are recognized as \_\_\_\_\_.

- A. Liabilities
- B. Expenses
- C. Revenues
- D. None of the above

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 189**

The pro rata portion of premiums written allocable to unexpired policy periods represents unearned premiums, which are reflected as \_\_\_\_\_ in the balance sheet.

- A. Liabilities
- B. Expenses
- C. Revenues
- D. None of the above

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 190**

Tax Act states that:



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- A. A life insurer is subject to an investment income tax of 15 percent on its 'net Canadian life investment income
- B. A life insurer is subject to an investment income tax of 25 percent on its 'net Canadian life investment income
- C. A life insurer is subject to an investment income tax of 35 percent on its 'net Canadian life investment income
- D. A life insurer is subject to an investment income tax of 45 percent on its 'net Canadian life investment income

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 191**

An investment is the current commitment of dollars for a period of time in order to derive future payments that will compensate the investor for:

- A. The time the funds are committed
- B. The expected rate of inflation during this time period
- C. The uncertainty of future payments
- D. All of these

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 192**

If you commit \$200 to an investment at the beginning of the year, what is your rate of return for the period?

- A. 1.10
- B. 1.50
- C. 1.00
- D. 1.70

**Correct Answer:** A

**Section: (none)**

**Explanation**

**Explanation/Reference:**

**QUESTION 193**

Insurance coverage provides protection against other uncertainties. Health insurance helps to pay medical bills. Disability insurance provides \_\_\_\_\_.

- A. Continuing income
- B. Monthly expenses
- C. Income after death
- D. Benefits on Quarterly basis

**Correct Answer: A**

**Section: (none)**

**Explanation**

**Explanation/Reference:**

**QUESTION 194**

The process of managing a portfolio never stops. Once the funds are initially invested according to the plan, the real work begins in:

- A. Evaluating the portfolio's performance
- B. Updating the portfolio based on changes
- C. Examining current and projected financial goals
- D. A and B both

**Correct Answer: D**

**Section: (none)**

**Explanation**

**Explanation/Reference:**

**QUESTION 195**

A sound portfolio statement helps to protect the client against a portfolio manager's:

- A. Financial behavior
- B. Inappropriate investment
- C. Unethical behavior
- D. Hedging

**Correct Answer:** BC

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 196**

The investor's objectives are his or her investment goals expressed in terms of both risk and returns. The relationship between risk and returns requires that goals not be expressed only in terms of returns. Expressing goals only in terms of returns can lead to:

- A. Churning
- B. Inappropriate investment practices by the portfolio manager
- C. Hedging
- D. Over the counter trading

**Correct Answer:** AB

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 197**

Risk tolerance is more than a function of an individual's psychological makeup; it is affected by other factors such as:

- A. Person's current insurance coverage and cash reserves
- B. Nature of job
- C. An individual's family situation (for example, marital status and the number and ages of children) and by his or her age
- D. Person's current assets at a specified time period

**Correct Answer:** AC

**Section:** (none)

## Explanation

### Explanation/Reference:

#### QUESTION 198

\_\_\_\_\_ means that investors want to minimize their risk of loss, usually in real terms: They seek to maintain the purchasing power of their investment. In other words, the return needs to be no less than the rate of inflation.

- A. Capital preservation
- B. Capital appreciation
- C. Capital depreciation
- D. Capita budgeting

**Correct Answer: A**

**Section: (none)**

## Explanation

### Explanation/Reference:

#### QUESTION 199

Capital appreciation is an appropriate objective when the investors want the portfolio to grow in real terms over time to meet some future need. Under this strategy, growth mainly occurs through capital gains. This is an

- A. Possessive strategy
- B. Risk averse strategy
- C. Aggressive strategy
- D. Risk acceptance strategy

**Correct Answer: C**

**Section: (none)**

## Explanation

### Explanation/Reference:

#### QUESTION 200

The objective for the \_\_\_\_\_ strategy is similar to that of capital appreciation; namely, the investors want the portfolio to grow over time to meet a future need. Whereas the capital appreciation strategy seeks to do this primarily through capital gains, this strategy seeks to increase portfolio value by both capital gains and

reinvesting current income.

- A. Total invest
- B. Total return
- C. High risk investment
- D. Low risk investment

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 201**

Assume our typical 65-year-old investor likewise has adequate insurance coverage and a cash reserve. Let's also assume she is retiring this year. This individual will want less risk exposure than the 25-year-old investor, because her earning power from employment will soon be ending; she will not be able to recover any investment losses by saving more out of her paycheck. Depending on her income from social security and a pension plan, she may need some current income from her retirement portfolio to meet living expenses. Given that she can be expected to live an average of another 20 years, she will need protection against inflation. A risk-averse investor will choose:

- A. A combination of current income and capital depreciation in an attempt to have principal growth outpace inflation
- B. A combination of current income and capital preservation strategy
- C. A combination of current income and capital appreciation in an attempt to have principal growth outpace inflation
- D. A combination of current income and total return in an attempt to have principal growth outpace inflation

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 202**

Assume our typical 65-year-old investor likewise has adequate insurance coverage and a cash reserve. Let's also assume she is retiring this year. This individual will want less risk exposure than the 25-year-old investor, because her earning power from employment will soon be ending; she will not be able to recover any investment losses by saving more out of her paycheck. Depending on her income from social security and a pension plan, she may need some current income from her retirement portfolio to meet living expenses. Given that she can be expected to live an average of another 20 years, she will need protection against inflation. A risk-averse investor will choose a combination of current income and capital preservation strategy; a more risk-tolerant investor will choose:

- A. A combination of current income and capital depreciation in an attempt to have principal growth outpace inflation
- B. A combination of current income and capital preservation strategy
- C. A combination of current income and capital appreciation in an attempt to have principal growth outpace inflation
- D. A combination of current income and total return in an attempt to have principal growth outpace inflation

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 203**

Which of the following is not the correct technical indicator?

- A. Moving Average Convergence/Divergence
- B. Relative strength index
- C. On balance volume
- D. Broadening formation

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 204**

Buying power of an investor is calculated as:

- A. Assets-liabilities
- B. Equity-debt balances
- C. Short term debt-long term debt
- D. Current assets-current liabilities

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 205**

Which of the following is a pattern that occurs during high volatility, when a security shows great movement with little direction?

- A. Broadening formation
- B. Relative strength index
- C. On balance volume
- D. Bollinger bands

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 206**

Companies that have capitalization amounts more than \$2 billion are known as:

- A. Small cap companies
- B. Mid cap companies
- C. Growth companies
- D. Large cap companies

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 207**

All of the following are sentiment indicators Except:

- A. Quick asset ratio
- B. Odd lot short ratio

- C. Shares sold short
- D. Short interest ratio

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 208**

Which of the following analysts think that supply and demand play an important role?



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- A. Ratio analysts
- B. Fundamental analysts
- C. Technical analysts
- D. Research Analysts

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 209**

All of the following are properties of stop order Except:

- A. Protecting profits
- B. Minimizing losses
- C. Rapid execution
- D. Continuous inflation

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**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 210**

Which of the following promotes education and ethical behavior among those involved in investment business?

- A. Securities investor protection corporation
- B. Licensed international financial analyst
- C. Chartered financial analyst institute
- D. Securities and exchange commission

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 211**

Which of the following function removes the fear of buying and selling at ripe of price?

- A. Fair pricing function
- B. Economic function
- C. Exchange function
- D. Continuous pricing function

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 212**

What is inferred in case the share price is moving above the simple moving average line?

- A. Share is inferior
- B. Price is increasing
- C. Market is positive
- D. Company is good

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 213**

Which of the following shows relationship between two moving averages of prices?

- A. Moving average convergence/divergence
- B. Relative strength index
- C. On balance volume
- D. Bollinger bands

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 214**

Which of the following is the current market in which all buying and selling is done on cash or margin basis?

- A. Target market
- B. Historic market
- C. Regular market
- D. Borough market

**Correct Answer:** C

**Section: (none)**  
**Explanation**

**Explanation/Reference:**

**QUESTION 215**

Which of the following statements hold true for bid price?

- A. It is the price at which broker is willing to sell a certain security
- B. It is the price at which investor can buy units from the funded company
- C. It is the price asked by the seller of securities from buyers
- D. It is the price at which broker is willing to buy a certain security

**Correct Answer: D**

**Section: (none)**  
**Explanation**

**Explanation/Reference:**

**QUESTION 216**

In which of the following cases resistance occurs?

- A. Inability to break below prior high
- B. Inability to break below prior low
- C. Inability to surpass prior high
- D. Inability to repair beyond prior low

**Correct Answer: C**

**Section: (none)**  
**Explanation**

**Explanation/Reference:**

**QUESTION 217**

Which of the following represents an unusually risky stock?

- A. Blue chip stock
- B. Growth stock
- C. Penny stock
- D. None of these

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 218**

Which of the following approaches is a valuation relative to financial performance measure?

- A. Present value approach
- B. Multiple of earning approach
- C. Communicative approach
- D. Integrated eclectic approach

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 219**

Which of the following estimates are needed while applying fundamental analysis to the market?

- A. Stream of shareholder benefits
- B. Earnings and dividends
- C. Required return or earnings multiple
- D. All of given options

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 220**

Which of the following has the assumptions of absence of personal taxes, single-period investment and riskless borrowing or lending?

- A. Modern Portfolio Theory
- B. Capital Asset Pricing Model
- C. Binomial Options Pricing Model
- D. Arbitrage Pricing Theory

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 221**

The APT was developed in 1976 by \_\_\_\_\_.

- A. Lintner
- B. Modigliani and Miller
- C. Ross
- D. Sharpe

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 222**

Which of the following index is also known as value weighting?

- A. Price weighting
- B. Equal weighting

- C. Base weighting
- D. Capitalization weighting

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 223**

Which of the following considers the size of the company and needs no adjustment for stock splits?

- A. Price weighting
- B. Capitalization weighting
- C. Equal weighting
- D. Base weighting

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 224**

The practice of spreading money among different investments to reduce risk is known as \_\_\_\_\_.

- A. Diversification
- B. Risk aversion
- C. Securitization
- D. Sector rotation

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 225**

Which of the following types of bonds are usually unsecured debts maturing in 20-40 years and paying semi-annual interest?

- A. Municipal bonds
- B. Convertible bonds
- C. Zero coupon bonds
- D. Corporate bonds

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 226**

Which of the following involves an additional source of basis risk due to the difference between the asset being hedged and the asset underlying the futures?

- A. Long hedge
- B. Short hedge
- C. Cross hedge
- D. Stack hedge

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 227**

Which of the following measures the sensitivity of the asset's price to interest rate movements, expressed as a number of years?

- A. Duration
- B. Yield to maturity
- C. Convexity
- D. Immunization

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 228**

Which of the following is the right to buy?

- A. Put option
- B. Strategic option
- C. System option
- D. Call option

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 229**

Which of the following is NOT an example of derivative security?

- A. Futures
- B. Options
- C. Swaps
- D. Bonds

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 230**

Which of the following bonds are high yield bonds issued by companies that are considered highly speculative because of risk of default?



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- A. Junk bonds
- B. Municipal bonds
- C. Callable bonds
- D. Convertible bonds

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 231**

Which of the following is the right to sell?

- A. System option
- B. Strategic option
- C. Call option
- D. Put option

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 232**

Individuals can invest in REITs:

- A. By purchasing their shares directly on an open exchange
- B. By investing in a mutual fund that specializes in public real estate

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- C. Both A&B
- D. Either A or B; it depends

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 233**

Securities products include:

1. Trusts
2. Annuities
3. Derivatives
4. Stocks
5. Bonds
6. Commodities
7. Mutual Funds
8. Pension Funds
9. Term Loans
10. Asset Management
11. Money Market Products

- A. Only 1, 2, 3,4,5,10,11
- B. Only 1, 3, 5, 10
- C. All except 8, 9
- D. All except 8,9,10

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 234**

The objective/s of a trust department audit is/ are to:

- A. Detect and prevent irregularities such as errors and fraud

- B. Access adequacy of accounting, operating, and administrative controls and procedures
- C. Determine the quantity of account administration
- D. all of the above

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 235**

The objective/s of trust department's administration of corporate trust accounts include:

- I. Policies and producers ensure compliance with governing instruments, applicable law and accepted fiduciary principles
- II. Deficiencies are identified and corrective action is promptly initiated
- III. There is sufficient management and staff expertise to administer these accounts
- IV. Effective policies, procedures and internal controls have been established
- V. The legitimate needs of security holders and other interested parties are met in a professional and timely manner

- A. III and IV
- B. I, II and IV
- C. II, III and V
- D. All of these

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 236**

Personal trust accounts may be:

- A. Living or testamentary
- B. Revocable or irrevocable
- C. Both of these
- D. None of these

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 237**

Trust under will is a term referred to:

- A. Living trust
- B. Testamentary trust
- C. Revocable trust
- D. None of these

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 238**

The administration of personal trust accounts is primarily controlled by all of the following EXCEPT:

- A. Terms of Governing instrument
- B. A will
- C. Trust agreement
- D. Court order

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 239**

Which one of the following is not commonly granted trustee's powers?

- A. Pertaining to the retention, purchase and sale of assets
- B. Those pertaining to distributions of principal
- C. Those pertaining to make dealings
- D. None of these

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 240**

Defined benefits & defined contribution plans and individual retirement accounts are commonly administered:

- A. Corporate Trusts
- B. Charitable Trusts
- C. Estate Administrations
- D. Employee benefit trusts

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 241**

Performance as \_\_\_\_\_ is normally the only true trust relationship administered by a corporate trust department.

- A. Trustee under a bond indenture
- B. Bank under a bond indenture
- C. Trust under a bond indenture
- D. None of these

**Correct Answer:** A

**Section:** (none)

## **Explanation**

### **Explanation/Reference:**

#### **QUESTION 242**

Charitable trust that is an irrevocable trust and that may be testamentary or inter-vivos (Between living persons) is called:

- A. Foundations
- B. Charitable Remainder Unitrust
- C. Charitable Remainder Annuity Trust
- D. None of these

**Correct Answer:** D

**Section:** (none)

## **Explanation**

### **Explanation/Reference:**

#### **QUESTION 243**

The duties of a guardian in guardianship arrangements are similar to those of a trustee.

Specifically, the guardian is obligated to:

- 1) Protect and preserve the assets
- 2) Submit an inventory and appraisal to the court
- 3) Retain or divest assets
- 4) Use principal and income for the benefit of the ward
- 5) Submit an annual accounting to the court

- A. Only 1,3,4
- B. All of these
- C. Only 1, 2
- D. All except 3

**Correct Answer:** D

**Section:** (none)

## **Explanation**

### **Explanation/Reference:**

**QUESTION 244**

The responsibility of setting an estate includes:

- A. Taking possession of the property included within the decedent's estate
- B. Valuing the estate's property
- C. Paying any debts of the decedent's
- D. All of these

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 245**

Unlike trust, there is no conveyance of title to the account assets. When the \_\_\_\_\_ relationship is established; legal title to the property remains with the principal.

- A. Guardianship
- B. Estate Administration
- C. Agency Services
- D. None of these

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 246**

To serve as family and/or financial planning tool  
To provide for retirement  
To obtain favorable tax treatment  
These are the primary reasons

- A. For establishing a trust

- B. For naming an institution as trustee
- C. of Safekeeping
- D. of Custodial

**Correct Answer:** A  
**Section:** (none)  
**Explanation**

**Explanation/Reference:**

**QUESTION 247**

Relief from administrative details and continuity are the major reasons for:

- A. Trust acceptance
- B. Trustee termination
- C. Naming a financial institution as a trustee
- D. Convenience and complete services of trusts

**Correct Answer:** C  
**Section:** (none)  
**Explanation**

**Explanation/Reference:**

**QUESTION 248**

The trustee is responsible for producing a schedule of distribution which includes information as:

- A. Assets and their current fair market value
- B. The method of distribution
- C. Each beneficiary's share of assets and the trust's liability
- D. All of these

**Correct Answer:** D  
**Section:** (none)  
**Explanation**

**Explanation/Reference:**

**QUESTION 249**

The accumulation phase in annuities can last from as long as:

- A. One day to five years
- B. One day to decades
- C. Ten days to ten years
- D. All of these

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 250**

Annuities can be purchased through the following methods EXCEPT:

- A. Single payment deferred
- B. Periodic payment deferred
- C. Immediate payment
- D. Single payment accrued

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 251**

The benefits of tax deferral will outweigh the costs of a variable annuity only if the investor holds it as:

- A. Long-Term investment
- B. Short-Term investment
- C. Credit-Risk investment
- D. Annuity investment

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 252**

I. Surrender Changes

II. Mortality and Expense risk change

III. Administrative Fees

IV. Underlying funds expenses

V. Fees charges for other features

These are the charges which investors pay when they invest in:

- A. Variable annuity
- B. Fixed annuity
- C. Mixed annuity
- D. Both B & C depends upon situation

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 253**

Guaranteed investment contracts are contracts between:

- A. A bank and insurance company
- B. An insurance company and a corporate retirement plan



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- C. A retirement plan and a brokerage house
- D. None of these

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 254**

When one buys a cash instrument, for example 100 shares of ABC Inc., the payoff is linear (disregarding the impact of dividends). If share are purchased at \$50 and the price appreciated to \$75, we have \_\_\_\_\_ on a mark-to-mark basis.

- A. Made \$2500
- B. Lost \$2500
- C. Made \$2500
- D. None of these

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 255**

A derivative with a convex payoff-profile at some point before the option's maturity is a simple plan vanilla option. As the option becomes progressively more-in-the money, the rate at which the position makes money increases until a sympathetically approaches the linear payoff of the future. Similarly, as the option becomes progressively more out-of – the money, the rate at which the position loses money decreases until that rate becomes zero. This is an example of:

- A. Spot rate
- B. Non linear derivate
- C. Linear derivate
- D. None of these

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 256**

One of the largest components of the global derivative markets and natural adjunct to the fixed income markets is the:

- A. Volatility
- B. Interests rate Swaps
- C. Commodity Swaps
- D. Both B & C

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 257**

A gold producer wants to hedge his loses attributable to a fall in the price of gold for his current gold currency. This is an example of:

- A. Currency Swaps
- B. Commodity Swaps
- C. Interests rate Swaps
- D. All of these

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 258**

An entity that purchases and sells securities on its own behalf is acting as:

- A. A broker
- B. A dealer

- C. An agent
- D. A principal

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 259**

Which of the following statements about the over-the-counter market is false?

- A. Mutual funds and other new issues are initially issued over the counter
- B. Security prices are determined through auction bidding
- C. Broker dealers must be resigned
- D. Securities are traded at many locations throughout the country

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 260**

General Market indices in the commodities market with which many people would be familiar include:

- A. Goldman Sachs Commodities Index (GSCI)
- B. Commodities Research board
- C. Acme Tool & Die
- D. Both A&B

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 261**

\_\_\_\_\_ swaps give companies extra flexibility to exploit their comparative advantage in their respective borrowing markets.

- A. Fixed-floating swaps
- B. Currency swaps
- C. Interest rate swaps
- D. None of these

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 262**

Standard and poor's 500 index, the Dow Jones Industrial average, or the Toronto stock Exchange index is the examples of:

- A. Equity indices
- B. Stock exchange indices
- C. OTC market indices
- D. All of these

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 263**

The main objective/s of an audit of swaps is/are:

- A. To determine the adequacy and effectiveness of controls relating to rate swap transactions
- B. To ascertain that swap transaction are properly recorded in accordance with their term
- C. To ensure that the company's financial statements and regulatory reports properly reflect in accordance with generally accepted accounting principles, the results of swap activity
- D. All of these

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 264**

Adequate procedures and controls associated with swap transactions should exist to help minimize the risks inherent in transaction process. Example/s of these controls may include:

- A. A daily reconciliation of traders' positions should be performed
- B. To minimize market risk in hedge transactions:  
There should be independent sign-off procedures for hedging models All hedge strategies should be clearly defined All software and products should be secure and temper resistant
- C. All transactions should be authorized and affirmed
- D. All of these

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 265**

Occasionally, a company will issue additional shares of its stocks, called \_\_\_\_\_, to raise additional capital.

- A. Secondary Offering
- B. IPO
- C. Private Placement
- D. Preferred Offering

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 266**

Customer accounts:

Ensure that the firm is exercising due diligence in the opening and supervision of customer accounts. The procedures should be formalized in writing and in accordance with the rules and regulations of the appropriate regulatory authority. Ensure that daily customer positions and option exercises are in accordance with the limits established by the appropriate exchange. Verify that commissions generated by customer trades are properly calculated and posted to the general ledger.

- A. This is one of the primary audit objectives of stock and options
- B. This is one of the primary audit objectives of swaps
- C. This is one of the primary audit objectives of bonds
- D. None of these

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 267**

Call provisions are often part of \_\_\_\_\_, but usually not bonds issued by \_\_\_\_\_.

- A. Zero coupon bond, Federal Government bonds
- B. Corporate bonds, Zero coupon bonds
- C. Corporate and municipal bonds, bonds issued by Federal Government
- D. None of these

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 268**

Audit objectives that apply to one sales portion are all EXCEPT:

- A. Ensure that daily activity of each salesman is reviewed by head salesman

- B. Ensure that inventory is being accurately market to market on a continuing basis
- C. Ensure customer markups are reasonable relative to NASD
- D. None of these

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 269**

Which of the following is not an audit objective of a commodity department?

- A. All customer accounts are opened and maintained in accordance with the rules and regulations commodity futures trading commission (CFTC) and the various commodity Exchanges
- B. Adequate control exist to ensure the accuracy and propriety of information contained in regulatory reports, such as the commodity futures trading commission form 1-FR, and the focus report
- C. Verify the accuracy and reporting (inventory reports, fail reports, again reports and profit and loss reports.)
- D. None of these

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 270**

I- With reference to the granting of customer credit lines a thorough analysis of the customer's overall financial position is performed prior to trading authorization.  
II- confirmations of each transaction are sent to customers indicating the quantity, delivery month and the contract price to ensure the integrity of transactions.  
III- Original margin deposits in cash or acceptable securities to guarantee performance of contracts are determined in accordance

These all are adequate procedures and controls associated with:

- A. Commodity transaction
- B. Mutual funds audit
- C. Bond audit
- D. None of these

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 271**

There are some investment companies, known as exchange-traded funds or ETFs, which are legally classified as open-end companies or UITs. EFTs differ from traditional open-end companies and UITs because:

- A. Pursuant to SEC exemptive orders
- B. Shares issued by ETFs Traded on a secondary market
- C. Are lonely redeem able in very large blocks (Blocks of 50,000 shares for example)
- D. All of these

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 272**

If a mutual fund has an NAV of \$100 million, and investors own \$10,000,000 of fund's shares, the funds per share value will be:

- A. \$100
- B. \$1
- C. \$10
- D. None of these

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 273**

The approximate per-share NAV plus any fees the fund imposes is the price:

- A. That investors pay to purchase mutual fund
- B. That investors receive on redemptions
- C. Per share NAV
- D. All of these

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 274**

A UIT typically issues redeemable securities (or “units”), like a mutual fund, which means:

- A. That the UITs typically will make a one-time “public offering”
- B. A UIT does not actively trade its investment portfolio
- C. That the UIT will, buy back an investor’s request at their approximate net asset value
- D. All of these



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- D. All of these

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 275**

Close-end funds are traded on:

- A. A primary market
- B. Secondary market
- C. Tertiary market
- D. Are not traded anywhere

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 276**

Close-end funds:

- A. Are not redeemable
- B. The investment portfolios generally are managed by separate entities
- C. Are permitted to invest in a greater amount of “illiquid” securities than mutual funds.
- D. All of these

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 277**

One fund may invest on mostly established “blue chip” (Companies that pay regular dividends). Another fund may invest in newer technology companies that pay no dividends but that may have more potential for growth. These are the examples of:

- A. Mutual funds
- B. Index funds
- C. Stock funds
- D. Bond funds

**Correct Answer:** C

**Section:** (none)

## **Explanation**

### **Explanation/Reference:**

#### **QUESTION 278**

Mutual funds provide an attractive investment choice because they generally offer the following feature/s:

- A. Professional Management
- B. Diversification
- C. Affordability
- D. All of these

**Correct Answer:** D

**Section:** (none)

## **Explanation**

### **Explanation/Reference:**

#### **QUESTION 279**

All of these are disadvantages of mutual funds EXCEPT:

- A. Cost despite negative returns
- B. Liquidity
- C. Lack of control
- D. Price uncertainty

**Correct Answer:** B

**Section:** (none)

## **Explanation**

### **Explanation/Reference:**

#### **QUESTION 280**

Investors typically cannot ascertain the exact makeup of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades. This is because of \_\_\_\_\_ in mutual funds.

- A. Price uncertainty
- B. Lack of control
- C. Costs despite negative returns
- D. All of these

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 281**

I- A gold producer wants to hedge his losses attributable to a fall in the price of gold for his current gold inventory.

II- A cattle farmer wants to hedge his exposure to changes in the price of his livestock. These are the examples of \_\_\_\_\_ who need to manage their exposure to fluctuations in the prices of their commodities.

- A. Hedgers
- B. Producers
- C. Speculators
- D. None of these

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 282**

End users need to hedge the prices at which they can purchase these commodities for instance:

- A. A University might want to lock in the price at which it purchases electricity to supply its air conditioning units for upcoming summer months
- B. An airline wants to lock in the price of the jet fuel it needs to purchase in order to satisfy the peak in seasonal demand for travel
- C. A cotton producer wants to hedge his exposure to changes in the price of fertilizers or his end product (cotton)
- D. Only A and B

**Correct Answer:** D

**Section:** (none)

## **Explanation**

### **Explanation/Reference:**

#### **QUESTION 283**

Money market funds bond funds (also called “fixed income” funds), and stock funds (also called equity funds) are the categories of:

- A. Mutual funds
- B. Professionally managed portfolio
- C. Hedge funds
- D. None of these

**Correct Answer:** A

**Section:** (none)

## **Explanation**

### **Explanation/Reference:**

#### **QUESTION 284**

\_\_\_\_\_ have relatively low risks, compared to other mutual funds.

- A. Stock funds
- B. Hedge funds
- C. Money funds
- D. Both B and C

**Correct Answer:** C

**Section:** (none)

## **Explanation**

### **Explanation/Reference:**

#### **QUESTION 285**

Money market funds:

- A. Can invest in only certain high-quality, short-term investments issued by Federal State and local government

- B. Try to keep their NAV at a stable \$1.00 per share
- C. Pay dividends that generally reflect short-term interest rates
- D. All of these

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 286**

Some of the risks associated with bond funds are all of the following EXCEPT:

- A. Credit Risk
- B. Interest Rate Risk
- C. Payment Risk
- D. Liquidity Risk

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 287**

If interest rates fall, a bond issuer may decide to pay off (or “retire”) its debt and issue new bonds that pay a lower rate. When this happens, the fund may not be able to reinvest the proceeds in an investment with a high return or yield. This is an example of:

- A. Credit risk in bond funds
- B. Prepayment risk in bond funds
- C. Interest rate risk in bond funds
- D. All of these

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 288**

Overall "market risk" poses the greatest potential danger for investors in \_\_\_\_\_.

- A. Bonds funds
- B. Hedge funds
- C. Stock funds
- D. Growth funds

**Correct Answer: C**

**Section: (none)**

**Explanation**

**Explanation/Reference:**

**QUESTION 289**

\_\_\_\_\_ funds may specialize in a particular industry segment, such as technology or consumer products stocks.

- A. Index
- B. Sector
- C. Growth
- D. Income

**Correct Answer: B**

**Section: (none)**

**Explanation**

**Explanation/Reference:**

**QUESTION 290**

There are different classes of mutual funds. Classes that typically do not have a front-end sales load. Instead they may impose a contingent deferred sales load and a 12b-1 fee (along with other annual expenses) is called:

- A. Class A
- B. Class B

- C. Class C
- D. Both B&C

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 291**

Hedge funds:

- A. Seek to profit in all kinds of markets by pursuing leveraging and other speculative investment practices
- B. Are subject to very few regulatory controls
- C. Also have voluntarily restricted investment to wealthy investors through high investment minimums (e.g. \$1 million)
- D. All of these

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 292**

Some objectives of an audit related to mutual funds might include determining that:



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- A. Mutual fund checks are issued in accordance with firm policies and supported by valid trades
- B. Mutual fund purchases are confirmed on a timely basis
- C. Mutual fund switches are not authorized by the client
- D. All EXCEPT "C"

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 293**

Major types of Real Estate Investment Trust (REITs) include all of the following EXCEPT:

- A. Equity REITs
- B. Mortgages REITs
- C. Hybrid REITs
- D. None of these

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 294**

Not all misstatements will be material enough to affect the fair presentation of the financial statement. A material misstatement is one that the auditors determine would change or influence the opinion of a reasonable person relying on the financial statements for information. Ultimately, auditors must exercise judgment to assess materiality based on the qualitative nature of the misstatements and their quantitative extent. Materiality is also based on auditors' assessment of control risk levels in the organization. The following factors may influence the auditors' assessment of control risk EXCEPT:

- A. Management's awareness or lack of awareness of applicable laws and regulations
- B. Client policy regarding such matters as acceptable operating practices and codes of conduct
- C. Assignment of responsibility and delegation of authority to deal with such matters as organizational goals and objectives, operating functions, and regulatory requirements
- D. None of these

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 295**

Which of the following bonds do not pay interest during the life of the bonds?

- A. Municipal bonds
- B. Callable bonds
- C. Convertible bonds
- D. Zero coupon bonds

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 296**

Apart from the balance sheet or retained earnings what else must the financial analyst take into consideration in fundamental analysis?

- A. The assortment track record
- B. The previous track record
- C. The crowbar track record
- D. The advisor track record

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 297**

\_\_\_\_\_ stipulate a relationship between expected return and risk.

- A. APT
- B. CAPM
- C. Both CAPM and APT
- D. Neither CAPM nor APT

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 298**

Which of the following is an income that is the source of revenue for members or brokers?

- A. Copyright fee
- B. Application fee
- C. Fixed cost fee
- D. Trading fee

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 299**

All of the following are the causes of change in investor's circumstances, EXCEPT:

- A. Investment horizon changes
- B. Liquidity requirement changes
- C. Authority circumstance changes
- D. tax circumstances changes

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 300**

In which of the following markets do the investor cannot short sell?

- A. Target market
- B. Historic market
- C. Borough market
- D. Regular market

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 301**

When Beta  $>1.0$ , it indicates that:

- A. Security is more risky than the market
- B. Security is less risky than the market
- C. Security is as risky as the market
- D. Security is not risky at all

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 302**

Which of the following suggests that people express a different degree of emotion towards gains than towards losses?

- A. Loss aversion
- B. Prospect theory
- C. Illusion of control
- D. Anchoring

**Correct Answer:** B

**Section: (none)**  
**Explanation**

**Explanation/Reference:**

**QUESTION 303**

A form of the EMH which states that security prices fully reflect all public and private information.

- A. Strong form efficiency
- B. Weak form efficiency
- C. Semi strong form efficiency
- D. None of the given options

**Correct Answer: A**  
**Section: (none)**  
**Explanation**

**Explanation/Reference:**

**QUESTION 304**

Which of the following is an objective of a tax shelter?

- A. Eliminate tax liabilities
- B. Postpone tax liabilities as long as possible
- C. Reduce tax liabilities as much as possible
- D. Shift tax liabilities to other taxpayers

**Correct Answer: B**  
**Section: (none)**  
**Explanation**

**Explanation/Reference:**

**QUESTION 305**

All of the following are examples of financial assets EXCEPT.

- A. Stocks
- B. Transport vehicles
- C. Bonds
- D. Bank deposits

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 306**

Which of the following equation is FALSE?

- A. Total risk = general risk + specific risk
- B. Total risk = market risk + issuer risk
- C. Total risk = systematic risk + nonsystematic risk
- D. Total risk = un-diversified risk + equity risk

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 307**

Which of the following ratios will be used if portfolio's numerous other assets systematic risk of investment is the best?

- A. Treynor reward-to-volatility ratio
- B. Jensen's differential return ratio
- C. Jennet's return on liquidity ratio
- D. Sharpe reward-to-variability ratio

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 308**

Which order will be executed automatically at the current bid or ask price?

- A. Limit order
- B. Market order
- C. Stop order
- D. Good till cancelled

**Correct Answer: B**

**Section: (none)**

**Explanation**

**Explanation/Reference:**

**QUESTION 309**

Which of the following is the ratio of share price to stockholder equity as measured on the balance sheet?

- A. Price to book value ratio
- B. Price to sales ratio
- C. Leverage ratio
- D. Debt coverage ratio

**Correct Answer: A**

**Section: (none)**

**Explanation**

**Explanation/Reference:**

**QUESTION 310**

Which of the following trading systems is used by the Stock Exchange?



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- A. ISECTS
- B. LOTS
- C. KATS
- D. PETS

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 311**

The S&P 500 Composite Stock Index is favored by most institutional investors and money managers. What does S&P stands for?

- A. Sophisticated and Poised
- B. Standard and Poor
- C. Stylish and Permanent
- D. Sojourn and Perennial

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 312**

More investors are using technical analysis now than in earlier periods because:

- A. Investors are able to know the quantitative calculations of technical analysis
- B. More business schools are now teaching technical analysis

- C. The Internet makes more data available to track stock prices
- D. There is now more empirical evidence supporting technical analysis

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

### **QUESTION 313**

The industries that are least affected by recessions and economic adversity are referred as which of the following?

- A. Growth industries
- B. Cyclical industries
- C. Interest-sensitive industries
- D. Defensive industries

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

### **QUESTION 314**

Which of the following depicts a bullish trend in stock market?

- A. Stock price drop below support level
- B. Stock price rises above support level
- C. Stock price drop below resistant level
- D. None of given options

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 315**

In bottom-up approach of fundamental analysis, investors begin their analysis with:

- A. Industry
- B. Economy
- C. Market
- D. Company

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 316**

In which of the following charts days do not matter?

- A. Line and pie charts
- B. Bar and pie charts
- C. Bar and line charts
- D. Point and figure charts

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 317**

In which of the following the investors look at the historical perspective?

- A. Value investment
- B. Interactive investment
- C. Growth investment
- D. Accredited investment

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 318**

Which one of the following is correct formula for calculating gross margin?

- A. Net Profit/Net Sales
- B. Gross Profit/Net Sales
- C. Net income/Net Sales
- D. Gross Profit/credit Sales

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 319**

The circuit breaker that is applied where stock prices in the market are dropping is known as which of the following?

- A. Starter
- B. Floor
- C. Ceiling
- D. Simulator

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 320**

On Balance Volume one of technical indicator use \_\_\_\_\_ as base.

- A. Demand
- B. Supply
- C. Volume
- D. Price

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 321**

In which of the following accounts the trading charges are high?

- A. Savings account
- B. System account
- C. Personal account
- D. Cash account

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 322**

Which one of the following is correct formula for calculating operating margin?

- A. Net Profit/Net Sales
- B. Net income/Net Sales
- C. Operating income/Net Sales
- D. Operating income/credit sales

**Correct Answer:** C

**Section:** (none)

## Explanation

### Explanation/Reference:

#### QUESTION 323

\_\_\_\_\_ do not change the collective wealth of shareholders.

- A. Stock splits
- B. Bonus shares
- C. Right shares
- D. All of the following

**Correct Answer:** D

**Section:** (none)

## Explanation

### Explanation/Reference:

#### QUESTION 324

Which of the following is the reason stock prices behave the way they do at resistance lines?

- A. Many investors want to buy at this price
- B. Market makers resist moving prices lower than this price
- C. Many investors want to sell at this price
- D. Market makers support prices at this level

**Correct Answer:** C

**Section:** (none)

## Explanation

### Explanation/Reference:

#### QUESTION 325

Which of the following ratios are of more concern for the shareholders?

- A. Liquidity and profitability

- B. Liquidity and leverage
- C. Profitability and activity
- D. Profitability and leverage

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 326**

Which of the following statements hold TRUE for ask price?

- A. It is the price at which a broker is willing to sell a certain security
- B. It is the price at which a broker is willing to buy a certain security
- C. It is the quoted price in an order to buy shares of a company
- D. It is the rate at which a dealer will buy the base currency

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 327**

All of the following are characteristics of stop orders EXCEPT:

- A. Protecting profits
- B. Minimizing losses
- C. Rapid execution
- D. It is seldom used by investors

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 328**

All of the following are the problems associated to the Dividend Discount Model, EXCEPT:

- A. This model need infinite stream of dividends
- B. This model has uncertain dividend stream
- C. This model must estimate future dividends
- D. This model requires constant earnings per share

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 329**

An account that permits an investor to borrow part of the cost of investment firm a brokerage firm.

- A. Dealer account
- B. Option account
- C. Margin account
- D. Cash account

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 330**

Long term directs in Dow Theory is depicted through:



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- A. Holes
- B. Strings
- C. Waves
- D. Tides

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 331**

Which of the following is the ratio of a company's total market value (price times number of shares) divided by sales?

- A. Price to sales ratio
- B. Price to book value ratio
- C. Debt coverage ratio
- D. Leverage ratio

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 332**

Which of the following take place at the expansion stage of the industry life cycle?

- A. Firm operations get more stable and dependable
- B. No rapid growth in demand
- C. Costs get stable rather than decreasing or increasing
- D. Sales growth decline as new products are developed

**Correct Answer:** A

**Section: (none)**

**Explanation**

**Explanation/Reference:**

**QUESTION 333**

An investor wants to buy 100 shares of a company but due to shortage of funds investor can only 30% of the total share price and will borrow rest of 70% from brokerage firm. Which of the following type of account will be suitable for investor in this situation?

- A. Cash account
- B. Margin account
- C. Real account
- D. CFA account

**Correct Answer: B**

**Section: (none)**

**Explanation**

**Explanation/Reference:**

**QUESTION 334**

Which of the following does not pay fix income (interest/ dividend) to investors?

- A. Preferred stock
- B. Government bond
- C. Common stock
- D. Treasury bond

**Correct Answer: B**

**Section: (none)**

**Explanation**

**Explanation/Reference:**

**QUESTION 335**

Which of the following is not a type of the multistage dividend discount model?

- A. Two-stage models
- B. Y models
- C. H models
- D. Three-stage models

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 336**

Which of the following programs propagate the ethics?

- A. London Instruments Fiscal Attachment
- B. Laurel Immigration Fairness Analysis
- C. Low Income Financial Association
- D. Licensed International Financial Analyst

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 337**

Which of the following shows relationship between market yield and time to maturity?

- A. Smart curves
- B. Bezier curves
- C. Yield curves
- D. Filling curves

**Correct Answer:** C

**Section:** (none)

## **Explanation**

### **Explanation/Reference:**

#### **QUESTION 338**

Of the following statement identify the advantages of market measures to the investor?

- A. These measures identify the population to be measured and its methods
- B. These measures offer equivalents of common sizes and metric units
- C. These measures regulates the access to and cost of imports and exports
- D. These measures quickly judge the overall portfolio performance

**Correct Answer:** D

**Section:** (none)

## **Explanation**

### **Explanation/Reference:**

#### **QUESTION 339**

Current yield is defined as:

- A. Internal rate of return that equates the prevailing market price with future interest and principle payments
- B. Approximate yield to call for premium bonds
- C. Coupon interest divided by average of market and call prices
- D. Coupon rate expressed as a percent of the prevailing market price

**Correct Answer:** A

**Section:** (none)

## **Explanation**

### **Explanation/Reference:**

#### **QUESTION 340**

The trend lines can have following trends, Except:

- A. Upward trend

- B. Downward trend
- C. Trend range
- D. Round phase

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 341**

Which of the following measures variation of the bond's price yield curve from a straight line?

- A. Bond duration
- B. Bond convexity
- C. Bond valuation
- D. All of the above

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 342**

Which of the following is the basic exchange rate in the economy?

- A. External rate of return
- B. Real rate of return
- C. Rate of return on assets
- D. Net present value rate of return

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 343**

The higher the coupon on the bond:

- A. The lesser is its reinvestment rate risk
- B. The higher is its reinvestment rate risk
- C. The higher is its reinvestment rate of return
- D. The lesser is its reinvestment rate of return

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 344**

In which of the following condition an investment is considered desirable?

- A. When the cost is less than the future value of present cash flows
- B. When profit is less than the present value of future cash flows
- C. When present value of future cash flows is less than the cost
- D. None of these

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 345**

Which of the following depicts a bullish trend in the stock market?

- A. Stock price drop below support level
- B. Stock price drop below resident level
- C. Stock price never drops below support level
- D. None of these

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 346**

Which of the following bond will have the longest duration?

- A. 5 year, 10 percent coupon bond
- B. 5 year, 15 percent coupon bond
- C. 10 year, zero percent coupon bond
- D. 10 year, 10 percent coupon bond

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 347**

Dow Jones industrial average is composed of how many blue chip stocks?

- A. 10
- B. 30
- C. 50
- D. 70

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 348**

Which of the following make use of divisor to adjust for stock splits?



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- A. Capitalization weighting
- B. Price weighting
- C. Equal weighting
- D. Base weighting

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 349**

Bonds and preferred stocks do not ensure:

- A. Fixed income
- B. Security
- C. Ownership
- D. None of the above

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 350**

Which of the following give payback period of investment made?

- A. Future cash flows

- B. Present cash flows
- C. Operating cash flows
- D. Free cash flows

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 351**

Which of the following is pattern that occurs during high volatility, when a security shows great movement with the direction?

- A. Broadening formation
- B. Relative strength index
- C. On balance volume
- D. Bollinger bands

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 352**

Which of the following is payment to owners in stock?

- A. Penny stock
- B. Stock dividend
- C. Stock flicker
- D. Stock ticker

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 353**

Which of the following bonds may be exchanged for another asset at the owner's discretion?

- A. Municipal bonds
- B. Callable bonds
- C. Convertible bonds
- D. Zero coupon bond

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 354**

All of the following are the levels of market efficiency, Except:

- A. Low PE effect
- B. The neglecting firm effect
- C. Common size effect
- D. The small firm effect

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 355**

High yield bonds:

- A. Pay lower coupon rate than investment-grade bonds
- B. Have a lower probability of default than junk bonds
- C. Are avoided by institutional investors
- D. None of these

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 356**

Which of the following compares the magnitude of recent gains to recent losses in an attempt to determine overbought and oversold conditions of an asset?

- A. Moving average convergence/Divergence
- B. Relative strength index
- C. On balance volume
- D. Bollinger bands

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 357**

Which of the following are required inputs of the present value approach?

- A. Discount rate and the expected cash flows
- B. Expenses paid in cash and dividends disbursed
- C. Earnings in valuing stocks and stock-in-trade
- D. Retained earnings and dividend payout ratio

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 358**

Which of the following is NOT a test semi-strong form efficiency?

- A. Stock splits
- B. Accounting changes
- C. Dividend announcements
- D. Insider transactions

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 359**

Which of the following is difference between the expected return and actual return on an investment?

- A. Expected return
- B. Abnormal Return
- C. Normal return
- D. Tax return

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 360**

Which of the following tests is used to test the weak form of market efficiency?

- A. Stock splits
- B. Insider transactions
- C. Accounting changes
- D. None of these

**Correct Answer:** D

**Section: (none)**  
**Explanation**

**Explanation/Reference:**

**QUESTION 361**

Which of the following usually represents an unusually risky stocks?

- A. Blue chip stock
- B. Growth stock
- C. Penny stock
- D. None of these

**Correct Answer: C**

**Section: (none)**  
**Explanation**

**Explanation/Reference:**

**QUESTION 362**

All of the following are investment alternatives, Except:

- A. Derivative assets
- B. Collateral securities
- C. Fixed income securities
- D. Equity securities

**Correct Answer: B**

**Section: (none)**  
**Explanation**

**Explanation/Reference:**

**QUESTION 363**

In which of the following markets do the investors cannot short sell?

- A. Target market
- B. Historic market
- C. Borough market
- D. Regular market

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 364**

Which of the following is an average signifying the point in time when the present value of security is repaid?

- A. Yield to maturity
- B. Duration
- C. Convexity
- D. Immunization

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 365**

Which of the following term is used synonymously for the equity?

- A. Share
- B. Distribution
- C. Section
- D. Division

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 366**

If the Dow Jones industrial average stock splits 3 for 1 then what impact will this have on the index divisor?

- A. Index divisor will incline
- B. Index divisor remains constant
- C. Index divisor will decline
- D. Index divisor multiply

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 367**

The sensitivity of coupon price to change in its yield:

- A. Is directly related to the bond's yield
- B. Is inversely related to the bond's yield to maturity
- C. Is greater for increases in yield to maturity than it is for decreases in yield to maturity
- D. Is constant regardless of whether the yield to maturity increases or decreases

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 368**

Which of the following stage offers the highest potential returns and the greatest risk?

- A. Pioneering stage
- B. Expansion stage

- C. Stabilization stage
- D. Decline stage

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 369**

Margin accounts are mostly used by:

- A. Traders who think that their long run returns will be greater than their cost of borrowing
- B. Speculators who think that their long run returns will be greater than the cost of borrowing
- C. Investors who think that their long run returns will be greater than the cost of borrowing
- D. All of the above

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**



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