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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.

- 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 per-accident 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 within 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 referred 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

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 Charges
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



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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 producers 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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