

Securities & Investments

1. A professional who is licensed to buy and sell stocks is a
 - A. realtor
 - B. banker
 - C. stockbroker
 - D. insurance agent
2. Less than 100 shares of stock is a(n)
 - A. partial lot
 - B. round lot
 - C. odd lot
 - D. full lot
3. Shares bought or sold in multiples of 100 are referred to as a
 - A. round lot
 - B. diversified lot
 - C. odd lot
 - D. bond
4. An assigned (and often arbitrary) dollar amount that is printed on a stock certificate is the
 - A. adjusted value
 - B. face value
 - C. market value
 - D. par value
5. Financial interest in the life or property is referred to as
 - A. personal frisk
 - B. pure risk
 - C. insurable interest
 - D. speculative risk
6. Putting an insurance policyholder back in the same financial condition as before a loss occurs is referred to as
 - A. certification
 - B. indemnification
 - C. probability
 - D. resolution
7. _____ is a chance of loss with no chance for gain.
 - A. Pure risk
 - B. Personal risk

- C. Property risk
 - D. Speculative risk
8. _____ include possible losses involving income or standard of living.
- A. Property risks
 - B. Pure risks
 - C. Liability risks
 - D. Personal risks
9. The ____ statement must be filed annually with the SEC by all firms having securities listed on a securities exchange or traded in the OTC market.
- A. round lot
 - B. form 10-K
 - C. yield
 - D. odd lot
10. A brokerage account in which customers can only make cash transactions is the
- A. custodial account
 - B. margin account
 - C. cash account
 - D. wrap account
11. _____ is a small company financial index.
- A. S & P 500
 - B. NYSE
 - C. Dow Jones Industrials
 - D. Russell 2000
12. Using borrowed money to increase returns is called
- A. an illegal practice
 - B. money laundering
 - C. inflated valuation
 - D. leverage
13. Profit that results from investments into a capital asset, such as stocks, bonds, or real estate, which exceeds the purchase price is called
- A. capital gains
 - B. nominal yield
 - C. current yield
 - D. partial surrender

14. What is a technique for estimating the number of years required to double your money at a given rate of return?

- A. inflation
- B. Rule of 72
- C. speculation
- D. risk

15. The ____ allows individuals to contribute a limited yearly sum toward their retirement each year, with earnings tax-deferred until withdrawals begin at age 59 1/2 or older.

- A. IRA
- B. trust fund
- C. CD
- D. mutual fund

16. The plan for sharing the risk of financial loss resulting from an accident or illness is

- A. health insurance
- B. whole life insurance
- C. life insurance
- D. term life insurance

17. A life insurance policy that remains in effect for a specified period of time is

- A. universal life insurance
- B. umbrella insurance
- C. term life insurance
- D. whole life insurance

18. All of the following are considerations to complete client policy statements except

- A. time horizon
- B. trends
- C. objectives
- D. constraints

19. A basis for comparison of investment options is referred to as the

- A. economic index
- B. criterial standard
- C. investment evaluation
- D. earnings index

20. ____ includes projections and recommendations about potential investments based on available current data.

- A. Mediation
- B. Arbitration

- C. Analytical information
- D. Descriptive information

21. A retirement plan for non-profit corporations in which the employee chooses a percentage of their salary to set aside and the company may put in a matching amount is the

- A. 401 (k)
- B. 403 (b)
- C. 403 (d)
- D. 401 (c)

22. A company sponsored retirement plan that specifies retirement benefits, based on wages earned and years of service is the

- A. inheritance tax plan
- B. defined contribution plan
- C. social security plan
- D. defined benefit plan

23. Which of the following is NOT a common itemized deduction for income taxes?

- A. medical expenses
- B. interest income
- C. charitable contributions
- D. mortgage interest

24. The tax form that lists your interest earnings for the year is the

- A. W-2
- B. 1099-INT
- C. 1099-DIV
- D. W-4

25. A short-term unsecured loan to a corporation issued at a discount from the face value is a

- A. negotiable CD
- B. commercial paper
- C. mortgage-backed security
- D. realty investment

26. Loans for homes and land are called

- A. simple interest loans
- B. unsecured loans
- C. short-term loans
- D. mortgages

27. Interest on _____ can be deducted on income taxes

- A. car loans
- B. revolving credit cards
- C. department store credit card charges
- D. mortgages

28. A method of spreading individual risk among a large group of people to make losses more affordable for all is referred to as

- A. insurance
- B. estate
- C. return
- D. credit

29. An addition or supplement that explains, modifies, or revokes a will or part of one is the

- A. trust
- B. executive
- C. proclamation
- D. codicil

30. The chance of loss with no chance for gain is

- A. speculation
- B. pure risk
- C. personal risk
- D. disaster probability

31. At the time of a person's death, everything they own minus debt is called the

- A. estate
- B. property valuation
- C. inheritance
- D. net income

32. ____ is an unincorporated mutual fund structure that allows funds to hold assets and pass profits through to the individual owners, rather than reinvesting them back into the fund.

- A. Savings bond
- B. Will
- C. Unit trust
- D. Escrow

33. ____ is a type of mutual fund that does not have restrictions on the amount of shares the fund will issue and also buy back shares when investors wish to sell.

- A. Bond issue
- B. Stock market investment
- C. Treasury bill

D. Open ended investment

34. _____ are agreed to by the client and the broker as a result of their negotiations, typically available to large institutional transactions and to individual investors who maintain large accounts.

- A. Load fees
- B. Quotations
- C. Negotiated commissions
- D. Mediations

35. The brokerage account of a minor requires a parent or guardian of all transactions. This is an example of a

- A. custodial account
- B. wrap account
- C. cash account
- D. margin account

36. Persons who receive property from someone who has died are

- A. heirs
- B. trustees
- C. witnesses
- D. family members

37. _____ is a type of joint account ownership that upon the death of one of the owners, the surviving owners share the value of the account equally.

- A. Joint with rights of survivorship
- B. Inheritance declaration
- C. Social security
- D. Power of attorney

38. The person designated in a will to carry out your instructions regarding the distribution of your assets is the

- A. heir
- B. state justice
- C. executor
- D. municipal judge

39. _____ is a public listed company designed to generate profits for its shareholders by investing in the shares of other companies.

- A. Investment trust
- B. Unit trust
- C. Mortgage
- D. Investment bond

40. Investment funds can be hedged through
- A. diversification
 - B. inflation
 - C. the purchase of one blue-chip stock fund
 - D. high-risk speculation
41. The largest stock exchange in the world is located in
- A. Beijing
 - B. New York City
 - C. London
 - D. Paris
42. An increase in the value of an asset is called
- A. capital gain
 - B. asset expansion
 - C. asset appreciation
 - D. positive net worth
43. The measurement of the value of stocks, usually divided into eighths.
- A. dividend
 - B. point
 - C. par
 - D. profit
44. The price of the stock is divided by its earnings for the last year to compare the price of the stock to other stocks. This is an example of the
- A. valuation
 - B. earning evaluation
 - C. price-earning ration (P/E)
 - D. dividend
45. An investor purchased a corporate bond for $97 \frac{3}{8}$. If the bond is sold for $99 \frac{3}{8}$, the investor has a profit of
- A. \$200
 - B. \$2
 - C. \$.20
 - D. \$20
46. A benchmark that investors use to judge the performance of their investments is the
- A. NASDAQ
 - B. stock split

- C. stock index
- D. D Jones Industrials

47. Stocks that have a consistent history of paying high dividends are

- A. income stocks
- B. speculative stocks
- C. growth stocks
- D. common stocks

48. An increase in the number of outstanding shares of a company's stock is a

- A. odd lot
- B. stock split
- C. round lot
- D. stock expansion

49. Shares of stock bought or sold in multiples of 100 are called a

- A. odd lot
- B. trust
- C. codicil
- D. round lot

50. An order to buy or sell a stock only if the price is within limits that you specify is a

- A. day trader
- B. non-limitation order
- C. auto transaction
- D. limit order

51. Shares of ownership in a corporate or public body are called

- A. liabilities
- B. stocks
- C. assets
- D. bonds

52. Stocks in corporations that reinvest their profits into the business so that it can grow are

- A. speculative stocks
- B. income stocks
- C. growth stocks
- D. common stocks

53. An order to buy or sell a stock only at the price within limits that you specify is referred to as a

- A. market order
- B. diversified order

- C. day order
- D. limit order

54. Investments with the chance of quick or considerable profit are

- A. diversified investements
- B. securities
- C. speculative stock
- D. speculative investments

55. A bond that has a low rating or no rating at all is a

- A. round lot
- B. mutual fund
- C. junk bond
- D. blue-chip bond

56. _____ stocks receive dividends first before other forms of stock.

- A. Common
- B. Participating
- C. Preferred
- D. Blue chip

57. Growth is an investment objective that seeks

- A. capital depreciation
- B. stock splits
- C. capital appreciation
- D. diversification

58. All of the following types of securities trade in the secondary market EXCEPT

- A. debentures
- B. municipal bonds
- C. common stock
- D. EE bonds

59. A corporation's first sale of stock to public investors is a(n)

- A. IPO
- B. CD
- C. IRA
- D. common stock

60. NASDAQ is an example of a

- A. primary market
- B. real estate market

- C. secondary market
- D. bond market

61. The actual interest rate an account pays per year, including compounding is the

- A. average daily rate
- B. annual percentage rate
- C. simple interest rate
- D. daily interest rate

62. The process by which investment earnings build up not only on the money originally invested but also on the earnings and gains made in previous years is

- A. inflating
- B. simple interest
- C. return
- D. compounding

63. Shares in a company whose earnings are expected to grow at an above-average rate relative to the market represent a

- A. high risk company
- B. conservative company
- C. defensive company
- D. growth company

64. Insider trading in the stock market is an illegal activity that represents a(n)

- A. leadership issue
- B. mission issue
- C. objective issue
- D. ethical issue

65. All of the following are sources of investment information except

- A. financial portals
- B. research reports
- C. industry annual reports
- D. business reviews

66. A legal partnership through which a group of investors are bound to a specified organizational structure, operating procedures, and purpose, which is typically to earn favorable long-term returns from moderate-risk investments is the

- A. stock market
- B. over-the-counter market
- C. investment club
- D. limited partnership

67. The _____ measures the total output of the American economy.
- A. Consumer Price Index
 - B. Real Estate Mortgage Investment Conduit
 - C. Gross Domestic Product
 - D. Collateral Mortgage Operation
68. The highest point in the business cycle is the
- A. contraction
 - B. expansion
 - C. peak
 - D. trough
69. Two quarters (6 months) or more of economic decline indicates an economic
- A. recession
 - B. boom
 - C. depression
 - D. growth period
70. The _____ measures inflation/deflation for basic consumer goods and services.
- A. collateralized mortgage operation
 - B. inflation index
 - C. Gross Domestic Product
 - D. Consumer Product Index
71. Mutual funds that sell shares to individuals and invest the proceeds in the stock market are
- A. stock mutual funds
 - B. bond mutual funds
 - C. growth funds
 - D. global funds
72. The percentage of money earned on an investment in one year is the
- A. interest rate
 - B. yield
 - C. dividend earnings
 - D. annual rate of return
73. A mutual fund that tries to match the performance of a particular securities index by investing in the companies included in that index is a(n)
- A. global fund
 - B. growth fund
 - C. balance fund

D. index fund

74. The spreading of risk among many types of investments is called

- A. indemnification
- B. speculation
- C. diversification
- D. risk avoidance

75. A legal document that offers securities or mutual funds shares for sale is the

- A. return
- B. trust
- C. prospectus
- D. proxy

76. A savings product operated by an investment company which raises money from shareholders to invest in assets is the

- A. mutual fund
- B. Roth IRA
- C. Emergency fund
- D. IRA

77. The sales fee paid when purchasing a mutual fund through a broker is the

- A. end fee
- B. load
- C. administrative fee
- D. brokerage earnings

78. The market value of the securities that a mutual fund has purchased minus any liabilities owed is called the

- A. par value
- B. net asset value
- C. market value
- D. face value

79. A sales fee paid when purchasing a mutual fund through a broker is the

- A. proxy
- B. commission
- C. tax
- D. load

80. Investment transaction costs include all of the following except

- A. hidden costs

- B. commissions
- C. bid ask spread
- D. Interest

81. A bond the issuer has the right to pay off before its maturity date is a

- A. global fund
- B. treasury bond
- C. balance fund
- D. callable bond

82. Debt securities which represent loans from investors to a corporation are

- A. bonds
- B. royalties
- C. stocks
- D. dividends

83. The interest rate named on the bond certificate is

- A. calculated yield
- B. maximum yield
- C. adjusted yield
- D. nominal yield

84. Interest-bearing debt issued by state or local governments to finance operation or capital costs are called

- A. treasury bonds
- B. savings bonds
- C. mutual funds
- D. municipal bonds

85. Bonds backed up by specific assets as collateral are

- A. corporate bonds
- B. common bonds
- C. unsecured bonds
- D. secured bonds

86. Who would receive funds first in the event of bankruptcy?

- A. administrative fees of bankruptcy
- B. debentures
- C. general creditors
- D. secured creditors

87. A mutual fund that invests in a mixture of stocks and bonds to minimize risk is the

- A. global fund
- B. balance fund
- C. callable fund
- D. index fund

88. A bond issue has been passed to build a new high school. Individuals who purchase bonds for this project will earn

- A. interest on their investment
- B. dividends on their investment
- C. a tax break on their investment
- D. commission on their investment

89. A short-term debt security issued most commonly by the federal government is a

- A. treasury bond
- B. mutual fund
- C. savings bond
- D. treasury bill

90. ___ are direct obligations of the U.S. government that pay semi-annual interest and have 10-30 year maturities.

- A. T-bills
- B. T-notes
- C. Debenture bonds
- D. T-bonds

91. Cattle, oil, gold, and metals are all examples of

- A. commodities
- B. collectibles
- C. securities
- D. liabilities

92. The auction market in which participants buy and sell commodity contracts for delivery on a specified date is the

- A. over the counter market
- B. NYSE
- C. NASDAQ
- D. futures market

93. _____ is a benefit in the form of an option given by a company to an employee to buy stock in the company at a discount or at a stated fixed price.

- A. Stock option
- B. Stock quote

- C. Tax sheltered annuity
- D. Mutual Fund

94. _____ are customized contracts that are traded in the over-the-counter (OTC) market between private parties.

- A. Common stocks
- B. Preferred stocks
- C. SWAPS
- D. Convertible stocks

95. The _____ is a nonprofit membership corporation, authorized by the federal government, that insures each brokerage customer's account for up to \$500,00, with claims for cash limited to \$100,000 per customer.

- A. FDIC
- B. Securities Investor Protection Corporation (SIPC)
- C. NASDAQ
- D. SEC

96. A statement that must be filed annually with the SEC by all firms having securities listed on a securities exchange or traded in the OTC market is the

- A. 1099 INT
- B. 1040A
- C. Form 10-K
- D. 1040

97. ____ is a nonprofit membership corporation, authorized by the federal govern, that insures each brokerage customer's account for up to \$500,000, with claims for cash limited to \$100,000 per customer.

- A. Securities Investor Protection Corporation
- B. Negotiated commission
- C. Fair disclosure rule
- D. Descriptive investment information

98. An illegal and unethical practice engaged in by a broker to increase commissions by causing excessive trading clients' accounts is called

- A. high balling
- B. odd lot
- C. averages
- D. churning

99. The rule requiring senior executives to disclose critical information simultaneously to investment professionals and the public via press releases or SEC filings is the

- A. full disclosure requirement
- B. fair disclosure rule (Regulation FD)
- C. description information disclosure
- D. material evidence rule

100. The SEC developed the _____ to handle investor complaints.

- A. Federal Reserve
- B. NASDAQ
- C. NYSE
- D. Office of Investor Education and Advocacy

Answers

- | | | |
|-------|-------|--------|
| 1. C | 41. B | 81. D |
| 2. C | 42. A | 82. A |
| 3. A | 43. B | 83. D |
| 4. D | 44. C | 84. D |
| 5. C | 45. D | 85. D |
| 6. B | 46. C | 86. D |
| 7. A | 47. A | 87. B |
| 8. D | 48. B | 88. A |
| 9. B | 49. D | 89. D |
| 10. C | 50. D | 90. D |
| 11. D | 51. B | 91. A |
| 12. D | 52. C | 92. D |
| 13. A | 53. D | 93. A |
| 14. B | 54. D | 94. C |
| 15. A | 55. C | 95. B |
| 16. A | 56. C | 96. C |
| 17. C | 57. C | 97. A |
| 18. B | 58. D | 98. D |
| 19. B | 59. A | 99. B |
| 20. C | 60. C | 100. D |
| 21. B | 61. B | |
| 22. D | 62. D | |
| 23. B | 63. D | |
| 24. B | 64. D | |
| 25. B | 65. D | |
| 26. D | 66. C | |
| 27. D | 67. C | |
| 28. A | 68. C | |
| 29. D | 69. A | |
| 30. B | 70. D | |
| 31. A | 71. A | |
| 32. C | 72. D | |
| 33. D | 73. D | |
| 34. C | 74. C | |
| 35. A | 75. C | |
| 36. A | 76. A | |
| 37. A | 77. B | |
| 38. C | 78. B | |
| 39. A | 79. D | |
| 40. A | 80. D | |