100% Money Back Guarantee

Vendor:FINRA

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Exam Name:FINRA Investment Company and Variable Contracts Products Representative Examination (IR)

Version: Demo

QUESTION 1

Mr. Cross wanders into your office with a $35,000 check that he has received from his recently-deceased wife\\'s insurance company and wants you to advise him how to invest it, since that is your job, as he puts it.

You ask him to fill out a standard investor profile questionnaire, but he refuses to do so. You offer to fill it out for him, based on his answers to your verbal questions, but he still refuses and calls you a “nibby-nose.” Based on this, you can:

A. allocate the $35,000 any way you choose since you have an uncooperative client.

B. advise him to invest the money in a money market mutual fund instead of holding it as cash.

C. advise him to invest the money in an SandP 500 Index fund.

D. The advice provided in either Choice B or Choice C would be appropriate.

Correct Answer: B

Explanation: If you cannot get any personal information from a client, you cannot legitimately recommend (or execute) an asset allocation for him. You can advise him to invest the money in a money market mutual fund instead of holding it as

cash since this will provide him with a small return on his money. You cannot advise him to invest the money in an SandP 500 Index fund, which would subject him to more risk.

This would be considered an unsuitable recommendation and is in violation of securities’ laws.

QUESTION 2

A broker-dealer is required to file a Currency Transaction Report with the Treasury Department for:

A. any transaction exceeding $10,000 in value.

B. any cash transaction exceeding $10,000.

C. any cash transaction exceeding $3,000.

D. any transaction exceeding $5,000.

Correct Answer: B

Explanation: A broker dealer is required to file a Currency Transaction Report with the Treasury Department for any cash transaction exceeding $10,000. The report does not need to be filed if the transaction simply has a market value of $10,000, but does not involve cash (aka, currency.)

QUESTION 3

Which of the following investment companies will always be passively managed?

A. a face-amount certificate company

B. a unit investment trust

C. a mutual fund

D. a closed-end investment company

Correct Answer: B

Explanation: A unit investment trust is always passively managed. Some mutual funds, such as index funds, may also be passively managed, but not all mutual funds are passively managed.

QUESTION 4

On which of the following items do mutual fund shareholders get to vote?

I. any change in the investment objective of the fund

II. the election of a new investment adviser

III. the renewal of the fund\\'s 12b-1 fee

IV.

the purchase or sale of real estate by the fund

A.

I, II, III, and IV

B.

I, II, and IV only

C.

I, II, and III only

D.

I, III, and IV only

Correct Answer: D

Explanation: Mutual fund shareholders get to vote on any change in the investment objective of the fund, the renewal of the fund\\'s 12b-1 fee, and the purchase or sale of real estate by the fund. They do not elect the fund\\'s investment adviser; they only vote to approve the investment adviser\\'s contract.

QUESTION 5

The investment banker bears the risk if the securities do not sell in a(n):

A. firm commitment underwriting agreement.

B. best efforts agreement.

C. all-or-nothing commitment.

D. None of the above selections are correct. The investment banking firm is never exposed to risk if the securities don\\'t sell.

Correct Answer: A

Explanation: The investment banker bears the risk if the securities do not sell in a firm commitment underwriting agreement. In this type of agreement, the investment banker purchases the security from the issuing firm and is fully exposed to any risk associated with the issue.

QUESTION 6

Which of the following securities would be exempt from SEC registration requirements?

I. a 15-year bond issued by the state of Colorado

II. an issue of preferred stock that has an aggregate par value of $5 million

III.

an issue of commercial paper that has a 5-month maturity

A.

I only

B.

III only

C.

I and III only

D.

I and II only

Correct Answer: C

Explanation: Only Selections I and III are exempt from SEC registration requirements. The bond issued by Colorado is exempt because bonds issued by a government body are exempt from registration. The issue of commercial paper is exempt because securities with less than 270 days to maturity are exempt from registration.

QUESTION 7

Mr. and Mrs. R. Retired are planning on traveling extensively throughout the U.S. in their new motor home now that they have reached their golden years. Under FINRA rules, upon written instructions from Mr. and Mrs. R. Retired, their broker is required to hold their mail for a maximum of:

A. 1 month.

B. 2 months.

C. 3 months.

D. none of the above. It is Mr. and Mrs. Retired\\'s responsibility to establish a mail-hold through the post office.

Correct Answer: B

Explanation: If Mr. and Mrs. Retired provide their broker with written instructions, their broker is required to hold their mail for a maximum of 2 months under FINRA\\'s rule regarding the keeping of books and records. If Mr. and Mrs. Retired were going abroad instead of traveling only in the U.S., FINRA\\'s rule requires that their mail be held by the broker for a maximum of 3 months.

QUESTION 8

The total of a mutual fund\\'s front-end load, rear-end load, and 12b-1 fees may not exceed: A. 10.0% of the fund\\'s offer price.

B. 10.0% of the fund\\'s net asset value.

C. 8.5% of the fund\\'s offer price.

D. 8.5% of the average annual net assets of the fund.

Correct Answer: C

Explanation: The total of a mutual fund\\'s front-end load, rear-end load, and 12b-1 fees may not exceed 8.5% of the fund\\'s offer price.

QUESTION 9

HiTop Investments main office is located in the state of Colorado. A registered representative of the firm sent out an e-mail to his clients, some of whom reside in other states, promoting the firm\\'s Colorado Municipal Bond Fund, which invests exclusively in bonds offered by the state and local governments of Colorado. In the e-mail, the representative states, “These bonds provide income that is free from both federal and state taxes and may also be free from local taxation, if any exists.”

Is this e-mail in violation of any securities’ laws?

A. No. Since the fund invests exclusively in bonds offered by the state and local governments of Colorado, the representative\\'s statement contains no misstatement of fact.

B. Yes. Advertisements referring to a specific fund may not be distributed by electronic means.

C. Yes. A fund that invests only in bonds offered by state and local governments of one state may not be sold to investors who reside in other states.

D. Yes. The representative\\'s statement that the” bonds provide income that is free from both federal and state taxes and may also be free from local taxation, if any exists,” is untrue.

Correct Answer: D

Explanation: Yes, the e-mail is in violation of the Securities Act of 1933 because the representative\\'s statement that the “bonds provide income that is free from both federal and state taxes and may also be free from local taxation, if any exists,” is an untrue statement of a material fact. Although the income will be free from federal taxation, residents of states other than Colorado will likely be required to pay state and local income taxes on the interest earned. It is not illegal to sell municipal bonds to investors in other states or to distribute advertisements by electronic means.

QUESTION 10

Dottie is a newly-minted, registered representative and is doing some cold calling to line up appointments with prospects. When doing so, Dottie:

I. must not call anyone on her firm\\'s do-not-call list.

II. must not call anyone on the FTC\\'s national do-not-call-list.

III. must not call anyone before 7 a.m. or after 7 p.m., based on the time zone of the person being called.

IV.

must provide the person called with her name, the name and contact information of her firm, and the purpose of her call.

A.

I and III only

B.

I and IV only

C.

I, II, and IV only

D.

I, II, III, and IV

Correct Answer: C

Explanation: Only Selections I, II, and IV are correct. When Dottie does her cold calling, she must not call anyone listed on either her firm\\'s do-not-call list or the FTC\\'s national do -not-call list, and she must provide the person called with her name, the name and contact information of her firm, and the purpose of her call. Under FINRA\\'s telemarketing rules, she must not call anyone before 8 a.m. or after 9 p.m., based on the time zone of the person being called.

QUESTION 11

Ms. Newbie\\'s client, Mr. Nomad, has decided that he wants to go on an extended backpack trip through the Amazon. Since he’ll be out of touch, he has given a friend of his limited power attorney to act on his behalf. Based on this, Mr. Nomad\\'s friend can:

I. present Ms. Newbie with an order to purchase securities on Mr. Nomad\\'s behalf.

II. present Ms. Newbie with an order to sell securities on Mr. Nomad\\'s behalf.

III.

request a check be issued to him so that he can send Mr. Nomad some money.

A.

I only

B.

I and II only

C.

I, II, and III

D.

none of the above. Only a relative can hold a power of attorney to engage in financial transactions for the grantor.

Correct Answer: B

Explanation: Mr. Nomad\\'s friend can engage in the activities described in Selections I and II only. A limited power of attorney gives Mr. Nomad\\'s friend the authority to buy and sell securities on Mr. Nomad\\'s behalf, but not to make any cash withdrawals. He would need a full power of attorney to be able to do so.

QUESTION 12

The subaccounts into which Mr. Sumrisk directed his variable life premiums have earned a 6% return. If the assumed interest rate was 7%:

I. the cash value of his policy increased.

II. the death benefit associated with his policy decreased.

III. the cash value of his policy decreased.

IV.

the death benefit associated with his policy increased.

A.

both I and II

B.

both I and IV

C.

both II and III

D.

both III and IV

Correct Answer: A

Explanation: If Mr. Sumrisk\\'s subaccounts earned a 6% return and the assumed interest rate was 7%, then the cash value of his policy increased, but the death benefit associated with his policy decreased. The cash value of the policy increases when the separate account earns a positive return, regardless of the size of that return. The death benefit, however, depends on both the return earned on the separate account and the assumed interest rate. Since the separate account returned less, in this case, than the assumed interest rate, the death benefit decreased.