FINRA-SERIES-6 Q&As

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

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QUESTION 1

Which of the following is not a secured debt issue?

A. a collateral trust receipt

B. a subordinated debenture

C. an equipment trust receipt

D. a mortgage bond

Correct Answer: B

Explanation: A subordinated debenture is not a secured debt issue. All the other choices are. Collateral trust receipts are back by stocks and bonds owned by the issuing firm. An equipment trust receipt is backed by specific equipment owned by the firm. A mortgage bond is backed by real estate.

QUESTION 2

Total Investments, a family of mutual funds, has prepared some new PowerPoint slides that it will use at a free financial planning seminar it offers to the general public. The new slides:

I. must be signed and dated by a registered principal of Total Investments.

II. must be filed with FINRA 10 business days prior to their first use.

III.

must be kept in a separate file by Total for three years after the date of their first use.

A.

I only

B.

I and II only

C.

I and III only

D.

I, II, and III only

Correct Answer: C

Explanation: Only Selections I and III are correct. The PowerPoint slides that are being used at a financial planning seminar fall under the definition of sales literature and, as such, must be signed and dated by a registered principal of Total Investments and must be maintained in a separate file by Total for three years after the date of their first use. Sales literature must also be filed with FINRA within 10 business days of first use, but not prior to the first use, unless it concerns bond volatility ratings.

QUESTION 3

Under FINRA rules, the variable contract sales agreement must specify that any sales commission is to be returned to the insurance company if the buyer terminates the contract within:

A. one week.

B. 5 business days.

C. 7 business days.

D. 10 business days.

Correct Answer: C

Explanation: Under FINRA rules, the variable contract sales agreement must specify that any sales commission is to be returned to the insurance company if the buyer terminates the contract within 7 business days.

QUESTION 4

Which of the following correctly describes how the holding period of a security is calculated when determining whether its sale will result in a short-term or a long-term capital gain?

A. The holding period begins the day after the buy order is submitted and ends the day the sell order is submitted.

B. The holding period begins on the settlement day of the purchase and ends on the settlement day associated with the sale.

C. The holding period begins on the settlement day of the purchase and ends on the day the sell order is submitted.

D. The holding period begins on the settlement day of the purchase and ends on the day the sell order is submitted.

Correct Answer: A

Explanation: In determining whether its sale will result in a short-term or long-term capital gain, the holding period of a security begins the day after the buy order is submitted and ends the day the sell order is submitted.

QUESTION 5

Which of the following statements regarding both a Uniform Gifts to Minors account (UGMA) and a Uniform Transfers to Minors account (UTMA) is false?

A. There can be only one custodian named on the account.

B. The account must be established in the name of one minor child only.

C. Once established, the account is irrevocable.

D. The assets must be re-registered in the minor child\\'s name when the child turns 18.

Correct Answer: D

Explanation: The false statement regarding both a UGMA and a UTMA is that the assets must be re-registered in the minor child\\'s name when the child turns 18. The rule differs between the two types of accounts. The UGMA requires that the assets must be re-registered when the child reaches the “age of majority,” as defined by the state, and the definition differs among states. Under the UTMA, the transfer of the account can be delayed until the minor child has reached the age of 25.