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**QUESTION 1**

Regulation T is set at 50%. Bubba's account contains long positions in the following securities with the prices listed: 100 ABC \$30 200 XYZ \$70 200 QBB \$40 200 KKK \$25 Total market value = \$30,000 Debit balance in the account = \$12,000 Net equity balance of the account = \$18,000

What is Bubba's excess equity in the account?

- A. \$3,000
- B. \$18,000
- C. \$12,000
- D. \$0

Correct Answer: A

\$3,000. With Reg T at 50%, Bubba's equity should be half of the \$30,000 account value, which is \$15,000. Since his equity is \$18,000 Bubba has \$3,000 of excess equity.

QUESTION 2

In a best efforts distribution of a new non-exempt issue, a broker/dealer:

- A. may allow a selling concession to a bank or trust company
- B. agrees to buy the issue at a specified price
- C. is not required to use an offering circular or prospectus
- D. acts as an agent for the issuer

Correct Answer: D

acts as an agent for the issuer. In a best efforts offering the investment banker acts as an agent for the issuer and makes no guarantee about selling the securities.

QUESTION 3

Which of the following does not affect the public offering price of a new issue?

- A. anticipated earnings of the issuer in the next year
- B. dividend projections for the next year
- C. the book value of the issuer
- D. the selling group's determination of value in the prevailing market conditions

Correct Answer: D



the selling group's determination of value in the prevailing market conditions. The offering price is determined by factors related to the issuer.

QUESTION 4

A mutual fund characterized by a modest sales charge and an investment in a fixed portfolio of municipal securities is a:

- A. face-amount certificate company
- B. unit investment trust company
- C. management company
- D. open-end or closed-end company

Correct Answer: B

unit investment trust company. This is an example of a fixed trust, which is a type of unit investment trust.

QUESTION 5

Which of the following is available both to owners of stock and owners of limited partnership participations?

- A. deduction of business expenses from income
- B. a share in the profits from earnings
- C. tax credits
- D. deductions for losses in excess of income earned

Correct Answer: B

a share in the profits from earnings. Both shareholders and limited partners share in the profits from earnings.

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