FINRA-SERIES-7 Q&As

FINRA General Securities Representative Examination (GS)

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QUESTION 1

Bubba buys "double-barreled" municipal bonds. What is the source of guaranteed repayment on these bonds?

A. a specific municipal project plus a federal subsidy

B. two specific municipal projects

C. all projects of the issuing municipality

D. one specific municipal project plus the full financial strength of the issuer

Correct Answer: D

one specific municipal project plus the full financial strength of the issuer. Double -barreled bonds are first payable from a specific project, but are further guaranteed by the issuing municipality.

QUESTION 2

Bubba is buying a Federal Home Loan Bank issue that is offered at 95.22. How much will he pay to purchase one bond?

A. $95.22

B. $951.63

C. $952.20

D. $956.88

Correct Answer: D

$956.88. The price of 95.22 means 95 and 22 / 32. One thirty-second of a $1,000 bond with a par of 100.00 is $0.3125. Twenty-two thirty-seconds is therefore about $6.88. The 95 is the percentage of one bond with a par value of $1,000. Multiplying 95% by $1,000 equals $950. Adding $6.88 plus $950 equals $956.88.

QUESTION 3

FINRA advertising standards permit a dealer to state that a CMO has an implied AAA rating if the securities are issued:

A. with an average life no longer than ten years

B. by a US government agency

C. by a private issuer who has not yet received an expected AAA rating

D. in amounts less than $1,000,000

Correct Answer: B

by a US government agency. Since government agencies do not apply for ratings, it is permissible to state that its issues have an "implied AAA rating". Private issuers must receive a rating in order to state it in advertising.

QUESTION 4

Under which of the following was SIPC established?

A. Securities Act of 1933

B. Securities Exchange Act of 1934

C. Securities Investor Protection Act of 1970

D. Securities Exchange Reform Act of 1975

Correct Answer: C

Securities Investor Protection Act of 1970. SIPC was established under this act.

QUESTION 5

Which of the following is least relevant in evaluating the safety of a general obligation bond?

A. per capital debt

B. total GO debt as a percentage of market value of property

C. total GO debt as a percentage of assessed value of property

D. total debt service as a percentage of net operating revenue

Correct Answer: D

total debt service as a percentage of net operating revenue. This ratio is applicable to revenue bonds but not general obligation bonds. The other choices are all used in measuring credit risk in a GO bond.