FINRA-SERIES-7 Q&As

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QUESTION 1

If a mutual fund has invested its assets by allocating about one-third each for bonds, preferred stocks, and common stocks, it is identified as:

A. an income fund

B. a specialized fund

C. a balanced fund

D. a unit investment trust fund

Correct Answer: C

a balanced fund. A balanced fund varies its investments among these categories of holdings.

QUESTION 2

Which of the following have a stated interest rate on the face of the certificates?

A. treasury bills

B. treasury notes

C. treasury bonds

D. both B and C

Correct Answer: D

both B and C. Treasury notes and treasury bonds have stated interest rates. Treasury bills are always sold at a discount to the face amount payable at maturity.

QUESTION 3

A dealer buys 100 shares of XYZ common, which is an actively traded stock, at 23.50. Three days later, when XYZ common is quoted at 19.50 - 19.75, he sells the 100 shares to a customer. The basis for the dealer\\'s markup is:

A. 10 5/8

B. 19 7/8

C. 23 1/2

D. 5% above cost

Correct Answer: B

19 7/8. The markup is always based on the current market price, not upon cost. Therefore, the markup is based on the offering side of the current quotation.

QUESTION 4

An excerpt from a recent tombstone ad reveals bonds offered publicly at 101. Why were they priced at a premium?

A. to enable investors to establish a tax loss when the bonds are redeemed at maturity

B. to reflect prevailing credit ratings and market conditions for the issuer

C. to provide the issuer with a larger deduction from pre-tax earnings for higher than usual interest payments

D. to comply with SEC rules mandating such pricing for debt issues maturing in the year 2000 and thereafter

Correct Answer: B

to reflect prevailing credit ratings and market conditions for the issuer. Premiums or discounts are used in bond offerings to bring the yield in line with current market conditions.

QUESTION 5

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.