FINRA-SERIES-7 Q&As

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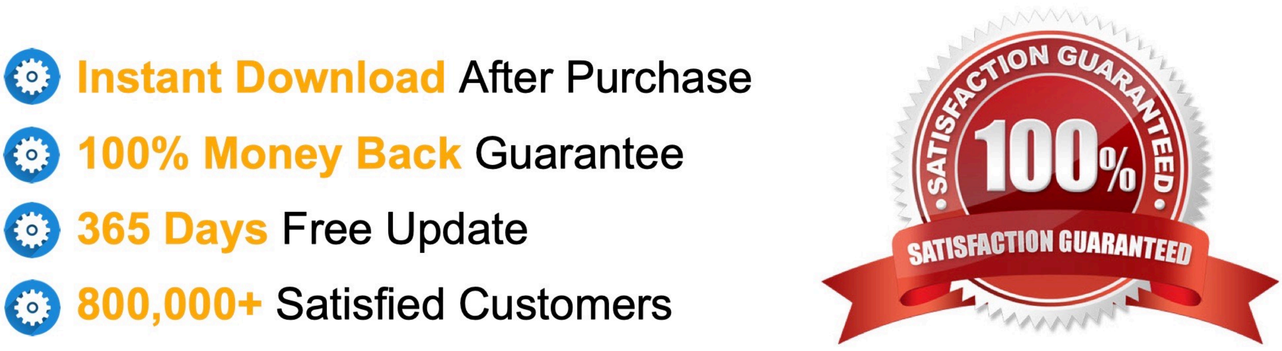

QUESTION 1

Big Guns Municipal Bond Dealer Corporation buys 100M of 7% 20-year GO bonds at par. The bonds are marked up and immediately re-offered for sale. Which of the following re-offering prices would probably be deemed excessive?

A. 6.8% net

B. 6.9% less 0.5

C. $100.75

D. 5.00% net

Correct Answer: D

5.00% net. The other quotes indicate moderate markups over cost. A quote of 5% net indicates a large markup and a price not "reasonably related to the market". The dollar price would be about $125, a 25% markup over the dealer\\'s cost.

QUESTION 2

Bubba buys a 5% bond that matures in 15 years with a 5.10 basis. How much did he pay for the bond?

A. 5.00

B. 98.96

C. 100.00

D. 105.10

Correct Answer: B

98.96. A calculator is not required for this. Even Bubba knows the bond is obviously trading at a slight discount by yielding 5.10% instead of the coupon rate of 5%. If the yield was the same as the coupon rate, the price is 100.00.

QUESTION 3

Which of the following is not an intangible drilling cost?

A. salaries

B. supplies and fuel

C. machinery and pipe

D. repairs

Correct Answer: C

machinery and pipe. These are tangible fixed assets and not associated with intangible drilling costs.

QUESTION 4

A 5% markup policy applies to:

A. riskless transactions

B. primary distributions

C. registered secondaries

D. mutual funds

Correct Answer: A

riskless transactions. The markup policy applies to everything except securities sold under a prospectus, which is the case with the other choices.

QUESTION 5

In stabilizing a new issue, the manager may make a "syndicate penalty bid". This means that:

A. the underwriter will be penalized his profit on any securities repurchased from his clients

B. all stock purchased will be returned to the issuing corporation

C. the manager will charge the syndicate the value of the shares

D. any shares repurchased are added to the treasury stock of the issuing corporation

Correct Answer: A

the underwriter will be penalized his profit on any securities repurchased from his clients. Since clients sell shares back to the syndicate shortly after the offering, the underwriter has not made a proper distribution. The underwriter therefore may be penalized any profit.