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Putting Your Pencil to Paper: Practice Exams

IN THIS PART . . .

Take two practice exams to see how well you know the material.

Check your scores and read the answer explanations.

Chapter **17**

Ready, Set, Go! Practice Exam 1

This chapter is where you get your chance to shine like a star.

This practice exam has 75 questions in random order, just as they are on the actual SIE exam. Please read carefully — many test-takers make careless mistakes because they miss key words or read too quickly. Focus on the information you do need to know and ignore the information that you don't need. Read the last sentence twice to make sure you know what the question is asking.

Mark your answers on the answer sheet provided or on a separate piece of paper. You may use a basic calculator and scrap paper for notes and figuring. As you're taking the exam, be sure to circle the questions you find difficult. This step can help you determine what you really need to review.

To simulate the real exam, try to finish this practice exam in 1 hour and 45 minutes or less. Please resist the urge to look at the answers and explanations as you work through the exam; save the grading for later. After you finish the exam, you can check your answers. (You can find the answers and detailed explanations in Chapter 18, along with an answer key at the end of that chapter.)

Good luck!

Practice Exam Answer Sheet

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TIME: 1 hour and 45 minutes for 75 questions

DIRECTIONS: Choose the correct answer to each question. Then fill in the circle on your answer sheet that corresponds to the question number and the letter indicating your choice.

1. Regarding treasury stock, which of the following statements is true?
 - (A) It is stock that has been issued by the U.S. government.
 - (B) It is stock that has been issued by a corporation that has been repurchased.
 - (C) It receives dividends.
 - (D) It is authorized stock that has been kept unissued for future use by the issuer.
2. Common stockholders of PXPX Corporation have which of the following rights and privileges?
 - (A) The right to receive an audited financial report weekly
 - (B) The right to vote for cash dividends to be paid
 - (C) A residual claim to assets at dissolution
 - (D) The right to vote for stock dividends to be paid
3. Jake Hanson lives in New York and is considering purchasing a bond. They have settled on either a 5-percent municipal bond offered by New York or a 7-percent corporate bond offered by The Greenhorn Corporation, which has headquarters in New York. Jake needs some guidance and would like you to help him determine which bond will provide the greatest return. Which of the following pieces of information do you need to obtain before you can make the appropriate recommendation?
 - (A) The business of his employer
 - (B) His current tax bracket
 - (C) How long he has lived in New York
 - (D) His other holdings
4. An investor who is long a call option will realize a profit if exercising the option when the underlying stock price is
 - (A) below the strike price minus the premium paid
 - (B) above the strike price
 - (C) above the strike price plus the premium paid
 - (D) below the strike price
5. One of your clients is new to investing and has limited resources. Which of the following investments would you LEAST LIKELY recommend to this investor?
 - (A) Growth funds
 - (B) T-bills
 - (C) Blue-chip stock
 - (D) Oil and gas developmental program
6. Which of the following is required on the registration statement for a new issue?
 - I. The capitalization of the issuer
 - II. Complete financial statements
 - III. What the money raised will be used for
 - IV. The names and addresses of all of the issuer's control persons
 - (A) I, II, and III
 - (B) I, III, and IV
 - (C) I, II, and IV
 - (D) I, II, III, and IV
7. Under the Securities Act of 1933, which of the following securities must be registered with the SEC?
 - (A) Closed-end funds
 - (B) Variable annuities
 - (C) Open-end funds
 - (D) All of the above

GO ON TO NEXT PAGE 

8. A customer's confirmation must include
 - I. the markdown, if the member acted as a principal in a Nasdaq security
 - II. the amount of any commission, if the member acted as an agent
 - III. whether the member acted as an agent or a principal
 - IV. the markup if the member acted as a principal in a Nasdaq security

(A) I and III
(B) II and IV
(C) I, III, and IV
(D) I, II, III, and IV
9. A letter of intent for a mutual fund purchase is valid for a period of
(A) 90 days
(B) 270 days
(C) 13 months
(D) 18 months
10. Which of the following is TRUE regarding qualified retirement plans?
(A) Contributions are made with 100 percent pretax dollars.
(B) Contributions are made with 100 percent after-tax dollars.
(C) Distributions are taxable only prior to age 59½.
(D) Distributions are subject to a 10 percent penalty.
11. Variable annuities must be registered with the
 - I. Department of State
 - II. State Banking Commission
 - III. State Insurance Commission
 - IV. Securities and Exchange Commission

(A) I and II
(B) I and III
(C) I and IV
(D) III and IV
12. All the following items must be included on a trade confirmation EXCEPT
(A) the customer's account number
(B) the customer's signature
(C) the price of the security
(D) the commission, if the trade took place on an agency basis
13. Which of the following IS TRUE of the Telephone Act of 1991?
 - I. You cannot make calls before 8 a.m. or after 9 p.m. in the local time zone of the potential customer.
 - II. You are required to provide your name, company name, company address, and phone number.
 - III. Individuals who ask not to be called need to be placed on the company's do-not-call list.
 - IV. You may not send unsolicited ads by fax machine.

(A) I and III
(B) II and IV
(C) I, II, and III
(D) I, II, III, and IV
14. If one of your clients wants to purchase municipal securities that you believe to be unsuitable for their investment objectives, what should you do?
(A) Execute the order as long as you mark the order ticket as "unsolicited."
(B) You must refuse the order unless the client changes their investment objectives.
(C) You must obtain the permission of the firm's compliance officer before executing the order.
(D) You may only execute the order with prior permission of a principal of the firm.
15. All broker-dealers need to maintain customer identification programs and should check the names of all new clients against
(A) a list maintained by the SEC
(B) a do-not-call list maintained by the firm
(C) a list compiled by FINRA
(D) a list of specially designated nationals (SDNs) maintained by OFAC

16. Which of the following statements is NOT true of life-cycle funds?
- (A) As life-cycle funds get nearer to their target date, the portfolio holdings will be adjusted to purchase more equity securities and less fixed-income securities.
 - (B) These funds are usually set up as funds of funds.
 - (C) The asset allocation of the fund will be rebalanced on a regular basis to make sure that the risk/reward balance is correct given the target date of the fund.
 - (D) The objective of the fund assumes that most investors cannot tolerate as much risk as they get older.
17. The ex-date is
- (A) the date on which the corporation ceases paying a dividend
 - (B) the date on and after the date the seller is entitled to the dividend
 - (C) the third business day before the record date
 - (D) the day the stock price is increased by the amount of the dividend
18. Picture a situation in which the USA would be in an economic recession but inflation would be low. Which of the following actions would the Federal Reserve likely take?
- (A) Lowering income taxes
 - (B) Have banks increase their reserve requirements
 - (C) Purchase Treasury bonds in the open market
 - (D) Increase the Fed Funds rate
19. Which of the following are factors that affect the marketability of municipal GO bonds?
- I. The quality
 - II. Call features
 - III. The issuer's name
 - IV. Credit enhancements
- (A) I and II
 - (B) II and III
 - (C) I, II, and III
 - (D) I, II, III, and IV
20. If a customer wants to open a new account but refuses to provide some of the financial information requested by the member firm, which of the following statements is TRUE?
- (A) The firm may open the account for the customer and make recommendations freely.
 - (B) The firm may open the account if it can determine from other sources that the customer has the financial means to handle the account.
 - (C) The firm may open the account and take unsolicited trades only.
 - (D) The firm may not accept any trades for the account until the information is received from the customer.
21. Which of the following is included in a preliminary prospectus?
- I. The purpose for the funds being raised
 - II. Financial statements
 - III. A written statement in red citing that the prospectus may be amended and a final prospectus issued
 - IV. The final offering price
- (A) I and II
 - (B) I, II, and III
 - (C) II and IV
 - (D) I, II, III, and IV
22. Which of the following is true of accredited investors?
- (A) They have had an annual income in excess of \$200,000 for at least the last three years.
 - (B) They have had an annual income in excess of \$100,000 for at least the last two years.
 - (C) They have a net worth of at least \$1,000,000, excluding any equity they have in their primary residence.
 - (D) They have a net worth in excess of \$200,000.

GO ON TO NEXT PAGE 

- 23.** Declan K. holds several securities in his brokerage account at Bucket Securities. There has been no activity in Declan's account for close to two years. How often must Bucket Securities send him an account statement?
- (A) Monthly
 - (B) Quarterly
 - (C) Semiannually
 - (D) Annually
- 24.** Which of the following securities is traded on an exchange and is an entity that makes mortgage loans to developers and has a portfolio of properties?
- (A) DPPs
 - (B) ETNs
 - (C) Hybrid REITs
 - (D) Mutual funds
- 25.** Which of the following are needed to open a margin account for a corporation?
- I. Corporate charter and resolution
 - II. New account form
 - III. Hypothecation agreement
 - IV. Credit agreement
- (A) I and II
 - (B) I and IV
 - (C) III and IV
 - (D) I, II, III, and IV
- 26.** Which of the following partnership documents needs to be filed with the secretary of state in the home state of the partnership?
- I. The certificate of limited partnership
 - II. The partnership agreement
 - III. The subscription agreement
- (A) I only
 - (B) II and III
 - (C) I and III
 - (D) I, II, and III
- 27.** Martina Martin is new to investing but has determined that their primary objective is making sure that they are prepared for retirement. Which of the following is the MOST important factor for you to consider when helping them set up their investment portfolio?
- (A) Age
 - (B) Net worth
 - (C) Education level
 - (D) Previous investment history
- 28.** An investor buys 100 shares of common stock of T-Prompters, Inc. at \$15 per share. Six months later, T-Prompter Inc. is trading at \$12.40–\$12.65, and the registered representative offers to purchase the 100 shares back from the investor for their own account at \$15 per share. This procedure is
- (A) permitted by FINRA rules
 - (B) permitted with the written permission of a manager of the firm
 - (C) prohibited because it violates the Code of Procedure
 - (D) prohibited because it is a guarantee against a loss
- 29.** Which of the following is rated by most securities rating services such as Moody's and S&P?
- (A) Market risk
 - (B) Investment risk
 - (C) Quantity
 - (D) Quality
- 30.** Which of the following items are required on an order ticket?
- I. The time of the order
 - II. A description of the security (stocks, bonds, symbol, and so on)
 - III. Whether the registered rep has discretionary authority over the account
 - IV. The registered rep's identification number
- (A) I, III, and IV
 - (B) I and III only
 - (C) I, II, and IV
 - (D) I, II, III, and IV

31. All of the following are important factors when determining the markup or commission on a municipal bond trade EXCEPT
- (A) The fact that you and the firm you work for are entitled to make a profit
 - (B) The difficulty of the trade
 - (C) The 5 percent markup policy
 - (D) The market value of the securities at the time of the trade
32. Mrs. Rice owns 150 shares of TUV common stock. The current market price is \$30 per share. If TUV conducts a 1-for-3 reverse stock split, what would Mrs. Rice's post-stock position be?
- (A) 50 shares at \$10 per share
 - (B) 50 shares at \$90 per share
 - (C) 450 shares at \$10 per share
 - (D) 450 shares at \$90 per share
33. Which of the following is NOT a benefit of investing in ADRs?
- (A) The dividends are received in U.S. currency.
 - (B) The transactions are done in U.S. currency.
 - (C) ADRs are subject to antifraud rules.
 - (D) Currency risk is minimized.
34. When is call protection most valuable to the holders of callable bonds?
- (A) When bond prices are rising
 - (B) When bond prices are stable
 - (C) When bond prices are falling
 - (D) When bond prices are fluctuating
35. John Dow and Jane Dough, who are engaged but unmarried, want to open a new account registered as joint tenants with rights of survivorship. Which of the following should occur?
- (A) A principal of the firm should be notified immediately about the account registration so that a report can be filed with FINRA.
 - (B) The agent must refuse to open the account.
 - (C) The agent must notify a principal of the firm and a report must first be filed with the SEC.
 - (D) The agent may open the account but should first discuss the rules of a JTWROS account with the unmarried couple.
36. Which of the following occurs under the provisions of the Uniform Gifts to Minors Act (UGMA) when a minor reaches the age of majority?
- (A) The account must be transferred to the donor.
 - (B) The account is automatically changed to a UTMA account.
 - (C) The account is closed, and the new adult receives a check in the amount equal to the market value of the account less any commission.
 - (D) The account must be transferred to the beneficiary after they reach adulthood.
37. GHI convertible bonds are convertible into common stock for \$20. If the stock is trading at \$24, what is the parity price of the bonds?
- (A) \$1,120
 - (B) \$1,200
 - (C) \$1,320
 - (D) \$1,000
38. Prior to buying or selling options, a customer must first receive a(n)
- (A) ODD
 - (B) OCC
 - (C) margin agreement
 - (D) OPRA

GO ON TO NEXT PAGE 

39. The 5 percent markup policy applies to
- (A) riskless or simultaneous transactions
 - (B) markdowns on stock sold from inventory
 - (C) commissions charged when executing trades for a customer
 - (D) all of the above
40. Skippy Barrier III has 1,000 shares of DIM common stock in their portfolio. Skippy would like to protect themselves in the event that the market price of DIM drops. Which of the following orders would best meet Skippy's needs?
- (A) A buy stop order
 - (B) A sell stop order
 - (C) A buy limit order
 - (D) A sell limit order
41. Which of the following is NOT an advantage for a customer adding REITs to their portfolio?
- (A) Having a professionally managed portfolio of real-estate assets
 - (B) Preferential dividend treatment
 - (C) Being able to use a REIT as a potential hedge against a negative price movement in other equity securities
 - (D) Liquidity
42. All the following items would be found on the official statement of a municipal bond issue EXCEPT
- (A) the markup
 - (B) a description of the issuer
 - (C) the coupon rate
 - (D) a legal opinion
43. Open-end investment company shares redemption value is based on the
- (A) public offering price (POP), which is computed immediately after the order is received
 - (B) the next net asset value (NAV) computed after the order is received
 - (C) the offering price computed at the beginning of the day
 - (D) the current net asset value (NAV)
44. Which of the following investments requires a registered representative to obtain written verification of an investor's net worth?
- (A) Aggressive growth funds
 - (B) Variable annuities
 - (C) Direct participation programs
 - (D) Triple-tax-free municipal bonds
45. To be considered a recession, a decline in the gross domestic product (GDP) must last for at least how many consecutive quarters?
- (A) One
 - (B) Two
 - (C) Three
 - (D) Four
46. A registered representative may open all the following customer accounts EXCEPT
- (A) an account in the name of Mr. Wegner for Mrs. Wegner
 - (B) a minor's account by a custodian
 - (C) a corporate account by a designated officer
 - (D) a partnership account by a designated partner
47. Exchange-listed securities trading over-the-counter takes place in the
- (A) first market
 - (B) second market
 - (C) third market
 - (D) fourth market
48. Mutual funds must send financial statements to shareholders at least
- (A) monthly
 - (B) bimonthly
 - (C) quarterly
 - (D) semiannually

49. Which of the following GSEs is directly backed by the U.S. government?
- (A) FHLMC
 - (B) GNMA
 - (C) FNMA
 - (D) FCS
50. Which of the following establishes the U.S. Treasury Department as the regulator for anti-money-laundering programs?
- (A) The Bank Secrecy Act
 - (B) OFAC
 - (C) SDN
 - (D) None of the above
51. Investing in a real-estate DPP program includes which of the following advantages?
- I. Depreciation
 - II. Appreciation
 - III. Depletion
 - IV. Cash flow
- (A) I and II
 - (B) III and IV
 - (C) I, II, and IV
 - (D) I, II, III, and IV
52. The Fed would be inclined to increase the money supply in which of the following conditions?
- (A) Declining yields on bonds
 - (B) Declining gross domestic product (GDP)
 - (C) Declining interest rates
 - (D) Rising housing prices
53. Bank savings accounts are guaranteed up to a certain amount by which of the following entities?
- (A) FDIC
 - (B) The Treasury Department
 - (C) SIPC
 - (D) The Fed
54. An investor owns the following investments:
- 50 The City of New York 5 percent general obligation bonds maturing in 2044 and rated AA
 - 50 Florida State University 6.25 percent revenue bonds maturing in 2041 and rated AA
 - 50 Salt Lake City Utah Airport 5.75 percent revenue bonds maturing in 2040 and rated AA
- What type of diversification does this represent?
- (A) Maturity
 - (B) Quality
 - (C) Quantity
 - (D) Geographical
55. An investor has shorted XYZ common stock at 55. XYZ common stock has recently dropped to 30, and the investor expects that the price will continue to decrease over the long term. If the investor would like to hedge against a possible increase in the price, the investor should
- (A) buy an XYZ call
 - (B) sell an XYZ call
 - (C) buy an XYZ put
 - (D) buy an XYZ combination
56. If an investor buys an equity option contract on issuance which then expires unexercised, what is the investor's tax consequence at expiration?
- (A) Short-term capital loss
 - (B) Long-term capital gain
 - (C) Long-term capital loss
 - (D) Short-term capital gain
57. A customer, without giving written authorization, may permit a registered representative to exercise their judgment as to
- (A) whether to buy or sell
 - (B) the security
 - (C) the price and timing to enter the order
 - (D) the number of shares

58. Which of the following are nonexempt securities?
- I. Municipal unit investment trust shares
 - II. U.S. government bond fund shares
 - III. Variable annuity accumulation units
 - IV. Fixed annuities
- (A) I and II
(B) III only
(C) III and IV
(D) I, II, and III
59. If Buddy Seagull has a limited amount of funds and wants to invest in the pharmaceutical industry but does not want to limit their investments to only one or two companies, which type of fund would be MOST suitable?
- (A) A hedge fund
(B) A sector fund
(C) A balanced fund
(D) A money market fund
60. Interest income from which of the following investments is exempt from state income tax?
- (A) Corporate bonds
(B) Treasury bonds
(C) Revenue bonds
(D) General obligation bonds
61. If the U.S. dollar has fallen in comparison with foreign currencies, which of the following statements is TRUE?
- (A) U.S. exports are likely to fall.
(B) Foreign currencies buy fewer U.S. dollars.
(C) U.S. products cost more for foreign consumers.
(D) U.S. exports increase.
62. You have a new client who is in a high tax bracket and is looking for investments with a tax advantage. Which of the following securities would you LEAST likely recommend?
- (A) Municipal bonds
(B) GNMA's
(C) Retirement plans
(D) Direct participation programs
63. Adjustable-rate preferred stock has a dividend that adjusts according to
- (A) prevailing interest rates
(B) the amount of dividend given to common stockholders
(C) the coupon rate on the issuer's bonds
(D) the rate on CMOs
64. Which of the following items are found on an indenture of a bond?
- I. The maturity date
 - II. Callable or convertible features
 - III. The coupon rate
 - IV. The name of the trustee
- (A) II, III, and IV
(B) I, II, and III
(C) II and III
(D) I, II, III, and IV
65. Institutional trading without using the services of a broker-dealer is considered a _____ market trade.
- (A) first
(B) second
(C) third
(D) fourth
66. Which of the following are important to investors evaluating direct participation programs?
- I. The economic soundness of the program
 - II. The expertise of the general partner
 - III. The basic objectives of the program
 - IV. The start-up costs
- (A) I, II, and III
(B) I, II, and IV
(C) II, III, and IV
(D) I, II, III, and IV
67. What is the required beginning date (RBD) for traditional IRAs?
- (A) The year after the investor reaches the age of 59½
(B) The year the investor turns the age of 72
(C) April 1 of the year after the investor reaches the age of 72
(D) April 15 of the year after the investor reaches the age of 72

68. One of your clients is expecting to receive a lot of money over the next three years. Your client would like to shelter some of that money by investing in a DPP. Which of the following types of DPPs will help your client shelter the most money?
- (A) Oil and gas income
 - (B) Oil and gas developmental
 - (C) Oil and gas combination
 - (D) Oil and gas wildcatting
69. Which of the following governmental bodies receives no revenue from ad valorem taxes?
- (A) County governments
 - (B) State governments
 - (C) School districts
 - (D) Local municipalities
70. According to MSRB rules, a customer confirmation must include
- (A) the markup or markdown
 - (B) the location of the indenture
 - (C) the maturity date
 - (D) whether the trade was done on an agency or dealer basis
71. Which of the following disputes must be resolved using the Code of Arbitration?
- I. A dispute between a member of FINRA and a registered rep
 - II. A dispute between a member of FINRA and a customer
 - III. A dispute between two members of FINRA
 - IV. A dispute between a bank and a member of FINRA
- (A) IV only
 - (B) II and IV
 - (C) I and III
 - (D) I, III, and IV
72. Two years ago, Duke Wallwalker purchased an LTSBR Corporation convertible bond at 95 on January 20. The bond is convertible at \$40, and the investor converts his bond into stock on January 21 of the current year. If the bond is trading at 104 and the common stock is trading at \$42, for tax purposes, these transactions will result in
- (A) a \$10 gain
 - (B) a \$10 loss
 - (C) a \$90 gain
 - (D) neither a gain nor a loss
73. RANs, BANs, TANs, and CLNs are issued by municipalities seeking
- (A) to insure their municipal securities
 - (B) the approval of the SEC
 - (C) long-term financing
 - (D) short-term financing
74. Which of the following statements regarding municipal revenue bonds is NOT true?
- (A) Revenue bonds are not subject to a debt ceiling.
 - (B) Revenue bonds may be issued by interstate authorities.
 - (C) The maturity date of the issue will usually exceed the useful life of the facility backing the bonds.
 - (D) Debt service is paid from revenue received from the facility backing the bonds.
75. When the writer of an option covers their position by buying an option, this is called a(n)
- (A) opening purchase
 - (B) opening sale
 - (C) closing purchase
 - (D) closing sale

Chapter **18**

Answers and Explanations to Practice Exam 1

Congratulations! If you've reached this point, you've completed the first SIE practice exam. (If you haven't, flip back and take the test in Chapter 17. You don't want to spoil all the surprises, do you?) You should stop here and review your answers.

Review, review, review. And if I haven't mentioned this yet, reviewing is definitely a good idea. Look at the questions you had problems with, retake all the questions you got wrong, and make sure you get them right the second (or third) time around. If you're short on time but just can't wait to see how you fared, you can check out the abbreviated answer key (without the explanations) at the end of this chapter. I explain how the SIE is scored in the section "Making the Grade," just before the answer key. But I strongly suggest you come back later and — you guessed it — review.

Wait at least several days to a week before taking the same test again. Retaking the test won't help your cause if you're just memorizing the answers.

1. **B.** (Chapter 6) Treasury stock is authorized stock that has been issued and subsequently repurchased (reacquired) by the issuing corporation.
2. **C.** (Chapter 6) Common stockholders of PXPX Corporation — or, for that matter, any publicly traded corporation — have a residual claim to the assets of the corporation at dissolution. PXPX Corp. common stockholders are entitled to receive a report containing audited financial statements on a yearly, not weekly, basis. Finally, PXPX Corp. stockholders never get to vote on dividends to be paid (whether stock or cash); dividends are decided by the board of directors.
3. **B.** (Chapter 8) In order to determine the best investment for Jake, you must do a tax-equivalent yield (TEY) calculation. To accomplish this, you need to know Jake's tax bracket. Remember, the interest received from municipal bond investments is tax-free, and investors in higher tax brackets save more money by investing in municipal bonds when compared to other investments. The SIE examiners are testing you to make sure you know that the other items listed here are not relevant to the question.

4. **C.** (Chapter 11) For an investor to profit when holding a long call, the investor has to exercise the option when the market price is above the strike (exercise) price plus the premium paid.
5. **D.** (Chapter 10) For this question, you can stop at the point where the investor has limited resources. Typically, DPPs such as oil and gas developmental programs require a large initial investment and a certain liquid net worth. A DPP would definitely not be right for this client.
6. **D.** (Chapter 5) When a company decides to go public, it must file a registration statement with the SEC. The registration statement must include
- » The issuer's name and a description of its business
 - » The names and addresses of all of the issuer's control persons (in other words, officers, directors, and investors owning 10 percent or more of the issuer's securities)
 - » What the money raised will be used for
 - » The capitalization of the issuer
 - » Complete financial statements
 - » Whether there are any legal proceedings against the issuer
7. **D.** (Chapter 5) The securities listed in this question are all nonexempt, meaning that they all have to register with the SEC. The Securities Act of 1933 requires all new nonexempt issues of securities sold to the public to be registered. In general, exempt issues include municipal securities, U.S. government securities, bank issues, private placements, intrastate offerings, and securities issued by nonprofit organizations.
8. **D.** (Chapter 16) A confirmation sent to a customer must disclose the amount of markup or markdown charged for a principal transaction in a Nasdaq security, whether the member acted in an agency or a principal capacity, and, if the member acted as an agent, the amount of commission.
9. **C.** (Chapter 9) A letter of intent is valuable to mutual fund purchasers who are purchasing funds that provide breakpoints (discounted sales charge) for larger dollar purchases. By signing a letter of intent, the investor can receive the discounted sales charge right away even though not purchasing enough of the fund to get a breakpoint right now. By signing the letter, they have up to 13 months to purchase enough of the fund to get to the breakpoint price. In addition, a letter of intent can be backdated up to 90 days to allow a breakpoint to apply to a previous purchase.
10. **A.** (Chapter 15) Qualified plans under IRS laws allow investors to invest money for retirement with *pretax dollars* (you can write qualified plan contributions off on your taxes). In addition, earnings accumulate on a *tax-deferred* basis (the investor isn't taxed until withdrawal). However, distributions (tax-deferred earnings and contributions) for which the participant receives a tax deduction are 100 percent taxable.
11. **D.** (Chapter 9) Tricky, tricky . . . the examiners want to make sure you know that a variable annuity is derived from two separate products: an insurance contract and securities held in a separate account. Consequently, a variable annuity must be registered with the State Insurance Commission (for the insurance contract) and the Securities and Exchange Commission (for the securities held in the separate account).

12. **B.** (Chapter 16) The customer's signature is not required on a trade confirmation. Logically, you can imagine how unwieldy it would be to have to obtain a customer's signature every time they wanted to trade securities. However, the customer's account number, the registered rep's ID number, the trade date, whether the customer bought or sold, the number of shares or par value of bonds, the yield (if bonds), the CUSIP number, the price of the security, the total amount paid, the commission (if on an agency basis), and the net amount are all required on the confirmation.
13. **D.** (Chapter 12) The Telephone Act of 1991 is designed to set standards for individuals soliciting business. All the choices listed are included in the act.
14. **A.** (Chapter 16) If a registered representative believes that a customer is making an unsuitable trade, the representative may enter the order but must mark the order ticket "unsolicited." In this question, the client is making a trade that you believe is unsuitable for them, but you can still execute the trade as long as you mark the order ticket as "unsolicited," which will protect you and make your client happy.
15. **D.** (Chapter 16) The Bank Secrecy Act establishes the U.S. Treasury Department as the regulator of anti-money-laundering programs. As such, all broker-dealers are required to have programs set up to help detect the possibility of money laundering. Broker-dealers must also review the OFAC's (Office of Foreign Asset Control's) SDN (Specially Designated Nationals) list to determine that they're not doing business with organizations or individuals who are on the list.
16. **A.** (Chapter 9) Life-cycle (target-date) funds are actually funds of funds, which are based on an investor's age. Investors buy a life-cycle fund designed for people their age. Life-cycle funds adjust their holdings every so often so that investors are taking less risk as they get older. Because typically younger investors can afford to take more risk, a larger percentage of their portfolio is in equities and less is in fixed-income securities. As investors get older, they should have an increasing number of fixed-income securities and fewer equity securities. Life-cycle funds automatically take care of that for investors.
17. **B.** (Chapter 16) The *ex-date* or *ex-dividend date* is one business day before the record date and is the date that the buyer would be purchasing the stock without a dividend. On the *ex-date*, the stock is *reduced* by the amount of the dividend. The corporation is still responsible for paying the dividend and, because the buyer isn't entitled to it, the seller is.
18. **C.** (Chapter 13) In this case, the Fed would like to inject more money into the economy. Out of the choices listed, the only thing that the Fed can control that would actually *do* that is to purchase Treasury bonds in the open market.
19. **D.** (Chapter 8) Factors that affect the marketability (how easy it is to buy and sell) of municipal GO (general obligation) bonds are the quality, maturity date, call features, coupon rate, block size, dollar price, issuer's name, sinking fund, and credit enhancements (in other words, insurance).
20. **B.** (Chapter 12) You will find that this is not an unusual situation. When you're opening an account for a new customer, the customer may not feel comfortable sharing all their financial information with you. However, you can still do trading in the account and make recommendations if you can determine financial information from other sources, such as Dun & Bradstreet (D&B) lead cards. Say, for example, that the D&B card says that the customer is the CEO of a corporation that made \$5 billion last year. You can assume the customer has a lot of money. The recommendations you make to a customer should be suitable

to their investment objectives and financial situation. If you can't determine the information from other sources, you can still make trades and recommendations that would be suitable for all investors, such as mutual funds, blue-chip stocks, or U.S. government securities.

21. **B.** (Chapter 5) A preliminary prospectus includes the purpose for the funds and financial statements. Because a preliminary prospectus (red herring) is printed before the final price is established, it may include a projected price range that is subject to change.
22. **C.** (Chapter 5) Certain purchases, such as a Regulation D private placement, may require investors to be accredited (although they have a 35 unaccredited investor exclusion). Accredited investors are ones with a net worth of at least \$1 million (excluding any equity they may have in their primary residence) or ones with an annual income of at least \$200,000 (or \$300,000 for joint accounts) for the last two (not three) years that's expected to stay at least the same for the current year. Also, the following have been added to the list of accredited investors: financial institutions; insiders of the private placement; corporations, partnerships, or organizations with a net worth of at least \$5 million; registered reps in good standing with SEC, FINRA, and at least one state who have passed the Series 7, Series 65, Series 66, and/or the Series 82 exams; knowledgeable employees of private funds; rural business investment companies; LLCs with more than \$5 million in assets; and family offices with at least \$5 million in assets under management.
23. **B.** (Chapter 16) Whether the account is active or inactive (such as Declan's), the brokerage firm must send out account statements at least quarterly (once every three months).
24. **C.** (Chapter 10) Hybrid REITs (real-estate investment trusts) trade on an exchange, provide mortgage loans to developers, and hold a portfolio of securities. Hybrid REITs are a combination of equity (ownership) REITs and mortgage REITs.
25. **D.** (Chapter 12) When a corporation opens a margin account, the corporation has to provide a corporate charter (which needs to say that the corporation can buy securities on margin) and a corporate resolution (which says who has the trading authority for the account). A new account form is always needed for any type of account. The corporation also needs a hypothecation agreement, which allows the broker-dealer to hold the securities in street name so that they can be used as collateral for a loan. In addition, the corporation needs a credit agreement, which sets the terms for the loan.
26. **A.** (Chapter 10) The certificate of limited partnership is the legal agreement between the general and limited partners and is the only partnership paperwork that needs to be filed with the secretary of state. The certificate of limited partnership includes the primary place of business, the names and addresses of the limited and general partner(s), the objectives of the partnership, the amount contributed by each partner, the roles of the partners, and so on.
27. **A.** (Chapter 12) Certainly, any information you can get about your client will help you set up a portfolio that fits the client's needs. However, because Martina's primary investment objective is making sure that she's prepared for retirement, you need to begin by looking at her age. Someone who is younger can typically take more investment risk than someone who is older.
28. **D.** (Chapter 16) Pursuant to Conduct Rules (not the SEC), registered representatives may never guarantee a customer against losses; therefore, this action is never permitted. If the investor wanted to sell the shares, they would have to sell them at the bid price of \$12.40, not \$15.

- 29. D.** (Chapter 7) The expression “quality over quantity” applies here. Rating services are concerned with quality, defined as the issuer’s (or guarantor’s) default risk or ability to pay interest and principal on time. The two biggest rating services are Moody’s and Standard & Poor’s. The highest ratings for these rating services are Aaa and AAA, respectively.
- 30. D.** (Chapter 16) All order tickets need to include the items listed in the question plus the customer’s account number; the number of shares or bonds being purchased or sold; whether the customer is buying, selling, or selling short; whether the customer is covered or uncovered (option orders); and whether it’s a market order, good-till-canceled, and so on.
- 31. C.** (Chapter 8) Because municipal securities are exempt from SEC registration, they’re not subject to the FINRA 5 percent markup policy.
- 32. B.** (Chapter 6) Since this is a reverse stock split, Mrs. Rice will own fewer shares at a higher market price. So, because it’s a 1-for-3 reverse split, you have to divide the number of shares by 3, and you’ll come up with 50 shares ($150 / 3$). To get the price, you need to multiply the current market price by 3, and you’ll come up with a price of \$90 per share ($\30×3).
- 33. D.** (Chapter 6) The purpose of ADRs (American Depositary Receipts) is to facilitate the trading of foreign securities in U.S. markets. ADRs carry currency risk because distributions on ADRs must be converted from foreign currency to U.S. dollars on the date of distribution. The trading price of the ADR is actually quite affected by currency fluctuation, which can devalue any dividends and/or the value of the stock.
- 34. A.** (Chapter 7) Issuers typically have to wait a number of years before being able to call their callable bonds. This is known as call protection. Remember, there is an inverse relationship between bond prices and interest rates. If bond prices are rising, that usually means that interest rates are falling. This is the time that bond issuers would want to call their bonds so that they could issue bonds with a lower coupon rate. This is also the time that holders of these callable bonds would not want their bonds called. Therefore, call protection is most valuable to the holders when bond prices are rising.
- 35. D.** (Chapter 12) No rules prohibit opening an account registered as joint tenants with rights of survivorship (JTWROS) for two unmarried persons. The registered representative should, however, take all steps to be sure that the unmarried individuals understand the resulting consequences should one party to the account die. For example, in an account registered JTWROS, if one of the engaged parties to the account (for example, John Dow) dies, the deceased party’s ownership interest in the account passes to the surviving tenant (Jane Dough) rather than to the deceased party’s (John Dow’s) estate.
- 36. D.** (Chapter 12) Under the terms of the Uniform Gifts to Minors Act, the account must be handed over to the new adult when a minor reaches the age of majority. You don’t need to know the age of majority because it varies from state to state, but it’s usually between the ages of 18 and 21.
- 37. B.** (Chapter 7) Parity price is when a convertible security is convertible into the same dollar amount of the security it’s being converted into. So, when you’re dealing with questions that are asking for a parity price, you must first determine the conversion ratio, which will sometimes be given. The conversion ratio is the amount of shares the bond is convertible into. You can use the following formula:

$$\text{conversion ratio} = \frac{\text{par value}}{\text{conversion price}} = \frac{\$1,000}{\$20} = 50 \text{ shares}$$

Assume that the par value is \$1,000 unless told differently. In this case, after using the equation, you can see that the conversion ratio is 50 shares. To determine the parity price, use the following equation:

parity price of the bond = market price of the stock \times conversion ratio

parity price of the bond = $\$24 \times 50 \text{ shares} = \$1,200$

So, in this case, if the bond is trading below \$1,200, it may make sense for the investor to convert the bond.

- 38. A.** (Chapter 11) Because of the additional risk involved when investing in options, such as the ability to lose all money invested or facing unlimited maximum potential loss, all investors must receive an ODD (options risk disclosure document) prior to the first transaction. The ODD is not an advertisement; it contains the pitfalls of investing in options. After the customer receives the ODD, the ROP (registered options principal) has to approve the account. Next, you can do the trade, and after that, the customer has to sign and return an OAA (options account agreement).
- 39. D.** (Chapter 16) The 5 percent markup policy is a guideline for broker-dealers to use when executing trades of outstanding securities for public customers. In most cases, for a standard-sized trade of nonexempt securities, broker-dealers should not charge a commission, markup, or markdown that is in excess of 5 percent. The 5 percent policy applies to both commission charges on agency transactions and to markups and markdowns on principal transactions, including riskless and simultaneous transactions.
- 40. B.** (Chapter 14) Remember that stop orders are used for protection. Because Skippy owns the stock, Skippy would have to enter a sell stop order below the market price of the security. In the event that the price of the stock hits or drops below the stop price, the order would be triggered and the stock would be sold on the next transaction.
- 41. B.** (Chapter 10) As with most other investment company products, REITs have a professionally managed portfolio. Many investors use REITs as a potential hedge against a downturn in the market because often there is an inverse relationship between the real-estate market and stock prices. In addition, REITs typically have a high degree of liquidity. However, there is no preferential dividend treatment for REITs.
- 42. A.** (Chapter 8) The official statement for a municipal bond issue is similar to a prospectus for a corporate issue. The items that you find on an official statement include the offering terms, the underwriting spread, a description of the bonds, a description of the issuer, the offering price, the coupon rate, the feasibility statement, and the legal opinion.
- 43. B.** (Chapter 9) As with other securities, mutual funds are purchased at the ask price (POP) and sold (or in this case redeemed) at the bid price (NAV). Mutual funds have forward pricing, so any purchases and redemptions are made at the next computed POP and NAV, which is typically at the end of the day.
- 44. C.** (Chapter 10) Because direct participation programs (limited partnerships) may require limited partners to come up with additional cash beyond their initial investment, investors must provide a written verification of net worth. After the general partner signs the subscription agreement, the investor is accepted as a limited partner.
- 45. B.** (Chapter 13) Although they have recently changed the definition of a recession to include more than just a decline in the GDP, the GDP must decline for at least two consecutive quarters to have the possibility of a recession.

46. **A.** (Chapter 12) Here's that EXCEPT question type again! You're looking for a false answer here. Although a custodian may open an account with an agent for a minor, a designated officer may open a corporate account with an agent, and a designated partner may open a partnership account with an agent, an agent is not permitted to open an individual account in the name of a third person. This means that Choice (A) is the correct false answer that you're looking for.
47. **C.** (Chapter 14) First market involves listed securities trading on an exchange. Second market involves unlisted securities trading OTC (over-the-counter). Third market involves listed securities trading OTC. Fourth market involves institutional trading without using a broker-dealer.
48. **D.** (Chapter 16) Under the Investment Company Act of 1940, mutual funds must provide semiannual reports to shareholders.
49. **B.** (Chapter 7) GNMA's (Government National Mortgage Association — Ginnie Mae) are the only GSEs (Government Sponsored Entities) that are directly backed by the U.S. government. As such, GNMA's are considered the safest of the GSEs.
50. **A.** (Chapter 16) The Bank Secrecy Act establishes the U.S. Treasury Department as the regulator for anti-money-laundering programs. All broker-dealers are required to develop programs to detect possible money-laundering abuses.
51. **C.** (Chapter 10) Real estate DPPs (direct participation programs — limited partnerships) provide advantages for investors such as depreciation deductions, appreciation potential, and cash flow, but not depletion. Depletion only applies to partnerships that deal in natural resources that can be depleted (used up), such as oil or gas.
52. **B.** (Chapter 13) In this question, if the GDP (gross domestic product) is declining, business is slowing down and possibly heading toward a recession; the Fed would therefore want to stimulate the economy by making more money available. Increasing the money supply through lower interest rates usually increases business activity. However, when there are declining yields and interest rates, and rising house prices, there is a danger of increased inflation if the Fed increases (eases) the money supply.
53. **A.** (Chapter 16) The FDIC (Federal Depositor's Insurance Corporation) insures bank savings accounts in the event of bank failure. SIPC (Securities Investor Protection Corporation) protects investors in the event of brokerage firm bankruptcy.
54. **D.** (Chapter 8) Because the investor bought 50 of each bond, they were all rated AA, and they mature around the same time, you can rule out maturity, quality, and quantity as your answers. The investor's funds are an example of geographic diversification because the bonds are from a variety of issuers around the United States.
55. **A.** (Chapter 11) To *hedge* means to *protect*. If the investor would like to hedge their position, they should buy a call on XYZ. Remember that the investor is short the stock and must buy XYZ back at some point to close their short position. Buying an XYZ call gives the investor the right to buy back XYZ at a fixed price, which would allow the investor to protect the position and not face an unlimited maximum loss potential.
56. **A.** (Chapter 15) Options are always taxed as capital gains or capital losses. This investor purchased an option that expired worthless, and, therefore, they lost money. Because the investor held the option for nine months (the typical expiration for an equity option), it's taxed as a short-term capital loss because it was held for one year or less.

- 57. C.** (Chapter 16) Without having discretionary authority, registered representatives may not decide on whether to buy or sell, which security to purchase or sell, or the number of shares or dollar amount to purchase for the customer. Registered representatives may, however, without written power of attorney, choose the price or timing of an order.
- 58. D.** (Chapter 5) You must distinguish a nonexempt security from an exempt security. A nonexempt security is one that is not exempt from SEC registration; in other words, it must be registered with the SEC. Variable annuities, which carry investment risk, are nonexempt securities under the Securities Act of 1933 and must be registered before public sale. Similarly, unit trusts and mutual funds are nonexempt even though the underlying securities may be exempt, such as municipals and U.S. government securities. However, a fixed annuity is an insurance product exempt from registration with the SEC. It's not considered a security because of the guaranteed payout.
- 59. B.** (Chapter 9) A specialized or sector fund invests a minimum of 25 percent of its assets in a particular region or industry and would be the most suitable for Buddy.
- 60. B.** (Chapter 15) The interest on U.S. government bonds (T-bonds, T-notes, TIPs, and so on) is exempt from state income tax. The interest on municipal bonds is exempt from federal tax.
- 61. D.** (Chapter 13) If you look at the answer choices carefully, you'll see that Choices (A) and (D) are opposite, which tells you that one of them has to be true. When the U.S. dollar loses value compared to a foreign currency, U.S. exports increase because foreign currency strengthens in comparison and now buys more dollars. As a result, U.S. goods are cheaper than normal for foreign consumers.
- 62. B.** (Chapter 7) GNMA's (Ginnie Maes) offer no tax advantages to buyers because they are taxed on all levels. However, the interest received on municipal bonds is federally tax-free and sometimes state-tax-free. In addition, retirement plans allow investors to deposit money tax-free (in most cases), and the money grows on a tax-deferred basis. DPPs (direct participation programs) allow for additional write-offs, such as depreciation and depletion, which provide for a cash flow that's greater than the net income.
- 63. A.** (Chapter 6) Adjustable (floating rate) preferred stock receives a dividend that adjusts according to prevailing interest rates.
- 64. D.** (Chapter 7) The bond indenture (deed of trust) is the legal agreement between the issuer and investors. The bond indenture includes the maturity date, the par value, the coupon rate, any collateral securing the bond, any callable or convertible features, and the name of the trustee.
- 65. D.** (Chapter 14) A first market trade is an exchange-listed security trading on the exchange. A second market trade is an unlisted security trading OTC. A third market trade is an exchange-listed security trading OTC. A fourth market trade is institutional trading without using the services of a broker-dealer.
- 66. D.** (Chapter 10) All the choices listed are important to evaluate for investors of direct participation programs.
- 67. C.** (Chapter 15) Withdrawals must begin by April 1 of the year after the investor turns age 72. At that point, the investor has to take a required minimum distribution (RMD), which can be determined by looking at the IRS's required minimum distribution worksheet. *Note:* If you're

taking some old tests, the RMD date may have been said to be April 1 of the year after the investor turns age 70½. However, as of January 1, 2020, the age turned to 72.

- 68. D.** (Chapter 10) An oil and gas wildcatting (exploratory) program would best suit your client's needs. Oil and gas wildcatting programs drill in unproven areas and create quite a lot of write-offs in the early years. However, if oil is hit, a wildcatting program will bring in a lot of money.
- 69. B.** (Chapter 8) Remember that state governments do not collect ad-valorem (property) taxes. Ad valorem taxes are assessed by local governments (for example, towns and counties). Generally, state governments receive the most income from income taxes and sales taxes.
- 70. D.** (Chapter 16) The SIE examiners may try to trip you up by throwing in an irrelevant answer choice (like the date of maturity) to find out whether you know your MSRB (Municipal Securities Rulemaking Board) rules. MSRB rules require that confirmations include whether the trade was executed on a principal (dealer) or agency basis. The amount of the dealer's markup or markdown on a principal trade does not have to be disclosed, but the commission on an agency trade does need to be disclosed.
- 71. C.** (Chapter 16) As you can see, the one common denominator is that all the answer choices have the acronym "FINRA" in them, which tells you that being a FINRA member must be pretty important. The Code of Arbitration is mandatory in member-against-member disputes including a member firm and one of its registered reps. However, FINRA has no jurisdiction over banks or over disputes between nonmembers such as customers or issuers; in cases such as these, the nonmember decides whether to use arbitration or a Code of Procedure hearing to settle a dispute.
- 72. D.** (Chapter 15) There are no tax consequences to Duke for converting a bond into shares of common stock. In order for Duke to have a taxable gain or loss, the shares Duke received as a result of the conversion to common stock must be sold.
- 73. D.** (Chapter 8) Municipal short-term notes such as RANs (revenue anticipation notes), BANs (bond anticipation notes), TANs (tax anticipation notes), and CLNs (construction loan notes) are used to provide short-term (interim) financing until a permanent, long-term bond issue is floated, until tax receipts increase, or until revenue flows in.
- 74. C.** (Chapter 8) You need to be careful in this case because the examiners are asking you for a false statement. The maturity of revenue bonds may be 25 to 30 years, but the facility being built by the income received from the revenue bond issue is usually expected to last a lifetime. Revenue bonds may be issued by interstate authorities, such as tolls, and the debt service (interest and principal) on the bonds is paid from revenue received from the facility backing the bonds. In addition, revenue bonds are not subject to a debt ceiling; general obligation bonds are.
- 75. C.** (Chapter 11) Since they already have an option position, the second transaction isn't an opening transaction, it is a closing transaction. Since they originally sold (wrote) the option, they would have to buy themselves out of that position. Therefore, it is a closing purchase.

Making the Grade

Here's how the SIE exam is scored:

- » You get $1\frac{1}{3}$ points for each correct answer.
- » You get zero points for each incorrect answer.

A passing score is 70 percent. To calculate your grade for this exam, multiply the number of correct answers by 1.33 or divide it by 0.75. Whatever grade you get, make sure you round down, not up. For example, a grade of 71.6 is a 71 percent, not a 72.



REMEMBER

The actual test contains ten additional experimental questions that don't count toward your actual score. You can't tell these questions apart from the questions that do count, so you may have to answer a few more questions right to get your 70 percent. Don't sweat it. Simply come prepared, stay focused, and do your best.

Answer Key for Practice Exam 1

1.	B	20.	B	39.	D	58.	D
2.	C	21.	B	40.	B	59.	B
3.	B	22.	C	41.	B	60.	B
4.	C	23.	B	42.	A	61.	D
5.	D	24.	C	43.	B	62.	B
6.	D	25.	D	44.	C	63.	A
7.	D	26.	A	45.	B	64.	D
8.	D	27.	A	46.	A	65.	D
9.	C	28.	D	47.	C	66.	D
10.	A	29.	D	48.	D	67.	C
11.	D	30.	D	49.	B	68.	D
12.	B	31.	C	50.	A	69.	B
13.	D	32.	B	51.	C	70.	D
14.	A	33.	D	52.	B	71.	C
15.	D	34.	A	53.	A	72.	D
16.	A	35.	D	54.	D	73.	D
17.	B	36.	D	55.	A	74.	C
18.	C	37.	B	56.	A	75.	C
19.	D	38.	A	57.	C		

Chapter **19**

Nothing But Net: Practice Exam 2

If you've just finished the first practice exam and are planning on continuing to this practice exam, please thoroughly review the first exam first. Just like Practice Exam 1 in Chapter 17, this practice exam has 75 questions. For those of you who couldn't wait to take the second exam and bypassed the first one, I review the test basics here.

As in the real SIE exam, the questions in both practice exams are in random order. Please read carefully. You can limit your careless mistakes by focusing on the key words. Zone in on the information you need to know to answer the question and ignore the information that doesn't help you. I suggest reading the last sentence twice to make sure you know what the question's asking. You may use scrap paper and a basic calculator for figuring.

Mark your answers on the answer sheet provided in this chapter or on a separate piece of paper. As you're taking the exam, circle or highlight the questions that you find troublesome. After taking and grading the exam, look over the questions that you got wrong and the questions that you circled or highlighted. Review the test, retake all the questions that you circled or answered wrong, and make sure that you get them right this time.

To simulate the real exam, try to finish this part in one hour and 45 minutes or less. Please resist the urge to look at the answers and explanations until you've finished the exam. You can check your answers and get detailed explanations in Chapter 20. Good luck!

Practice Exam Part 2

Answer Sheet

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| 1. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D | 16. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D | 31. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D | 46. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D | 61. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D |
| 2. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D | 17. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D | 32. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D | 47. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D | 62. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D |
| 3. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D | 18. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D | 33. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D | 48. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D | 63. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D |
| 4. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D | 19. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D | 34. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D | 49. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D | 64. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D |
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| 12. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D | 27. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D | 42. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D | 57. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D | 72. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D |
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| 14. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D | 29. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D | 44. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D | 59. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D | 74. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D |
| 15. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D | 30. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D | 45. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D | 60. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D | 75. <input type="radio"/> A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D |

TIME: 1 hour and 45 minutes for 75 questions

DIRECTIONS: Choose the correct answer to each question. Then fill in the circle on your answer sheet that corresponds to the question number and the letter indicating your choice.

1. Mark Schwimmerr owns 2,500 shares of TP Corporation. Which of the following actions would dilute Mark's equity?
 - I. Primary share offerings (registered)
 - II. A stock split
 - III. Payment of a stock dividend
 - IV. Secondary share offerings (registered)

(A) I only
(B) II only
(C) I, II, and IV
(D) I, II, III, and IV
2. Mike Smith is one of your clients. Mike is 55 years old, has a wife, two young adults going to college, and two children living at home. You have helped Mike determine his investment profile and how much risk he should be willing to take. However, Mike is hot on a particularly speculative security that doesn't fit his investment profile. Mike calls you saying he wants to purchase \$20,000 worth of this security. What should you do?

(A) Accept the order and mark it as unsolicited.
(B) Refuse the order because it doesn't fit his investment profile.
(C) Do nothing until talking to a principal.
(D) Limit Mike's exposure by making sure that he doesn't purchase more than \$5,000 worth of this speculative security.
3. An investor would like to save money for a child who will be going to college in 15 years. Which of the following is a suitable investment?

(A) T-bills
(B) T-notes
(C) Treasury receipts
(D) AAAA aggressive growth fund
4. Which of the following statements is TRUE about revenue bonds?

(A) Their value is measured by the municipal project's capacity for generating revenue.
(B) They are secured by a mortgage-backed bond.
(C) They are a type of general obligation bond.
(D) They are subject to the statutory debt limitations of the issuing jurisdiction.
5. Which of the following is the balance sheet equation?

(A) Assets = liabilities + shareholder's equity
(B) Assets + liabilities = shareholder's equity
(C) Shareholder's equity + assets = liabilities
(D) None of the above
6. Regarding the taxation of dividends from corporate securities, which TWO of the following are TRUE?
 - I. Qualified dividends are taxed at the investor's income-tax rate.
 - II. Qualified dividends are taxed at a maximum rate of 20 percent.
 - III. Nonqualified dividends are taxed at the investor's tax rate.
 - IV. Nonqualified dividends are taxed at a maximum rate of 20 percent.

(A) I and III
(B) I and IV
(C) II and III
(D) II and IV
7. Where can an investor find the most information about a new municipal issue?

(A) In a prospectus
(B) In an official statement
(C) In a tombstone ad
(D) In a registration statement

GO ON TO NEXT PAGE 

8. Which of the following statements made by a registered rep is not prohibited?
- (A) "The stock will double in price."
 - (B) "The earnings of the company will be better than expected."
 - (C) "I can guarantee that you will not lose money on this stock."
 - (D) "A research report shows that the company's financial performance may be better than expected."
9. Which two of the following are true of Roth IRAs?
- I. Contributions are made from after-tax dollars.
 - II. Contributions are made from pretax dollars.
 - III. Distributions are tax-free.
 - IV. Distributions are taxed on the amount above the amount of the contribution.
- (A) I and III
 - (B) I and IV
 - (C) II and III
 - (D) II and IV
10. Which of the following are true of broker-dealer business continuity and disaster recovery plans?
- I. They must be in written form.
 - II. Firms must have back-up of data (both hard copies and electronic).
 - III. Firms must have some sort of alternative communication between the firm and its employees.
 - IV. They must be approved by a principal.
- (A) I, II, and III
 - (B) II, III, and IV
 - (C) I, II, and IV
 - (D) I, II, III, and IV
11. One of your clients wants to start adding some diversity to their portfolio by investing in mutual funds. Which of the following is the most important consideration when choosing a mutual fund?
- (A) Whether the fund is load or no-load
 - (B) Management fees
 - (C) Investment objectives
 - (D) 12b-1 fees
12. Common stockholders in a corporation can do which of the following?
- (A) Elect the corporation's board of directors
 - (B) Make decisions about the day-to-day dealings, such as the office supply dealer used by the corporation
 - (C) Receive interest payments
 - (D) Expect to be paid par value for their stock if the corporation goes out of business
13. Which of the following investments are suitable for a 21-year-old investor who has limited resources but would like to start investing on a regular basis?
- I. Growth funds
 - II. Raw land DPP
 - III. Call options
 - IV. Hedge funds
- (A) I only
 - (B) II and IV
 - (C) I, II, and III
 - (D) I, III, and IV
14. Melissa purchased 1,000 shares of DDD common stock at \$42 per share on January 4. On January 4 of the following year, Melissa sold the shares at \$46 per share. Which TWO of the following are TRUE?
- I. It will be taxed as a short-term capital gain.
 - II. It will be taxed as a long-term capital gain.
 - III. The gain will be taxed at Melissa's tax bracket.
 - IV. The gain will be taxed at a maximum of 20 percent.
- (A) I and III
 - (B) I and IV
 - (C) II and III
 - (D) II and IV

15. Which of the following statements is TRUE regarding municipal revenue bond issues?
- (A) The bonds are backed by the issuer's unlimited taxing power.
 - (B) User fees provide revenue for the municipality to make sure they can pay bondholders.
 - (C) The bonds' feasibility is not dependent on the earnings potential of the facility or project.
 - (D) Revenue bonds are most suitable for investors with high risk tolerance.
16. Jameson and Johnson Securities sent Art a confirmation of his latest trade of Johnstone Corporation common stock. Which of the following items should be on the confirmation?
- I. The trade date and the settlement date
 - II. Whether Jameson and Johnson acted as an agent or a principal
 - III. The name of the security and how many shares were traded
 - IV. The amount of commission paid if Jameson and Johnson acted as an agent
- (A) I and III
 - (B) I, II, and III
 - (C) I, III, and IV
 - (D) I, II, III, and IV
17. If a customer, Jessica James, decides to give limited power of attorney to her registered representative, which of the following is TRUE?
- (A) The registered representative still needs verbal authorization from Jessica for each trade.
 - (B) Jessica must sign a power-of-attorney document.
 - (C) The registered representative must sign a power-of-attorney document.
 - (D) Jessica must initial each order before it is entered.
18. Which of the following is NOT a characteristic of a real-estate investment trust (REIT)?
- (A) Pass-through treatment of income only
 - (B) Pass-through treatment of income and losses
 - (C) At least 75 percent of the assets must be invested in real-estate-related projects
 - (D) Ownership of real property without management responsibility
19. A principal is responsible for approving new accounts opened for
- I. individuals
 - II. corporations
 - III. banks
 - IV. trusts
- (A) I only
 - (B) I and II
 - (C) I, II, and III
 - (D) I, II, III, and IV
20. George Lincoln opens a margin account and signs a loan consent, hypothecation, and credit agreement. Which of the following statements are TRUE?
- I. George's stock may not be kept in street name.
 - II. A portion of George's stock may be pledged for a loan.
 - III. George will be required to pay interest on the money borrowed.
 - IV. George's stock must be cosigned by the broker/dealer.
- (A) I and IV
 - (B) II and III
 - (C) I and II
 - (D) None of the above
21. To protect investors of variable life insurance policies who become disabled, there is a rider called a(n)
- (A) disability rider
 - (B) waiver of premium
 - (C) early withdrawal rider
 - (D) none of the above

22. As a client's investment objectives change, a registered rep should keep track of those changes so that they can rebalance the client's portfolio and make proper recommendations. Which of the following changes may affect a customer's investment objectives?
- Growing older
 - Getting divorced
 - Having triplets
 - Getting a higher paying job
- (A) I and III
(B) I, II, and III
(C) II, III, and IV
(D) I, II, III, and IV
23. JKLM Corporation has declared a \$0.40 dividend payable to shareholders of record on Thursday, September 14. What would happen to the opening price of JKLM on Wednesday, September 13?
- (A) It would be reduced by the amount of the dividend.
(B) It would remain the same.
(C) It would be increased by the amount of the dividend.
(D) Cannot be determined
24. Larry Eagle is a resident of Michigan. Mr. Eagle purchased a Michigan municipal bond. What is the tax treatment of the interest that Larry earns on his Michigan bond?
- It is exempt from local taxes.
 - It is exempt from state taxes.
 - It is exempt from federal taxes.
- (A) III only
(B) I and III
(C) II and III
(D) I, II, and III
25. Who is responsible for paying the taxes when securities in a Uniform Gifts to Minors Act (UGMA) account are sold at a profit?
- (A) The minor
(B) The donor
(C) The custodian
(D) The parent or guardian
26. An investor wants to invest in a DPP that's relatively safe. Which of the following are you LEAST likely to recommend?
- (A) A real-estate partnership that invests in raw land
(B) An oil and gas developmental program
(C) An oil and gas income program
(D) An equipment leasing program
27. Which of the following is a function of a transfer agent?
- (A) Underwriting shares in new corporate stock offerings
(B) Preparing corporate balance sheets
(C) Advising municipalities regarding the debt structure of new issues
(D) Sending out proxies
28. All the following information is required on a preliminary prospectus EXCEPT
- (A) the final offering price
(B) the purpose for which the issuer is raising the funds
(C) a statement in red lettering stating that items on the preliminary prospectus are subject to change before the final prospectus is issued
(D) the issuer's history and financial status
29. Which of the following situations requires a broker-dealer to file a currency transaction report?
- (A) A customer purchases \$20,000 worth of stock with a check from a joint account.
(B) A customer opens an account with \$14,000 cash.
(C) A customer opens an account with a wire transfer from their personal account for \$25,000.
(D) A customer deposits corporate bonds with a par value of \$30,000.
30. A mutual fund has a NAV of \$9.30 and a POP of \$10. What is the sales charge of this fund?
- (A) 5 percent
(B) 6 percent
(C) 7 percent
(D) 8 percent

31. Investments that move in the opposite direction of the economic cycles are known to be counter-cyclical. Historically, investments that are known to be counter-cyclical include
- (A) discount retailer stock
 - (B) utility stock
 - (C) pharmaceutical stock
 - (D) food company stock
32. On a competitive bid for a new municipal underwriting, the difference between the syndicate bid and the reoffering price is the
- (A) discount price
 - (B) offering price
 - (C) spread
 - (D) bid price
33. If a customer wants to open a cash account at a brokerage firm, the signature(s) of which of the following is/are required?
- I. The registered representative
 - II. The customer
 - III. The principal
 - IV. The guarantor
- (A) IV only
 - (B) I and III
 - (C) I, II, and III
 - (D) I, II, III, and IV
34. A sell stop order is entered
- I. below the support level of the stock
 - II. above the resistance level of the stock
 - III. to limit the loss on a long stock position
 - IV. to limit the loss on a short stock position
- (A) I and III
 - (B) I and IV
 - (C) II and III
 - (D) II and IV
35. The indenture of a corporate bond includes all of the following EXCEPT
- (A) the coupon rate
 - (B) the credit rating
 - (C) the name of the trustee
 - (D) the maturity date
36. Which of the following items can be found in the certificate of limited partnership?
- I. The goals of the partnership and how long it's expected to last
 - II. The authority of the general partner to charge a fee for making management decisions for the partnership
 - III. How the profits are to be distributed
 - IV. The amount contributed by each partner, plus future expected investments
- (A) I, II, and III
 - (B) II, III, and IV
 - (C) I, III, and IV
 - (D) I, II, III, and IV
37. When issued, these securities usually have the longest period until expiration.
- (A) Call options
 - (B) Rights
 - (C) Warrants
 - (D) Reverse repurchase agreements
38. Which of the following is/are true of a REIT?
- I. It must invest at least 75 percent of its assets in real-estate-related activities.
 - II. It must be organized as a trust.
 - III. It must distribute at least 90 percent of its net investment income.
 - IV. It must pass along losses to shareholders.
- (A) I, II, III, and IV
 - (B) I, II, and III
 - (C) I only
 - (D) II and IV
39. An investor purchases 100 shares of DUD Corp. at \$45 per share and purchases 1 DUD Oct 40 put at 6. What is the customer's break-even point?
- (A) 39
 - (B) 45
 - (C) 46
 - (D) 51

GO ON TO NEXT PAGE 

40. Under the Securities Act of 1933, which of the following securities are exempt from registration and disclosure provisions?
- (A) Railroad equipment trust certificate
 - (B) Municipal bonds
 - (C) Commercial paper maturing in 270 days or less
 - (D) All of the above
41. One of your customers is interested in investing in an oil and gas limited partnership. As their registered rep, which of the following steps are you required to take?
- I. Prescreen the customer.
 - II. Determine the economic soundness of the program.
 - III. Explain the risks of investing in limited partnerships.
 - IV. Have your customer fill out a partnership agreement.
- (A) I and III
 - (B) I, II, and III
 - (C) II, III, and IV
 - (D) I, II, III, and IV
42. Which of the following funds changes its balance to hold more fixed-income securities and less equity securities as the years pass?
- (A) A balanced fund
 - (B) A hedge fund
 - (C) A life-cycle fund
 - (D) A growth fund
43. The first time a company ever issues securities is called a(n)
- (A) IPO
 - (B) first-market trade
 - (C) rights offering
 - (D) none of the above
44. Bearish strategies include
- I. selling short
 - II. buying put options
 - III. selling uncovered call options
 - IV. selling covered call options
- (A) I and IV
 - (B) II and IV
 - (C) I, II, and III
 - (D) I, II, and IV
45. One of your customers wants to add some diversity to their portfolio by investing in some defensive stocks. Which of the following stocks would you recommend?
- I. CCCold Refrigerator Corporation common stock
 - II. Smoky Tobacco Inc. common stock
 - III. Forgetful Vodka Corp. common stock
 - IV. ImpeeAuto Corporation common stock
- (A) I and IV
 - (B) II and III
 - (C) I, III, and IV
 - (D) II, III, and IV
46. Which of the following events, which need to be reported on a U4 Form, would result in statutory disqualification?
- (A) A felony conviction for a DUI (driving under the influence) charge
 - (B) A charge of felony theft
 - (C) A filing of personal bankruptcy
 - (D) A complaint written by a customer alleging misappropriation of their assets
47. All the following orders are reduced on the order book for a cash dividend on the ex-date EXCEPT
- (A) buy limit
 - (B) sell stop
 - (C) sell stop limit
 - (D) buy stop

48. An investor sells 10 TUV Jan 40 calls for 3. If the options expire unexercised, what would be the tax consequences of this transaction?
- (A) Short-term capital loss
 - (B) Short-term capital gain
 - (C) Long-term capital loss
 - (D) Long-term capital gain
49. An investor who purchases a variable life insurance policy faces which of the following risks?
- (A) The insurance company may have to increase the premium if the securities held in the separate account underperform the market.
 - (B) The insurance company may decrease the premium if the securities held in the separate account outperform the market.
 - (C) The policy may have no cash value if the securities held in the separate account perform poorly.
 - (D) The death benefit may fall below the minimum in the event that the securities held in the separate account underperform.
50. All of the following are nonfinancial influences that may help determine an investor's investment profile EXCEPT
- (A) the investor's age
 - (B) the amount of marketable securities the investor owns
 - (C) the number of dependents
 - (D) investment experience
51. Ginny Goldtrain is a wealthy investor who is in the highest income bracket. Ginny is looking for an investment that would limit her tax liability and put her on equal footing with investors in lower income-tax brackets. Which of the following securities would you MOST likely recommend?
- (A) High-yield bonds
 - (B) CMOs
 - (C) Municipal bonds
 - (D) Hedge funds
52. Which of the following bonds most likely has the highest coupon rate?
- (A) DEF Corp. mortgage bonds
 - (B) DEF Corp. collateral trusts
 - (C) DEF Corp. debentures
 - (D) DEF Corp. equipment trusts
53. Your client, Dana Griffin, is about to retire and she wants predictable income. Which of the following would NOT be a good investment for Dana?
- I. AA rated IDB
 - II. U.S. Treasury note
 - III. AA rated debenture
 - IV. Income bonds
- (A) II only
 - (B) I and III
 - (C) II and IV
 - (D) IV only
54. Which TWO of the following are TRUE regarding 401(k) plans?
- I. They are qualified plans.
 - II. They are nonqualified plans.
 - III. They are defined benefit plans.
 - IV. They are defined contribution plans.
- (A) I and III
 - (B) I and IV
 - (C) II and III
 - (D) II and IV
55. Which of the following is the issuer and guarantor of all listed options?
- (A) The OCC
 - (B) The OAA
 - (C) The ODD
 - (D) The CBOE
56. If your customer, William Goate, purchases shares in a municipal bond fund, which of the following statements is TRUE?
- (A) Dividends are subject to alternative minimum tax.
 - (B) Dividends are taxable to all investors.
 - (C) Capital gains distributions are taxable.
 - (D) Capital gains distributions are not taxable.

GO ON TO NEXT PAGE 

57. These municipal notes provide interim financing for a municipality that's waiting for a grant from the U.S. government.

- (A) BANs
- (B) TRANs
- (C) GANs
- (D) CLNs

58. Use the following exhibit to answer this question:

Balance Sheet of ABCD Corp.			
Assets	Asset Value	Liabilities	Amount Owed
Cash	\$300,000	Accounts payable	\$300,000
Accounts receivable	\$1,500,000	Taxes payable	\$250,000
Inventory	\$1,200,000	Bonds maturing this year	\$800,000
Land	\$5,000,000	Bonds maturing in 5 years	\$2,000,000
Machinery	\$1,500,000		
Goodwill	\$2,000,000		

59. What is the net worth of ABCD Corporation?

- (A) \$3,150,000
- (B) \$1,650,000
- (C) \$8,150,000
- (D) \$10,150,000

60. According to industry regulations, an investor purchasing \$3,500 worth of common stock as an initial purchase in a margin account would have to deposit

- (A) \$875.00
- (B) \$1,750.00
- (C) \$2,000.00
- (D) \$3,500.00

61. Which of the following statements regarding municipal bonds with call provisions is TRUE?

- (A) Bonds are likely to be called when interest rates fall.
- (B) Call provisions favor investors.
- (C) Bonds are likely to be called when interest rates rise.
- (D) Call provisions are not advantageous to issuers.

62. Sam Smith sends an email to his registered rep, John Johnson, complaining about the amount of commission he was charged on his last trade. According to FINRA rules, what should John Johnson do with the complaint?

- (A) Ignore it because the complaint needs to be in writing.
- (B) Print it out and give it to their principal.
- (C) Print it out and send it to FINRA.
- (D) Forward it to FINRA's complaint department.

63. All of the following are types of blue-sky registration EXCEPT

- (A) registration by cooperation
- (B) registration by coordination
- (C) registration by qualification
- (D) registration by filing

64. A TUV Oct 60 call is trading for 9 when TUV is at \$65. What is the time value of this option?

- (A) 0
- (B) 4
- (C) 5
- (D) 9

65. Which of the following need approval from a brokerage firm's principal?
- I. New accounts
 - II. Recommendations
 - III. Handling of complaints
 - IV. Trades in all accounts
- (A) I and II
(B) I, III, and IV
(C) II, III, and IV
(D) I, II, III, and IV
66. Mrs. Smith previously shorted 10 DEF Nov 40 calls at 5 when the market price of DEF was 39.50. Two weeks prior to expiration, DEF is trading at 42 and Mrs. Smith decides to buy 10 DEF Nov 40 calls at 3. The second option order ticket would be marked
- (A) opening sale
(B) opening purchase
(C) closing sale
(D) closing purchase
67. All of the following are included on a confirmation for non-callable municipal bonds that were purchased on a yield basis EXCEPT
- (A) the purchase price
(B) the par value
(C) the yield-to-maturity
(D) the taxable equivalent yield
68. Members of stock exchanges that are responsible for buying and selling securities for others and for their own inventory are known as
- (A) transfer agents
(B) brokers
(C) designated market makers
(D) underwriters
69. Regular way settlement for U.S. Treasury bonds is
- (A) on the same day as the trade date
(B) the next business day after the trade date
(C) two business days after the trade date
(D) three business days after the trade date
70. Income derived from an investment in a real-estate limited partnership is termed
- (A) earned income
(B) passive income
(C) portfolio income
(D) capital gains
71. What is the intrinsic value of a DEF 30 put option which was purchased at 5 when DEF is currently trading at \$28.50?
- (A) 0
(B) 1.5
(C) 3.5
(D) 6.5
72. An investor purchased 1,000 shares of WXY at \$40. If WXY announces a 5-for-4 split, what is the investor's position after the split?
- (A) 1,250 WXY at \$32
(B) 1,250 WXY at \$50
(C) 800 WXY at \$32
(D) 800 WXY at \$50
73. An investor would like to sell a fixed amount of base (transaction) currency and use it to purchase a counter currency. To determine how much of the counter currency the investor will receive, you need to factor in the
- (A) balance of trade between the two countries
(B) the debt of the counter currency's government
(C) the spot exchange rate
(D) all of the above
74. Which of the following is characteristic of commercial paper?
- (A) It is quoted as a percent of par.
(B) It is proof of ownership of the corporation.
(C) It is issued to raise capital for a corporation.
(D) It is junior to convertible preferred stock.

75. A mutual fund that invests only in securities within a specific industry is called a

- (A) balanced fund
- (B) growth fund
- (C) hedge fund
- (D) sector fund

76. At what time must an individual begin withdrawals from a Roth IRA?

- (A) At age 59½
- (B) At age 72
- (C) On April 1 of the year after turning 72
- (D) None of the above

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Chapter 20

Answers and Explanations to Practice Exam 2

Congratulations! You've just completed the second exam (unless you're just randomly flipping through the book). After grading both the first and second exams, you should have an idea of where you stand regarding the SIE exam. Kudos if you did really well on both practice exams.

As with the first exam, review all the questions that you got wrong and the ones you struggled with. Test yourself again by answering all the questions you highlighted and the questions you answered incorrectly and make sure you get them right this time! Please give yourself a few days to a week before taking the same test again. Memorizing answers can give you a false sense of security, and you won't get an accurate forecast of how well you'll do on the SIE exam. (You certainly don't want your score to be as unpredictable as the weather.)

I encourage you to take as many SIE practice exams as possible. (More are available online; see the Introduction for directions.) I could only cover so many potential practice test questions in this book. Make sure you have a good handle on *everything* in the book, even if you didn't see it in the practice tests. FINRA's test banks have thousands of questions, and the test will spit them out randomly, so be prepared.



TIP

If you're short on time but just can't wait to see how well you did, you can check out the abbreviated answer key (without the explanations) at the end of this chapter. I explain how the SIE is scored in the section "Knowing the Score," just before the answer key. But I strongly suggest you come back later and do a more thorough review.

1. **A.** (Chapter 5) Another primary issue of shares would dilute Mark's ownership because new shares would be coming to the market. Don't forget that when a corporation issues stock dividends, splits its stock, or makes a secondary offering, the percent of equity does not change.
2. **A.** (Chapter 16) You can accept the trade and mark it as unsolicited. Even if a customer wants to purchase a security that doesn't fit their investment profile, you can still accept it in most cases by marking it as unsolicited. I call this the CYD (cover your derriere) rule. As

long as you mark the ticket as unsolicited, you save yourself some aggravation (and maybe arbitration) if Mike loses money on the deal.

3. **C.** (Chapter 7) T-strips or Treasury receipts are long-term zero-coupon bonds backed by the full faith and credit of the U.S. government. Zero-coupon bonds are ideal investments to plan for future events because investors don't face reinvestment risk. Reinvestment risk is the additional risk taken with interest or dividends received. Since holders of Treasury receipts don't receive interest payments, there is nothing to reinvest. In addition, the purchase price for long-term zero-coupon bonds is comparatively low.
4. **A.** (Chapter 8) The SIE examiners want to see that you can distinguish revenue bonds from general obligation bonds. In this question, Choice (A) is the correct answer. Revenue bonds are backed by a project's earning capacity. Choices (B), (C), and (D) are incorrect because revenue bonds are not secured by a specific pledge of property, are not a type of general obligation bond, and are not subject to debt limitations the way that many general obligation bonds are.
5. **A.** (Chapter 13) When you look at a corporation's balance sheet, the left side lists all the assets and the right side lists all the liabilities plus the shareholders' equity. The left side and the right side balance out (equal the same amount of money).
6. **C.** (Chapter 15) Dividends are profits shared by corporations. Dividends can be taxed as either qualified (up to a maximum rate of 20 percent) or nonqualified (according to the investor's tax bracket). For the dividends to be qualified, the investor must have held onto the stock for at least 61 days. The 61-day holding period starts 60 days prior to the ex-dividend date.
7. **B.** (Chapter 8) An official statement includes all relevant information about a new municipal bond. Municipal bonds don't have a prospectus, but an official statement is along the same lines. An official statement gives information about the municipal issue, such as the reason the bonds are being issued, what revenue is going to be used to pay the bonds, the issuer's payment history, and so forth. A tombstone ad is a brief advertisement that does not go into detail about the security being issued, and a registration statement is used by corporations when they are filing with the SEC.
8. **D.** (Chapter 16) This question is a double negative ("not prohibited"), so it's asking which statement a registered representative can make. The answer is pretty much a matter of logic. Choices (A), (B), and (C) are all guarantees. A registered rep who makes guarantees may get into trouble. However, Choice (D) is not a guarantee and may be said to an investor as long as it's true.
9. **A.** (Chapter 15) The main difference between traditional IRAs and Roth IRAs is the tax implications. Contributions to traditional IRAs are made from pretax dollars (you can write them off on your taxes), whereas contributions to Roth IRAs are made from after-tax dollars. (You can't write them off on your taxes.) However, distributions (withdrawals) from traditional IRAs are taxed on the amount withdrawn, whereas withdrawals from Roth IRAs are tax-free. When withdrawing from a Roth IRA, neither the amount invested, which was already taxed, nor the amount the account has gone up in value (appreciation) is taxed, which is a great benefit to Roth IRA holders.
10. **D.** (Chapter 16) All firms must now have business continuity and disaster recovery plans in place in the event of a significant disruption in their business. These plans must be in written form, be approved by a principal, and address the following information:

- » The existence of back-up data
- » A means of alternative communication between a firm and its employees, customers, and regulators
- » The creation of an alternative location for all employees
- » A means of giving customers fast access to their securities and funds

- 11. C.** (Chapter 9) Certainly all the choices listed are important, but the most important one is the investment objectives of the mutual fund. In other words, you need to know whether the investor is looking for a growth fund, an income fund, a municipal bond fund, an international fund, and so on. When comparing funds with the same investment objectives, all the other things, such as comparing management fees, whether the fund is load or no-load, and so on, come into play.
- 12. A.** (Chapter 6) Common stockholders may cast votes for candidates to be members of the board of directors; therefore, Choice (A) is the correct answer. Choice (B) is incorrect because while common stockholders may vote on important issues that affect the welfare of the corporation, they do not have voting rights on the day-to-day operations of the corporation, like buying office supplies. Choice (C) is incorrect because a stockholder doesn't receive interest payments; bondholders do. Finally, Choice (D) is incorrect because a common stockholder's initial investment can be lost if a corporation fails; therefore, par value is not guaranteed.
- 13. A.** (Chapter 9) The clues in this question are that the investor is 21 years old, has limited resources, and would like to start investing on a regular basis. This investor is screaming out to be put in a mutual fund. Typically, investors of mutual funds are in it for the long haul; they're not in and out like they may be with other investments. Ideally, this investor should probably be set up on a dollar cost averaging plan whereby they invest x amount of dollars every so often (for instance, \$100 once a month). Because this investor is young, they can take a little more risk, so a growth fund would be ideal. DPPs, buying call options, and hedge funds are too risky, require too much money, and/or require a certain degree of sophistication.
- 14. A.** (Chapter 15) Since Melissa sold the stock at a profit, she would be subject to capital gains tax. In order to be a long-term capital gain, she would've had to have held the stock for over one year. In this case, she only held the stock for exactly one year so it would be a short-term capital gain, which would be subject to taxes at Melissa's tax bracket.
- 15. B.** (Chapter 8) The answer is Choice (B). Choices (A), (C), and (D) are incorrect. Revenue bonds are generally considered low-risk because they're issued by municipalities. The riskiest municipal bonds are IDRs (industrial development revenue bonds), which are backed by a corporation, not the municipality.
- 16. D.** (Chapter 16) When a client receives a trade confirmation (receipt of trade), the confirmation must show the trade date, settlement date, the name of the security, how many shares were traded, whether the broker-dealer acted as an agent or principal, and the amount of commission if traded on an agency basis.
- 17. B.** (Chapter 12) The correct answer is Choice (B) because when Jessica grants her registered representative a limited power of attorney, Jessica is the one who must sign the document. Although a principal must approve before the registered representative exercises his discretionary authority, the registered representative does not have to sign the document, and Jessica's approval of each order is not required.

18. **B.** (Chapter 10) Real-estate investment trusts pass through income earned by the real-estate investments, but not losses. Real-estate limited partnerships pass through income and losses to investors because DPPs aren't responsible for paying business taxes.
19. **D.** (Chapter 16) I hope this was an easy one for you. Principals must approve all new accounts and must sign all new account forms.
20. **B.** (Chapter 12) Because George is borrowing money through a margin account to purchase securities, he must leave the stock in the broker-dealer's safekeeping, pay interest on the loan, register the stock in street name, and agree to allow the broker-dealer to pledge the securities because he signed a loan consent agreement.
21. **B.** (Chapter 9) Variable life insurance policies often have a rider or statement of condition that allows individuals to keep their policy in force if they become disabled. This waiver of premium forgives policyholders of paying additional premiums if they become totally disabled.
22. **D.** (Chapter 12) Certainly just about anything you can think of could change a client's investment objectives. As people get older, they usually can't take as much risk. Conversely, investors who get higher-paying jobs are likely to want to take additional risk. Someone who is getting (or has gotten) divorced is likely to have less money (due to alimony payments, one person paying for the house instead of two, child support payments, and so on). Obviously, having triplets puts a financial burden on an investor (unless they get a reality show).
23. **A.** (Chapter 6) Remember, the ex-dividend date (the first day the stock trades without the dividend) is one business day before the record date. In this case, the record date is Thursday, September 14, which makes the ex-dividend date Wednesday, September 13. The opening price on the ex-dividend date is reduced by the amount of the dividend (\$0.40 in this case).
24. **D.** (Chapter 8) When you purchase a municipal bond issued within your home state, the interest you receive is triple-tax-free (exempt from federal, state, and local taxes). In addition, if you purchase a bond issued by a U.S. territory (such as Puerto Rico, U.S. Virgin Islands, Guam, Samoa, and Washington, D.C.), the interest is triple-tax-free. However, if you purchase a bond issued by another state, the interest is exempt from federal taxes only.
25. **A.** (Chapter 12) The correct answer is Choice (A). All taxes on the account are the responsibility of the minor because the UGMA account was opened for the benefit of the minor and the account is registered with the minor's Social Security number.
26. **A.** (Chapter 10) Of the choices listed, a real-estate partnership that invests in raw land is the riskiest. Partnerships that invest in raw land are considered speculative, as are oil and gas wildcatting (exploratory) programs. The risk of investing in raw land is that even though the property is purchased at a low price, developers may not be interested in that area and the partnership may be stuck with relatively worthless property.
27. **D.** (Chapter 6) Hopefully the word "transfer" in "transfer agent" led you to the correct answer. Yes, the transfer agent is responsible for transferring or sending things. Typically, the transfer agent is responsible for sending out proxies (voting by mail), cancelling old shares, sending out new shares, distributing dividends, and so on.
28. **A.** (Chapter 5) The final offering price would not be found on the preliminary prospectus (red herring) because the price hasn't been finalized at this point. After the issuer and the syndicate manager come up with a final offering price, they place it on the final prospectus.

29. B. (Chapter 16) When determining whether a broker–dealer has to file a currency transaction report (CTR), you need to look at the size of the trade first. Any cash or cash-equivalent (for example, a money order) transaction of \$10,000 or more requires that you file a CTR to FinCEN (the U.S. Treasury Financial Crimes Network) to determine whether it may be money laundering. In Choice (B), the investor is depositing \$14,000 in cash, which is over the \$10,000 threshold. In addition, an SAR (Suspicious Activity Report) must be filed for any transaction of \$5,000 or more for any trade or transfer that just looks suspicious.

30. C. (Chapter 9) To determine the sales charge percentage of a fund, use the following equation:

$$\text{Sales charge} = \frac{\text{POP} - \text{NAV}}{\text{POP}} = \frac{\$10.00 - \$9.30}{\$10.00} = \frac{\$0.70}{\$10.00} = 7\%$$

The POP is the public offering price, which is the price that investors pay, including the sales charge. The NAV is the net asset value and is where the fund should be trading, excluding the sales charge.

31. A. (Chapter 13) The correct answer is Choice (A). Historically, fast food companies, discount retailers, and precious metals (gold, for example) are counter-cyclical and move opposite of the economic cycles. Choices (B), (C), and (D) are incorrect because utility, pharmaceutical, and food companies are defensive or noncyclical, and their movement isn't tied to the economic cycle.

32. C. (Chapter 8) On a competitive bid for a new municipal underwriting, the difference between the bid to the issuer and the dollar price at which the underwriter reoffers the bonds to the public is the spread, which, importantly, is also the underwriter's compensation.

33. B. (Chapter 16) Remember, when a customer opens a cash account, the only signatures that are required are those of the registered rep and a principal of the firm. However, if a customer were to open up a margin account, they'd have to sign a margin agreement.

34. A. (Chapter 14) Sell stop orders are used for protection. A sell stop order is placed below the support level of the stock and limits the loss on a long position. For argument's sake, say that a stock has a trading range of 30 to 32. An investor may enter a sell stop order at 29.50 to protect themselves if the stock drops to 29.50 or below. If the price of the stock hits 29.50, the sell stop order becomes a market order for immediate execution at the next available price.

35. B. (Chapter 7) The *indenture* (trust indenture or deed of trust) of a bond is a legal contract between the issuer and the trustee representing the investors. The bond indenture includes the coupon rate (nominal yield), the maturity date, the name of the trustee, collateral that may be backing the bond, and so on. However, the credit rating isn't found on the indenture because that's something that would change if the financial condition of the issuer changes.

36. C. (Chapter 10) The certificate of limited partnership is the legal agreement between the limited and general partners and has to be filed with the secretary of state. The certificate of limited partnership includes the name of the partnership, the partnership's primary place of business, the names and addresses of the limited and general partners, the goals of the partnership and how long it's expected to last, the amount contributed by each partner, how the profits are to be distributed, the roles of the participants, how the partnership can

be dissolved, and whether a limited partner can sell or assign their interest in the partnership. The authority that allows the general partner to charge a fee for making management decisions is found in the partnership agreement.

- 37. C.** (Chapter 6) Warrants give the holder the right to purchase stock at a fixed price some-time in the future. Warrants are long-term and sometimes perpetual.
- 38. B.** (Chapter 10) Choice (B) is the correct answer because three components are true about a REIT. As indicated by its acronym, a REIT is a real-estate investment trust. REITs engage in real-estate activities and are organized as trusts. In order to qualify for favorable tax treatment, a REIT must pass through at least 90 percent of its net investment income to its shareholders. Statement IV is false because, although a REIT can pass through income to investors, it can't pass through losses.
- 39. D.** (Chapter 11) The easiest way to calculate the break-even point for stock/option problems is to take a look at what's happening. This investor purchased the stock for \$45 per share and then purchased the option for \$6 per share. The investor paid \$51 ($\$45 + \6) per share out of pocket, so the investor needs the stock to be at \$51 per share in order to break even.
- 40. D.** (Chapter 5) All the securities listed are exempt from the registration and disclosure provisions under the Securities Act of 1933.
- 41. B.** (Chapter 10) Investors of limited partnerships bear additional risks, such as the possibility of money being tied up for a long period of time, little or no liquidity, the making of additional loans to the partnership, and so on. As a registered rep, you need to prescreen your customers to see whether they're a good match for the partnership. You should also look at the partnership and management itself to see whether they have a good track record and whether the partnership makes sense. You need to explain the risks to your customer and have your customer fill out a subscription agreement, not a partnership agreement. The subscription agreement needs to include a check, a signature giving the general partner power of attorney, financial statements, and so on.
- 42. C.** (Chapter 9) Life-cycle (target-date) funds are ideal for investors of any age. The idea behind them is that investors buy into life-cycle funds that are targeted for their age. The percentage of equities held by the fund decreases over time, whereas the percentage of fixed-income securities increases, because investors should hold a higher percentage of fixed-income securities as they age. For example, say a 45-year-old investor buys into a life-cycle fund that's targeted for investors who are currently between the ages of 44–47. At this particular point, the fund may have a nearly 50–50 split between equity securities and fixed-income securities. The fund rebalances every so often so that ten years into the future, the fund may have 40 percent invested in equity securities and 60 percent invested in fixed-income securities. Ten years after that, the fund may have a 30–70 split between equity and fixed-income securities. This fund is designed to take the guesswork out of the equation for investors.
- 43. A.** (Chapter 14) An *IPO* (initial public offering) is the first time a corporation ever sells securities to the public. A first-market trade is a trade of exchange-listed securities trading on an exchange. A rights offering is when a company offers new shares to existing shareholders at a discount.
- 44. C.** (Chapter 13) When someone is bearish on the market or an individual security, they believe that the price is going down. Investors who believe that they can capitalize on their bearish feelings can sell securities short, buy bearish funds (ones that generally increase in

value in a declining market), purchase inverse ETFs (exchange-traded funds), sell uncovered (naked) options, buy put options, and so on.

45. **B.** (Chapter 13) Defensive stocks perform consistently no matter how poorly the economy's doing. Stock of corporations that sell goods such as alcohol, tobacco, pharmaceutical supplies, food, and so on issue defensive stocks. However, companies that sell appliances, automobiles, and so on aren't defensive because they sell items that don't sell well in a weak economy.
46. **A.** (Chapter 16) Answers "B" and "D" are about a charge and complaint. In other words, there has been no conviction or findings at this point. Therefore, the individual is considered innocent until proven guilty. A filing of personal bankruptcy is okay in most cases as long as it's been disclosed. However, a felony *conviction* would be grounds for disqualification, even though it's for a DUI, not a financial crime.
47. **D.** (Chapter 14) Here's another question where you must find the false answer. Choices (A), (B), and (C) are wrong because only orders placed below the market price are reduced for cash dividends on the order book. Buy limits and sell stops (BLISS orders) are entered below the market price. Buy stops are entered above the market price, so Choice (D) is the false — and therefore, correct — answer.
48. **B.** (Chapter 11) As a reminder, all options are capital gains or capital losses. Since options expire in nine months or less (except for LEAPS), it would be a short-term gain or loss. In order to be long-term, it would have to be over one year. In this case, the investor sold options that expired, so it would be a short-term capital gain.
49. **C.** (Chapter 9) Similar to variable annuities, variable life insurance policies have a separate account of securities. All variable life insurance (VLI) policies have a set premium and a minimum death benefit. However, if the securities held in the separate account perform well, the policy will build up cash value, which will increase the death benefit.
50. **B.** (Chapter 12) Certainly, all the choices listed are important when determining a client's investment profile. However, this is an "except" question, which means that you're looking for an investment influence that is financial. The amount of marketable securities an investor owns is part of their financial profile as well as other things like net worth, money available for investing, current income, expenses, home ownership, and so on.
51. **C.** (Chapter 8) The interest received on municipal bonds is federally tax-free. Because Ginny is in the highest income-tax bracket, she can save more tax money by investing in municipal bonds. This strategy will put her on equal footing with other investors because neither high-income nor low-income investors have to pay taxes on the interest received from municipal bonds. Therefore, municipal bonds are more advantageous to investors in high income-tax brackets.
52. **C.** (Chapter 7) Mortgage bonds, collateral trusts, and equipment trusts are all forms of secured bonds. Because these bonds are secured with collateral, the collateral securing the bonds is sold to satisfy the bondholders if the issuer defaults. However, debentures are not backed with collateral and are therefore riskier. Because more risk equals more reward, debenture holders can expect a coupon rate that's higher than that of the secured bonds.
53. **D.** (Chapter 7) Of the answer choices given, Choice (D) is the least preferable and, therefore, the correct answer. AA rated bonds, U.S. Treasury notes, and AA rated debentures can yield predictable income. By contrast, income bonds are issued when a corporation is coming out

of bankruptcy and trying to reorganize. Therefore, income bonds only pay interest if the corporation can meet the interest payment and normally trade without accrued interest. Income bonds are not suitable for Dana because she's seeking predictable income.

- 54. B.** (Chapter 15) 401(k)s are corporate retirement plans. Employees may contribute a defined percentage of their salary each year. So, they are defined contribution plans, and because they meet IRS standards, they are qualified plans, meaning the contributions are deducted from the employee's gross income.
- 55. A.** (Chapter 11) The OCC (Options Clearing Corporation) is the issuer and guarantor of all listed options. The OCC determines which options will be traded and guarantees that option holders can always exercise their options.
- 56. C.** (Chapter 9) Dividends that are distributed by municipal bond funds are federally tax-free, but any capital gain distribution is taxable. Choice (C) is the right answer.
- 57. C.** (Chapter 8) Hopefully, the "G" in "GANs" was enough to help you get the correct answer. GANs are *grant anticipation notes*, which a municipality issues to provide temporary financing while waiting for a grant from the U.S. government.
- 58. C.** (Chapter 13) To determine the net worth of a company, use the following equation:
- $$\text{net worth} = \text{assets} - \text{liabilities}$$
- $$\text{net worth} = \$11,500,000 - \$3,350,000 = \$8,150,000$$
- 59. C.** (Chapter 12) When an investor opens (initial transaction) a margin account by purchasing common stock valued over \$2,000, the investor must deposit the Regulation T amount (50%), which is \$1,750 ($\$3,500 \times 50\%$), or \$2,000, whichever is greater. If the investor purchases less than \$2,000 worth, they must pay in full.
- 60. A.** (Chapter 7) The correct answer is Choice (A) because issuers call bonds when interest rates are falling, so they can issue bonds with lower coupon rates. Choice (B) is incorrect because investors would have their bonds with high coupon rates called and, if wanting to keep a similar position, would have to invest in bonds with lower coupon rates. Choice (D) is incorrect because municipal bond call provisions are advantageous to issuers; the call provisions reduce fixed costs by providing issuers with the ability to redeem bonds before maturity.
- 61. B.** (Chapter 16) All written complaints need to be handled by a principal and kept on file. Even though the complaint was sent via email, it's still considered a written complaint. The complaint does not need to be forwarded or sent to FINRA.
- 62. A.** (Chapter 5) All securities sold in a state must be registered in that state (also known as blue-sky registration). Coordination, qualification, and notification (filing) are all types of state registration; registration by cooperation is not. If an agent wants to sell in a state, the security, the registered rep, and the broker-dealer must be registered in that state.
- 63. B.** (Chapter 11) The easiest way to figure out the answer to this question is to use the equation $P = I + T$, where

» P = the Premium of the option

» I = the Intrinsic value of the option (how much it is in-the-money)

» **T** = the Time value of the option (how much the investor is paying for the time to use the option)

$$P = I + T$$

$$9 = 5 + T$$

$$T = 4$$

First, put the premium of 9 into the equation. Next, because the option is 5 points in-the-money (call options go in-the-money when the price of the stock goes above the strike price), insert the intrinsic value of 5 in the equation. Because the premium is 9 and the option is 5 points in-the-money, the time value is 4.

- 64. B.** (Chapter 16) Principals of a firm must approve all new accounts, advertising used by the firm, handling of complaints, trades in all accounts, and so on. However, as far as the SIE exam goes, principals don't need to approve recommendations made by registered reps. In real life, I would get approval before making recommendations if I were you. You have to remember that principals must sign all order tickets, and if you don't clear a recommendation with them first, they may be reluctant to do so.
- 65. D.** (Chapter 11) When the investor originally sold (shorted) the option, it was an opening sale. Since the investor is purchasing their way out of that position, the second transaction is a closing purchase.
- 66. D.** (Chapter 8) Remember that an "except" question is looking for a false answer. The correct answer is Choice (D). Taxable equivalent yields cannot be shown because every investor has a unique tax issue and bracket.
- 67. C.** (Chapter 14) Designated market makers (DMMs) are responsible for keeping a fair and orderly market in a particular security or securities. They attempt to keep trading as active as possible by executing orders for others and sometimes buying and selling out of their own inventory.
- 68. B.** (Chapter 7) U.S. government securities, such as Treasury bills, Treasury bonds, Treasury notes, and so on, settle in one business day after the trade date.
- 69. B.** (Chapter 10) Any income derived from an investment in a limited partnership is termed passive. Passive gains can be written off only against passive losses. Earned income includes money made from salary, bonuses, tips, and so on. Portfolio income includes money made from interest, dividends, and capital gains made from investing in securities.
- 70. B.** (Chapter 11) All intrinsic value means is how much the option is in-the-money. Put options go in-the-money when the price of the underlying security drops below the strike (exercise) price. Since the strike price is 30 and the stock price is \$28.50 (28.5), the intrinsic value is 1.5 (30 - 28.5).
- 71. A.** (Chapter 6) After the split, stockholders are going to have five shares for every four that they had before. If the number of shares is going to increase, the price of the stock is going to decrease to make up for the additional shares. After the split, the investor should have the same overall market value of securities. Use the following equation to determine the number of shares and the stock price after a split:

$$1,000 \text{ shares} \times \frac{5}{4} = 1,250 \text{ shares}$$

$$\$40 \times \frac{4}{5} = \$32$$

72. C. (Chapter 13) When trading currencies, you use the spot exchange rate. The spot exchange rate is the current market price for exchanging one currency for another.
73. C. (Chapter 7) Commercial paper is generally issued for the purpose of raising capital for a corporation for the short-term. Choice (A) is incorrect because commercial instruments are not quoted as a percent of par. Choice (B) is incorrect because a commercial instrument is proof of a debt, not ownership. Choice (D) is incorrect because commercial instruments are a debt security; therefore, if a claim is filed against the issuing corporation, the commercial instrument holds a senior position to preferred stock.
74. D. (Chapter 9) A specialized or *sector* fund invests within a single industry or geographical area.
75. D. (Chapter 15) Withdrawals from a Roth IRA may begin any time after the investor reaches age 59½. However, there's no required beginning date (RBD) or required minimum distribution (RMD) for Roth IRAs like there is for other retirement plans. You need to remember that the money withdrawn from a Roth IRA is tax-free, so the IRS doesn't care when these investors take their money because it isn't getting any of it.

Knowing the Score

Here's how the SIE exam is scored:

- » You get 1½ points for each correct answer.
- » You get zero points for each incorrect answer.

A passing grade is 70 percent. In other words, you need at least 53 correct answers on each practice test to get one step closer to your Nobel Prize in stockbrokerage (okay, economics).

To calculate your score, multiply the number of correct answers by 1.33 or divide it by 0.75. Whatever grade you get, make sure you round down, not up. For example, a grade of 71.6 is a 71 percent, not a 72.



REMEMBER

The actual test contains ten additional experimental questions that don't count toward your actual score. You can't tell these questions apart from the questions that do count, so you may have to answer a few more questions right to get your 70 percent. Don't sweat it. Simply come prepared, stay focused, and do your best.

Answer Key for Practice Exam 2

1.	A	20.	B	39.	D	58.	C
2.	A	21.	B	40.	D	59.	C
3.	C	22.	D	41.	B	60.	A
4.	A	23.	A	42.	C	61.	B
5.	A	24.	D	43.	A	62.	A
6.	C	25.	A	44.	C	63.	B
7.	B	26.	A	45.	B	64.	B
8.	D	27.	D	46.	A	65.	D
9.	A	28.	A	47.	D	66.	D
10.	D	29.	B	48.	B	67.	C
11.	C	30.	C	49.	C	68.	B
12.	A	31.	A	50.	B	69.	B
13.	A	32.	C	51.	C	70.	B
14.	A	33.	B	52.	C	71.	A
15.	B	34.	A	53.	D	72.	C
16.	D	35.	B	54.	B	73.	C
17.	B	36.	C	55.	A	74.	D
18.	B	37.	C	56.	C	75.	D
19.	D	38.	B	57.	C		