

Certified Financial Services Auditor

1. Insurance products yield _____ compared to regular investment option and this is besides the added incentives (read bonuses) offered by insurers.

A. Less

B. More

C. It depends

D. Almost the same

Answer(s): B

2. The Federal Reserve System interacts with foreign central banks include:

A. Only Bank of International Settlements (BIS)

B. None of these

C. Bank of Investment Settlements (BIS) and European Countries Bank (ECB)

D. Bank of International Settlements (BIS) and European Central Bank (ECB)

Answer(s): D

3. Main areas within financial services are:

A. Operations

B. Banking

C. All of these

D. Stock Exchange

Answer(s): D

4. Relief from administrative details and continuity are the major reasons for:

A. Trust acceptance

B. Naming a financial institution as a trustee

C. Convenience and complete services of trusts

D. Trustee termination

Answer(s): B

5. Low-risk scores are those with an average of scores:

A. 2.25 or less

B. 3.25 or less

C. 2.00 or less

D. 2.75 or less

Answer(s): A

6. _____ result from a failure to follow the logic of a series of statements.

A. Deductive fallacies

B. None of These

C. Inductive fallacies

D. Corrective controls

Answer(s): A

7. _____ are a type of mutual funds that is required by law to invest in highly liquid and low-risk securities such as certificates of deposits or government securities. These funds pay dividends that generally reflect short-term interest rates and are not federally insured. Due to low-risk nature of the investments, these funds rarely lose money.

A. Collateral funds

B. Money market funds

C. Index funds

D. Trust funds

Answer(s): B

8. In a price risk situation if customers withdraw their applications a bank may be unable to originate enough loans to meet its forward sales commitments .Because of this kind of "Fallout" a bank may have to purchase additional loans in the secondary market at prices higher than anticipated. Alternatively, a bank may choose to liquidate its commitment to sell and deliver mortgages by paying a fee to the counterparty commonly called a _____.

A. None of these

B. Settlement

C. End of loan settlement

D. Pair-off arrangement

Answer(s): D

9. If more funds than expected are needed to cover loans losses in a given period, the reserve must be increased and the difference is charged to:

A. Loan expenses

B. Prepaid assets

C. Operating expenses

D. Administration expenses

Answer(s): C

10. Office of the comptroller of the currency:

A. Ensures the safety and soundness of the National Banking System

B. All of these

C. Foster competition by allowing banks to offer new products and services

D. Improve the efficiency and effectiveness of OCC supervision including regulatory burden

Answer(s): B

11. During the posting process of ledger records on deposit account banks may reject some transactions because:

A. All of these

B. They lack proper endorsements

C. They are subject to stop payments

D. They would create an over draft

Answer(s): A

12. Although these rights do not always exist, if they do, shareholders are entitled to buy any new issue of stock in proportion to their holdings. If a person owns 5% of a corporation, then he or she would have the right to buy 5% of newly issued shares. These are:

A. Inspection rights

B. Proxy rights

C. Preemptive rights

D. Liquidation rights

Answer(s): C

13. Adequate solution for insurance coverage is that:

A. Does not impose a financial burden on the business

B. Establish control of the business to the surviving active owner

C. All of these

D. Which offsets the losses generated by the absence of a key contributor?

Answer(s): C

14. Group permanent life insurance often used:

A. As a variant of permanent life insurance

B. To provide life insurance coverage that will continue after retirement

C. All of these

D. To fund group pension plans

Answer(s): C

15. A sound Asset/Liability management policy must manage following risk EXCEPT:

A. None of these

B. Interest-Rate risk

C. Credit Risk

D. Capital Risk

Answer(s): A

16. A UIT typically issues redeemable securities (or "units"), like a mutual fund, which means:

A. A UIT does not actively trade its investment portfolio

B. That the UIT will, buy back an investor's request at their approximate net asset value

C. All of these

D. That the UITs typically will make a one-time "public offering"

Answer(s): B

17. The fund prospectus is the document that provides a general overview and description of the fund. The intent is to provide a potential investor with enough information to make a sound financial decision. The following information is generally placed in a prospectus EXCEPT:

A. Condensed financial information (including annual rate of return and fees)

B. General description of the fund

C. How to purchase and redeem shares

D. All the management staff

Answer(s): D

18. The primary objective/s of ECB is/are:

A. To maintain price stability

B. None of these

C. To achieve a high level of employment and sustainable and non-inflationary growth

D. To support the general economic policies in the community with a view to contributing to the achievement of the objectives of the community

Answer(s): A

19. _____ insures two lives under one policy. Death benefits are paid to the surviving insured. The surviving insured usually has the option of purchasing an individual whole life policy of the same face amount without providing evidence of insurability.

A. Modified premium whole life policies

B. A & B are one and the same category

C. Joint whole life policies

D. First-to-die policies

Answer(s): B

20. General liability insurance covers the major liability exposure of a business, including lawsuits against an organization's facilities or products. General liability insurance does not cover:

A. Liabilities that a business incurs through the use of its automobiles

B. All of these

C. Liabilities that a business incurs through the use of its land and other capital products

D. Liabilities that a business incurs through the use of its labor and machinery

Answer(s): A
