

General Securities Representative Exam

1. Which of the following preferred issues is likely to fluctuate most in value?

A. cumulative preferred

B. callable preferred

C. convertible preferred

D. broker preferred

Answer(s): C

2. Which of the following rights does an ADR holder not have?

A. preemptive rights

B. the right to vote for your mother-in-law as a board member

C. the right to transfer ownership

D. the right to see financial statements

Answer(s): A

3. A corporation makes a rights offering to raise \$10 million of new capital by issuing one million shares of common stock. If it already has six million shares outstanding at the time of the offering. How many rights will the corporation distribute to its shareholders?

A. one million

B. six million

C. ten million

D. sixteen million

Answer(s): B

4. A corporation makes a rights offering to raise \$10 million of new capital by issuing one million shares of common stock. If it already has six million shares outstanding at the time of the offering. What is the subscription price per share?

A. \$4

B. \$6

C. \$7

D. \$10

Answer(s): D

5. A corporation makes a rights offering to raise \$10 million of new capital by issuing one million shares of common stock. If it already has six million shares outstanding at the time of the offering. What subscription ratio is the corporation establishing for each new share?

A. 6 rights per share

B. 10 rights per share

C. 6 million rights per share

D. 10 million rights per share

Answer(s): A

6. Bubba owns stock with cumulative voting rights. There are five vacancies on a board and he owns 100 shares of stock. Bubba is entitled to cast the following votes:

A. a total of 100 votes

B. a total of 100 votes per

C. a total of 500 votes

D. you are not allowed to vote

Answer(s): C

7. The definition of debentures is:

A. a loan secured by real estate

B. collateralized securities

C. a worthless security

D. securities backed by the general credit of the issuers but no specific collateral

Answer(s): D

8. Convertible bonds have all of the following features except:

A. an ability to protect a short position on the stock into which they are convertible

B. permissibility for use as collateral

C. a normally higher yield than non-convertible bonds of the same issuer

D. fluctuations influenced by changes in the price of the underlying common stock

Answer(s): C

9. Although a corporation has no earnings in a particular year, it is obligated to pay interest on all its outstanding debt except the following:

A. convertible subordinated debentures

B. collateral trust bonds

C. adjustment bonds

D. equipment trust certificates

Answer(s): C

10. Interest rates rise from 5.10% to 5.30%. For a prospective buyer of five \$1,000 bonds, what is the increase in interest payments as a result of the rise?

A. \$20

B. \$100

C. \$2

D. \$10

Answer(s): D

11. Common stocks for which of the following industries are most likely to decline in value when interest rates rise?

A. automobile manufacturers

B. airlines

C. stock brokers

D. public utility companies

Answer(s): D

12. Convertible preferred stock has all of the following characteristics except:

A. a lower dividend rate than non-convertible preferred

B. a dilution of earnings if converted into common stock

C. a requirement for shareholders to always accept the call price when called

D. required dividend payments to shareholders before any dividends are paid to holders of common stock

Answer(s): C

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

A. 5.00

B. 98.96

C. 100.00

D. 105.10

Answer(s): B

14. Bonds are most often quoted as a percentage of:

A. face value

B. book value

C. market value

D. whatever value the broker says

Answer(s): A

15. Which of the following is a right for shareholders of common stock?

A. the right to have the stock price increase

B. the right to vote about important matters of the company

C. the right to dividends

D. both B and C

Answer(s): B

16. Who owns a corporation?

A. the owners of debentures

B. the holders of common stock

C. the holders of common stock and the holders of preferred stock

D. the government

Answer(s): C

17. Which of the following is true of treasury stock?

A. it has voting rights

B. it is entitled to receive dividends

C. it is stock that has not been issued

D. it is stock that has been reacquired by the issuer

Answer(s): D

18. Bubba decides to buy equity securities. Which of the following statements is always true about what Bubba is buying?

A. they are readily marketable

B. they have a fixed rate of return

C. they have a fixed maturity date

D. they are not secured by collateral

Answer(s): D

19. Which of the following securities provides the longest term of option privilege?

A. puts

B. calls

C. warrants

D. rights

Answer(s): C

20. A company may pay a declared dividend in which of the following ways:

A. with stock in a subsidiary company

B. with property

C. with cash

D. all of the above

Answer(s): D
