

General Securities Representative Examination (GS)

1. The registration requirements of the federal securities acts are intended to protect the public interest by

- A. It provides the SEC with adequate information on which to base approval for new issues
- B. It does not imply SEC approval of the issue
- C. It guarantees purchasers against an untrue statement of material fact or an omission of material fact
- D. It relieves participating underwriters from any further responsibility for checking essential facts before recommending purchase to the customers

Answer(s): A

2. Bubba owns stock with cumulative voting rights. There are five vacancies on a board and he owns 100

- 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

3. Bubba buys a municipal bond at 102 and holds it ten years to maturity. For tax purposes, how is that

A. recorded as a long-term capital loss

B. an ordinary loss taken as a deduction from taxable income

C. amortized over the life of the bond resulting in no loss at maturity

D. carried forward as a premium loss applied against profits realized on future municipal securities

Answer(s): C

4. Registration of open-end investment company shares with the SEC implies that the:

A. shares have investment merit

B. SEC approves the issue

C. SEC guarantees the accuracy of the disclosures in the registration statement

D. prospectus contains the significant facts about the issue

Answer(s): D

5. Regulation T is set at 50%. Bubba's account contains long positions in the following securities with the

A. \$3,000

B. \$6,000

C. \$11,000

D. \$0

Answer(s): B

6. What rate of return takes into consideration appreciation or depreciation in market value relating to the par

A. current yield

B. yield to maturity

C. nominal yield

D. basis yield

Answer(s): B

7. The FINRA Conduct Rules permit a transaction made "seller's option" to be delivered earlier than the

A. the buyer is given one day notice in writing

B. the seller is located in New York City

C. the client requests it

D. the buyer is a non-clearing member

Answer(s): A

8. Which of the following statements is not true about a letter of intent?

A. the letter of intent has a maximum duration of 13 months

B. a shareholder may not redeem any shares for 13 months

C. a letter of intent may be backdated by 90 days

D. a certain portion of shares purchased are held in escrow until the terms of the letter are met

Answer(s): B

9. Bubba's margin account has \$1,000 of SMA. If he buys \$20,000 of listed securities, how much fully paid

A. \$20,000

B. \$9,000

C. 10,000

D. \$18,000

Answer(s): D

10. A mutual fund with an 8% load and a 1% redemption fee carries a current quote of \$6.25 - \$6.79. If an

A. \$6.79

B. \$6.72

C. \$6.25

D. \$6.19

Answer(s): D

11. Bubba buys a \$4 convertible preferred with a \$50 par value that is exchangeable for common stock at

A. overpriced and will quickly decline

B. selling at a 4% premium over conversion value

C. underpriced and should rise quickly

D. going to be called when the common stock price is \$52

Answer(s): C

12. What type of mutual fund would invest in equities and bonds?

A. dual purpose

B. balanced

C. technology

D. growth

Answer(s): B

13. An investment company incapable of issuing a long-term debt instrument is:

A. a face-amount certificate company

B. a unit investment trust

C. a closed-end investment company

D. an open-end investment company

Answer(s): D

14. Bubba buys one XYZ June 40 call for \$1,000 and sells one XYZ March 40 call for \$600. Subsequently, the

A. \$100 loss

B. \$100 profit

C. \$200 loss

D. \$200 profit

Answer(s): A

15. The return by the receiving party of securities previously accepted for delivery or a demand by the

A. rejection

B. close-out

C. reclamation

D. re-delivery

Answer(s): C

16. Regulation A permits a short form of filing for offerings of new securities provided the total amount of the

A. \$1,000,000

B. \$5,000,000

C. \$2,000,000

D. \$2,500,000

Answer(s): B

17. FINRA advertising standards permit a dealer to state that a CMO has an implied AAA rating if the

A. with an average life no longer than ten years

B. by a US government agency

C. by a private issuer who has not yet received an expected AAA rating

D. in amounts less than \$1,000,000

Answer(s): B

18. Which of the following securities is traded only in the over-the-counter market?

A. corporate bonds

B. preferred stocks

C. open-end investment companies

D. closed-end investment companies

Answer(s): C

19. Which of the following organizations usually has a prominent role in guiding investment policies of mutual

A. the plan company

B. the management group

C. the custodian bank

D. the underwriter

Answer(s): B

20. Bubba Corporation has a registered public offering of 500,000 shares at \$36. Of these, 300,000 shares

A. the entire proceeds of the offering are a primary offering accruing to the corporation

B. 300,000 shares are identified as a primary distribution

C. 60% of the proceeds are paid to the corporation and the balance accrues to the affiliated person

D. both B and C

Answer(s): D
