

# Canadian Investment Funds Course Exam

1. What type of mutual fund can invest in specified derivatives and forward contracts for grains, meats, metals, energy products, and coffee?

A. global equity fund

B. commodity pool

C. labour-sponsored investment fund

D. specialty fund

**Answer(s): B**

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2. Bernadette has a high-paying job and is in the top tax bracket. She recently received a payment of \$5 million upon the settlement of her uncle's estate. Bernadette would like to invest her inheritance in financial products that would not only grow her money but is also income tax friendly.

A. Dividends received from a large foreign corporation.

B. Coupon payments from Government of Canada bonds.

C. Capital gains from a large Canadian corporation.

D. Eligible dividends from a publicly-listed Canadian corporation

**Answer(s): D**

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3. Which of the following statements regarding mutual fund fees is correct?

A. Redemptions are made from units held by investors to pay trailer fees.

B. Trailer fees are only paid to mutual fund dealers when a purchase is made.

C. The mutual fund dealer receives trailer fees based on the value of assets under management.

D. Trading commissions are paid from the management fee.

**Answer(s): C**

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4. David had \$10,000 in his investment account with Dynamic Investments, a mutual funds dealer. On June 28, David wants to buy 500 units in ABC Canadian Dividend Fund that has a Net Asset Value Per Unit (NAVPU) of \$14.10. His friend Robert suggests that he may get a better price if he used the strategy of dollar-cost averaging. David then instructs his Dealing Representative to place a purchase order for 100 units on the first of every month starting July 1st for the next 5 months.

A. David got his 500 units at the same price as the lump sum price he would have paid.

B. David got his 500 units at a lower price than the lump sum price he would have paid.

C. David realizes that Dollar cost averaging is the best strategy for getting lower prices.

D. David got his 500 units at a higher price than the lump sum price he would have paid

**Answer(s): D**

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5. Which of the following best describes implied needs of your clients?

A. They are needs reflected by statements made by clients regarding problems and dissatisfactions.

B. They are statements made by you showing readiness to solve a client's problem.

C. They are statements made by clients expressing the desire for lower commissions.

D. They are statements of wants and needs made by clients.

**Answer(s): A**

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6. Which of the following statements about total return for money market funds is TRUE?

A. Performance is displayed with both current yield and effective yield.

B. Effective yield will always be lower than current yield.

C. Current yield incorporates the compounding effect.

D. Current yield reflects the income earned on a money market fund for the most recent 14 day period.

**Answer(s): A**

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7. Jonathan is a Dealing Representative who has just finished an appointment with his new client, Shirley.

A. Investment objective

B. Shirley's risk profile.

C. Expected time horizon.

D. The tax consequences.

**Answer(s): B**

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8. Jabir begins the registration process with his new dealer Prosper Wealth Inc. Jabir is excited about his new career and eager to start calling clients, opening new accounts, and selling investments. Which of the following CORRECTLY describes when Jabir will be eligible to open new client accounts and sell investments?

A. Upon employment with the dealer

B. Upon registration application by the dealer

C. Upon passing the proficiency course

D. Upon formal confirmation from the regulator

**Answer(s): D**

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**9.** Which statement about unused registered retirement savings plan (RRSP) contribution room is CORRECT?

A. It may not be more than the RRSP contribution limit for the year in which it is carried forward.

B. It can be carried forward to future years.

C. It can be carried forward a maximum of seven years.

D. It may not be carried forward.

**Answer(s): B**

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**10.** You are meeting a new client, Steven, and you are trying to determine his level of understanding of different investments. Which question would give you the most information regarding your client's familiarity with investing?

A. Do you want to minimize taxes from your investments?

B. What rate of return do you expect from investing?

C. Do you understand the relationship between risk and return?

D. Do you have the resources to invest for the long-term?

**Answer(s): C**

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**11.** Which of the following statements are CORRECT about labour sponsored investment funds (LSIFs)?

A. LSIFs are appropriate for investors with a short-term time horizon.

B. All provinces offer some sort of additional tax credit for investors.

C. LSIFs are suitable for investors with a low risk tolerance.

D. Investors will forfeit their tax credits if they redeem their LSIF investment before 8 years have elapsed.

**Answer(s): D**

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**12.** Stan, a portfolio manager, is looking at two steel companies as potential investments. Truesteel Inc. has a current ratio of 2:1 while Strongco Ltd. has a current ratio of 0.8:1.

A. It appears that Truesteel is more profitable than Strongco.

B. Truesteel is better able to meet its short-term financial obligations than Strongco.

C. The stock market is more optimistic about the prospects for Truesteel than Strongco.

D. Strongco is relying less on debt financing than Truesteel.

**Answer(s): B**

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**13.** Rashad is a Dealing Representative with Investors Network Corp., a mutual fund dealer. Investors Network is registered in all provinces and territories of Canada and Rashad is registered in the Edmonton, Alberta branch. Rashad is told to provide his Branch Manager with a number of client files. The client files will be part of a compliance review by the applicable self-regulatory organization (SRO). Which regulator will review Rashad's client files?

A. Canadian Securities Administrators (CSA)

B. Mutual Fund Dealers Association of Canada (MFDA)

C. Autorite de marches financiers (AMF)

D. Chambre de la securite financiere (CSF)

**Answer(s): B**

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**14.** Megan purchases a treasury bill for \$98,200. When it matures for \$100,000, how does Megan treat the \$1,800 difference?

A. as interest income

B. as a capital gain

C. as a dividend

D. as return of capital

**Answer(s): A**

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**15.** Julia is looking for a mutual fund that will give her growth with moderate volatility. Her dealing representative has suggested the Laurentian Fund. The mutual fund's mandate limits the amount of equity exposure in the portfolio to 60%. Also, the portfolio must hold between 40 - 60% in fixed income at all times. The mutual fund distributes interest, dividends, and capital gains to its unitholders. What type of mutual fund is the Laurentian Fund?

A. asset allocation

B. balanced

C. specialty

D. index

**Answer(s): B**

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**16.** Which of the following formulas correctly shows how taxable income is calculated?

A. gross income less tax credits

B. the sum of earned income and investment income

C. total income less tax deductions

D. the sum of income from all sources

**Answer(s): C**

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**17.** Which of the following money market securities have the highest degree of risk for the investor?

A. Bankers' Acceptances

B. Commercial Paper

C. Treasury Bills

D. Municipal Short-Term Paper

**Answer(s): B**

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**18.** Xerxes, 45 years old, is a successful architect, having an annual income of \$185,000. He has around \$10,000 in his non-registered account, which he is looking to invest in a tax-efficient manner.

A. target date fund

B. bond fund

C. asset allocation fund

D. Canadian equity index fund

**Answer(s): D**

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19. Gregory is a conservative investor who wants to hold a portfolio of equity securities that would fall less than the overall market in a downturn.

A. a portfolio with a beta equal to 1

B. a portfolio with a beta between 1 and 2

C. a portfolio with a beta greater than 2

D. a portfolio with a beta less than 1

**Answer(s): D**

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20. Pierre buys a call option on a stock. What is the implication of this transaction?

A. Pierre has the right to buy the stock if he exercises the option.

B. Pierre is obligated to sell the stock if the option is exercised.

C. Pierre has the right to sell the stock if he exercises the option.

D. Pierre is obligated to buy the stock if the option is exercised.

**Answer(s): A**

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