American Bankers Association CTFA Practice Questions

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Question 1

Question Type: MultipleChoice

To server as family and/or financial planning tool

To provide for retirement

To obtain favorable tax treatment

These are the primary reasons

Options:

A- For establishing a trust
B- For naming an institution as trustee
C- of Safekeeping
D- of Custodial

Answer:

A

Question 2

Question Type: MultipleChoice

A statistical measure of the variability of a distribution around its mean is referred to as _____.

Options:

A- Probability distribution
B- The expected return
C- The standard deviation
D- Co-efficient of variation

Answer:

C

Question 3

Question Type: MultipleChoice

Under Which option best circumstances would it be financially beneficial to you to borrow money to buy something now and repay it with future income?

Options:

A- When some clothes you like go on sale
B- When the interest on the loan is greater than the interest you get on your savings
C- When you need to buy a car to get a much better paying job
D- When you really need a weeklong vacation

Answer:

C

Question 4

Question Type: MultipleChoice

Companies that have capital amount of more than $2 billion are known as:

Options:

A- Small cap companies
B- Mid cap companies
C- Growth companies
D- Large cap companies

Answer:

D

Question 5

Question Type: MultipleChoice

All of these are disadvantages of mutual funds EXCEPT:

Options:

A- Cost despite negative returns
B- Liquidity
C- Lack of control
D- Price uncertainty

Answer:

B

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Question 6

Question Type: MultipleChoice

The cost of equity capital is all of the following Except:

Options:

A- The minimum rate that a firm should earn on the equity-financed part of an investment
B- A return on the equity-financed portion of an investment that, at worst, leaves the market price of the stock unchanged
C- By far the most difficult component cost to estimate
D- Generally lower than the before-tax cost of debt

Answer:

D

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Question 7

Question Type: MultipleChoice

The benefits of tax deferral will out weigh the costs of a variable annuity only if the investor holds it as:

Options:

A- Long-Term investment
B- Short-Term investment
C- Credit-Risk investment
D- Annuity investment

Answer:

A

Question 8

Question Type: MultipleChoice

_____ is the money paid to insure the mortgage when the down payment is less than 20 percent

Options:

A- Origination fee
B- Points
C- Down payment
D- Mortgage Insurance

Answer:

D

Question 9

Question Type: MultipleChoice

Which of the following statements is correct?

Options:

A- If the NPV of a project is greater than 0, its PI will equal 0
B- If the IRR of a project is 0%, its NPV, using a discount rate, k, greater than 0, will be 0
C- If the PI of a project is less than 1, its NPV should be less than 0
D- If the IRR of a project is greater than the discount rate, k, its PI will be less than 1 and its NPV will be greater than 0

Answer:

C

Question 10

Question Type: MultipleChoice

Fundamental analysis is based on studying:

Options:

A- Company debt
B- The company's financial data
C- Return on equity
D- Stock charts

Answer:

B

Question 11

Question Type: MultipleChoice

Most auto leases include a purchase option. The annual mileage allowance is another consideration of lease term. Mileage allowance typically about:

Options:

A- 10,000 to 25,000
B- 10,000 to 15,000
C- 10,000 to 20,000
D- 7,000 to 10,000

Answer:

B

Question 12

Question Type: MultipleChoice

Loans made for specific purposes using formally negotiated contracts that specify the borrowing terms and repayments are called:

Options:

A- Mortgage loans
B- Credit lines
C- Consumer loans
D- SME loans

Answer:

C

Question 13

Question Type: MultipleChoice

A project's profitability index is equal to the ratio of the of a project's future cash flows to the project's .

Options:

A- Present value; initial cash outlay
B- Net present value; initial cash outlay
C- Present value; depreciable basis
D- Net present value; depreciable basis

Answer:

A

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