Free Questions for Series-7 by certsdeals

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Question 1

Question Type: **MultipleChoice**

Initial margin deposit minimum requirements are set by the:

Options:

A- NYSE

B- FINRA

C- FRB

D- FDIC

Answer:

C

Explanation:

FRB. The Federal Reserve Board sets the initial margin deposit requirements. The NYSE set the ongoing minimum equity requirements.

Question 2

Question Type: MultipleChoice

Under Regulation T of the Federal Reserve, when may a broker overlook an amount due in a customer's account?

Options:

A- if it does not exceed $1,000

B- if the client makes a request in writing

C- if the value of a trade is less than $1,000

D- under no circumstances

Answer:

A

Explanation:

if it does not exceed $1,000. If the net amount due is less than $1,000 no action is required under Reg T.

Question 3

Question Type: MultipleChoice

Bubba has a short margin account with a short market value of $22,000, a credit balance of $42,000, and SMA of $500.

What is the NYSE minimum equity maintenance for this account?

Options:

A- $5,500

B- $6,000

C- $6,600

D- $12,600

Answer:

C

Explanation:

$6,600. The NYSE maintenance requirement on short margin accounts is 30%. Multiplying the short market value of $22,000 by 30% equals $6,600.

Question 4

Question Type: MultipleChoice

Bubba has a short margin account with equity of $15,000 and a credit balance of $28,000.

What is th e current NYSE minimum equity maintenance requirement on Bubba's account?

Options:

A- $3,900

B- $4,500

C- $3,250

D- $3,750

Answer:

A

Explanation:

$3,900. The requirement for short accounts is 30% of the current market value. The market value is $13,000 ($28,000 - $15,000). Multiplying by 30% equals $3,900.

Question 5

Question Type: MultipleChoice

Bubba sells short 100 XYZ at $60 and makes the required Regulation T deposit of 50%. XYZ then rises I price to $65.

At this point what is the credit balance?

Options:

A- $2,500

B- $3,500

C- $6,000

D- $9,000

Answer:

D

Explanation:

$9,000. Credit balances in short accounts do not change because of fluctuation in market prices. The initial deposit of $3,000 ($6,000 x 50%) plus the $6,000 from the short sale leave a credit balance of $9,000.

Question 6

Question Type: **MultipleChoice**

Bubba has a cash account and fails to make full and prompt payment for a purchase. The broker liquidated the transaction. Two weeks later, Bubba places another buy order for 100 shares of XYZ.

What does the broker do?

Options:

A- refuses the order

B- handles the order after obtaining a promise from Bubba to effect prompt settlement

C- requires a 25% down payment before executing the order

D- executes the order at its own risk

Answer:

A

Explanation:

refuses the order. Reg T requires that under these circumstances the account must be frozen for 90 days. Any trade prior to that, requires cash in advance.

Question 7

Question Type: **MultipleChoice**

Call loans made by banks to broker/dealers are generally for the purpose of which of the following?

Options:

A- expansion of office facilities

B- meeting operating expenses

C- carrying margin accounts

D- financing securities held in inventory

Answer:

C

Explanation:

carrying margin accounts. A call loan is made to brokers who use securities as collateral. They are usually made to finance the debit balances in margin accounts.

Question 8

Question Type: **MultipleChoice**

Bubba is opening a margin account with a member organization. He wishes to purchase 100 shares of XYZ at $15 per share.

What is Bubba's initial cash deposit?

Options:

A- $375

B- $1,050

C- $1,500

D- $2,000

Answer:

C

Explanation:

$1,500. The NYSE minimum requirement is the lower of $2,000 or 100% of the account.

Question 9

Question Type: **MultipleChoice**

Under an initial federal requirement of 70% equity, Bubba purchases 100 shares of XYZ at $40 per share and wishes to satisfy the margin call by delivering another listed security into his account.

He may do so by depositing stocks with a market value of:

Options:

A- $9,333

B- $5,714

C- 4,000

D- $2,800

Answer:

A

Explanation:

$9,333. If Bubba were depositing cash, he would need $2,800 (70% x $4,000). Since he is depositing stock, he would have to deposit enough with loan value of $2,800. To arrive at this, divide $2,800 by the 30% loan value to obtain $9,333.

Question 10

Question Type: **MultipleChoice**

The initial Federal Reserve Bank margin requirement is set at 60% and Bubba purchases 100 shares of XYZ at $100 per share. He deposits $6,000 of the $10,000 purchase price in his account.

If XYZ increases in value to $150 per share, how much excess equity would Bubba have in his account?

Options:

A- $1,000

B- $1,500

C- $2,000

D- $3,000

Answer:

C

Explanation:

$2,000. Bubba started with $6,000 of equity and a debit balance of $4,000. The market value of his XYZ stock increased by $5,000 ($15,000 - $10,000). Therefore, his equity increased to $11,000. Since Bubba only needs 60% equity, his Reg T requirement is $9,000 ($15,000 x 60%). His equity exceeds the requirement by $2,000.

Question 11

Question Type: MultipleChoice

In which of the following situations may exemption from compliance with Regulation T be granted?

Options:

A- a broker/dealer who does not offer margin accounts

B- a broker/dealer conducts business only in registered securities

C- a broker/dealer transacting less than 10% of its business through a member of a securities exchange

D- none of the above

Answer:

D

Explanation:

none of the above. No broker/dealer is exempt. Reg T covers cash accounts as well as margin accounts.