



Free Questions for Series-6

Shared by Sexton on 09-08-2024

For More Free Questions and Preparation Resources

[Check the Links on Last Page](#)



Question 1

Question Type: MultipleChoice

Upon receiving a complaint about one of its member firms, FINRA may:

- i. require any person associated with the member firm to provide information to FINRA and to testify under oath.
- ii. inspect and copy the books, records and accounts of the member firm.
- iii. share information obtained from its investigation of a member firm with a foreign regulatory agency.



Options:

- A- II only
- B- I and II only
- C- II and III only
- D- I, II, and III

Answer:

D

Explanation:

Upon receiving a complaint about one of its member firms, FINRA may require any person associated with the member firm to provide information and to testify under oath; it may inspect and copy the books, records, and accounts of the member firm; and it may share information obtained from its investigation of a member firm with a foreign regulatory agency. The foreign regulator must agree to treat the information confidentially, and the agreement with the foreign regulator is predicated on two requirements: "(A) the other regulator party to the agreement must have jurisdiction over common regulatory matters; and (B) the agreement must require the other regulator to reciprocate and share with FINRA information of regulatory interest or concern to FINRA."

Question 2

Question Type: MultipleChoice

Which of the following statements regarding a letter of intent is true?

Options:

- A- An investor has 12 months in which to invest the amount stipulated in the letter.
- B- Reinvested dividends and capital gain distributions count toward the amount stipulated in the letter of intent.
- C- An investor who signs a letter of intent and does not invest the amount stipulated must make up the difference between the sales charge he paid and what he should have paid, plus interest.
- D- A letter of intent may be backdated up to 90 days so that any purchases made during that prior time period will count toward making a breakpoint.

Answer:

D

Explanation:

The true statement is that a letter of intent may be backdated up to 90 days so that any purchases made during that prior time period will count toward making a breakpoint. An investor has 13 months in which to invest the amount stipulated in the letter. The invested funds must consist of new money; reinvested dividends and capital gain distributions don't count. If the amount stipulated in the letter of intent is not invested during the 13 months, the investor must only make up the difference between the sales charge he paid and what he should have paid, given that he didn't qualify for the breakpoint. No interest is charged on the difference.

Question 3

Question Type: MultipleChoice

Mr. Cross wanders into your office with a \$35,000 check that he has received from his recently-deceased wife's insurance company and wants you to advise him how to invest it, since that is your job, as he puts it.

You ask him to fill out a standard investor profile questionnaire, but he refuses to do so. You offer to fill it out for him, based on his answers to your verbal questions, but he still refuses and calls you a "nibby-nose." Based on this, you can:

Options:

- A- allocate the \$35,000 any way you choose since you have an uncooperative client.
- B- advise him to invest the money in a money market mutual fund instead of holding it as cash.
- C- advise him to invest the money in an S&P 500 Index fund.
- D- The advice provided in either Choice B or Choice C would be appropriate.

Answer:

B

Explanation:

If you cannot get any personal information from a client, you cannot legitimately recommend (or execute) an asset allocation for him. You can advise him to invest the money in a money market mutual fund instead of holding it as cash since this will provide him with a small return on his money. You cannot advise him to invest the money in an S&P 500 Index fund, which would subject him to more risk.

This would be considered an unsuitable recommendation and is in violation of securities' laws.

Question 4

Question Type: MultipleChoice

Under FINRA's rules regarding proper supervision, member firms must:

- i. have clear written procedures to supervise the activities of its principals, registered representatives, and other associated persons.
- ii. designate as an office of supervisory jurisdiction (OSJ) any office of the member that engages in maintaining custody of the funds and/or securities of the member's customers.
- iii. prohibit the use of any electronic communication method, including personal electronic devices, for business-related communications unless the use of the devices can be properly supervised and the communications retained.
- IV. regularly evaluate the effectiveness of its supervisory policies.

Options:

- A- I and IV only

- B- I, II, and IV only
- C- I, III, and IV only
- D- I, II, III and IV

Answer:

D

Explanation:

Under FINRA's rules regarding proper supervision, member firms must engage in the activities described in all four statements, including prohibiting the use of personal electronic devices for business-related communications unless the devices can be properly supervised and the communications retained.

Question 5

Question Type: MultipleChoice

Which of the following statements about mutual funds is false?

Options:

- A- Mutual funds may be organized as corporations, statutory trusts, or partnerships.
- B- Mutual funds are organized under state law.
- C- Mutual funds issue redeemable shares.
- D- Mutual funds may be either actively or passively managed.

Answer:

A

Explanation:

The false statement is that mutual funds may be organized as corporations, statutory trusts, or partnerships. Mutual funds may be organized only as corporations or statutory (business) trusts.

Question 6

Question Type: MultipleChoice

Main Street Capital Corporation (MAIN) is registered as a non-diversified investment company under the Investment Company Act of 1940. Based on this, which of the following statements regarding MAIN are true?

- i. MAIN may not invest more than 5% of its investment monies in any single issuer.
- ii. The net asset value of MAIN's shares is likely to fluctuate more than that of a diversified investment company.
- iii. MAIN's returns are more likely to be affected by any single, specific economic occurrence or regulatory change.

Options:

- A- I only
- B- I and II only
- C- II and III only
- D- I, II, and III

Answer:

C

Explanation:

Only Selections II and III are true. Because MAIN is a non-diversified investment company, it may invest more than 5% of its investment monies in a single issuer. This results in less risk diversification, so its net asset value is likely to fluctuate more than that of a diversified investment company. In addition, this means its returns are more likely to be affected by any single, specific economic occurrence or regulatory change.

Question 7

Question Type: MultipleChoice

Giant Investments filed a registration statement with the SEC for a new fund it wanted to introduce and has received word that the registration statement is now effective. Based on this,

Jack, a registered representative with Giant Investments, can tell a client that:

Options:

- A- because the SEC has recently announced the fund's registration statement effective, the client can rest assured that it is a sound long-term investment.
- B- the SEC pronouncement on the effectiveness of the registration statement means only that the SEC has deemed that enough information has been provided in the registration statement for the client to judge the quality of the investment for himself.
- C- the SEC warrants that there have been no misstatements of fact in the registration statement.
- D- because the SEC has recently approved the fund, it is likely to be a much safer investment than other, older funds in the same fund category.

Answer:

B

Explanation:

Jack may tell his client that the recent SEC pronouncement regarding the effectiveness of the fund's registration statement means only that the SEC has deemed that enough information has been provided in the registration statement for the client to judge the quality of the investment for himself. The fact that a registration statement has been deemed effective does not mean that it is necessarily a sound investment, nor does it indicate anything regarding the relative safety of the fund when compared to other, older funds in the same category. It does not imply SEC approval. In fact, the prospectus must have a "no approval" statement printed on its front page. The SEC is not guaranteeing that there are no misstatements of fact in the registration statement, either.

Question 8

Question Type: MultipleChoice

Your client bought a variable annuity contract that has a 5% contingent deferred sales charge with a 7-year surrender period four years ago. He has been reading about bonus annuities and 1035 exchanges and has asked for your advice. You can tell him:

Options:

- A- that it's a great idea, and you plan on how you're going to spend the unexpected income.
- B- that although the exchange doesn't have any tax consequences, he'll be looking at a new, longer, surrender period.
- C- that he'll have to pay the 5% deferred sales charge if he executes the exchange.
- D- both B and C.

Answer:

D

Explanation:

If your client bought a variable annuity contract with a 7-year surrender period four years ago, you can tell him that even though there will be no tax consequences associated with the exchange, he'll have to pay the 5% deferred sales charge if he executes the exchange, and he'll be looking at a new, longer, surrender period-one of the less desirable features associated with bonus annuities.

Question 9

Question Type: MultipleChoice

Ms. Newbie's client, Mr. Nomad, has decided that he wants to go on an extended backpack trip through the Amazon. Since he'll be out of touch, he has given a friend of his limited power attorney to act on his behalf. Based on this, Mr. Nomad's friend can:

- i. present Ms. Newbie with an order to purchase securities on Mr. Nomad's behalf.
- ii. present Ms. Newbie with an order to sell securities on Mr. Nomad's behalf.
- iii. request a check be issued to him so that he can send Mr. Nomad some money.

Options:

- A- I only
- B- I and II only
- C- I, II, and III
- D- none of the above. Only a relative can hold a power of attorney to engage in financial transactions for the grantor.

Answer:

B

Explanation:

Mr. Nomad's friend can engage in the activities described in Selections I and II only. A limited power of attorney gives Mr. Nomad's friend the authority to buy and sell securities on Mr. Nomad's behalf, but not to make any cash withdrawals. He would need a full power of attorney to be able to do so.

Question 10



Question Type: MultipleChoice

Nancy invested \$1,850 in the MidFee Mutual Fund, which has a 4% front -end load. The net asset value (NAV) per share of the fund at the time of her purchase was \$22.20.

How many shares of the fund was Nancy able to purchase?

Options:

A- 83.33

B- 80.00

C- 80.13

D- None of the above is correct.

Answer:

B

Explanation:

If Nancy invested \$1,850 in MidFee, which has a 4% front-end load, when the fund's net asset value was \$22.50, she was able to purchase 80.00 shares. The offer price of the fund = NAV/ (1 - % load) = $\$22.20 / (1 - 0.04) = \23.125 . An investment of \$1,850 would, therefore, purchase $\$1,850 / \$23.125 = 80$ shares.

Question 11

Question Type: MultipleChoice

The stock of eBay, Inc. (EBAY) currently has a beta of 1.67. Based on this, which of the following statements are necessarily true?

- i. If the market is up 5%, an investor can expect the returns on eBay to increase by 1.67 times this amount, or 8.35%.
- ii. eBay would be a particularly good investment for an investor with a short investment horizon.
- iii. The returns on eBay are more volatile than the returns on the market in general.
- IV. eBay has more unsystematic risk than the market in general.

Options:

- A- I only
- B- I and II only
- C- I and III only
- D- I, II, III, and IV

Answer:

C

Explanation:

Only Selections I and III are necessarily true. eBay's beta of 1.67 means that if the market is up 5%, an investor can expect the returns on eBay to increase by 1.67 times this amount, or 8.35%, and since eBay's beta is greater than 1.0, we can say that the stock's returns are more volatile than the returns on the market in general. Although eBay may have more unsystematic risk than the market in general, beta is not a measure of this. Beta is a measure of the market, or systematic, risk of the stock.

To Get Premium Files for Series-6 Visit

<https://www.p2pexams.com/products/series-6>

For More Free Questions Visit

<https://www.p2pexams.com/finra/pdf/series-6>

20%
DISCOUNT

P2P
exams