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Question 1

Question Type: MultipleChoice

Which of the following municipal bonds may be grouped under the classification of "revenue bonds"?

Options:

- A) special tax
- B) new housing authority
- C) general obligation
- D) limited tax

Answer:

A

Explanation:

special tax. The other categories are not revenue bonds. Special tax is the only type that fits the general grouping.

Question 2

Question Type: MultipleChoice

In what broad category of municipal bonds are "limited tax" bonds placed?

Options:

- A) general obligation
- B) special tax
- C) revenue
- D) new housing authority

Answer:

A

Explanation:

general obligation. A limited tax bond is generally classified as general obligation.

Question 3

Question Type: MultipleChoice

Bubba buys a 5% municipal bond maturing in 15 years that is trading at a market price of 85.

What is the yield to maturity using the "rule of thumb" method?

Options:

- A) 5.00%
- B) 5.88%
- C) 5.10%
- D) 6.49%

Answer:

D

Explanation:

6.49%. Divide the discount from par value of \$150 (\$1,000 - \$850) by the number of years to maturity (15) to determine the annual discount. Add the result of \$10 to the annual interest (\$50) to determine the total annual return. Divide the result of \$60 by the average of the current price (85) and par (100). The result is 60 divided by 92.5, which equals 6.49%.

Question 4

Question Type: MultipleChoice

The term "secondary market" refers to:

Options:

- A) trading in issues of low quality
- B) trading in outstanding issues
- C) issues that banks are not permitted to underwrite
- D) private placements

Answer:

B

Explanation:

trading in outstanding issues. Secondary market transactions involve trading in securities after the original issue is made. When an issuer offers new securities to the public it is a "primary offering".

Question 5

Question Type: MultipleChoice

What is the importance of the "at risk" rule?

Options:

- A)** it limits deductions to the amount at risk
- B)** it limits liability to the amount at risk
- C)** deductions for interest may not exceed investment income
- D)** it prevents carry forward of disallowed interest deductions

Answer:

A

Explanation:

it limits deductions to the amount at risk. Deductions may not exceed contributed capital.

Question 6

Question Type: MultipleChoice

The FINRA Conduct Rules permit a transaction made "seller's option" to be delivered earlier than the expiration of the contract if:

Options:

- 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:

A

Explanation:

the buyer is given one-day notice in writing. A contract made on a "seller's option" may be terminated by the seller at an earlier date, provided that he gives the buyer one-day notice.

Question 7

Question Type: MultipleChoice

How many days after the settlement date must a broker/dealer "buy in" a customer who has failed to deliver securities?

Options:

- A) 10 days
- B) 15 days
- C) 30 days
- D) 45 days

Answer:

A

Explanation:

10 days. The customer has 10 days to deliver before the broker will buy in the account.

Question 8

Question Type: MultipleChoice

In what broad category of municipal bonds are "limited tax" bonds placed?

Options:

- A) general obligation
- B) special tax
- C) revenue
- D) new housing authority

Answer:

A

Explanation:

general obligation. A limited tax bond is generally classified as general obligation.

Question 9

Question Type: MultipleChoice

How many days after the settlement date must a broker/dealer "buy in" a customer who has failed to deliver securities?

Options:

- A) 10 days
- B) 15 days
- C) 30 days
- D) 45 days

Answer:

A

Explanation:

10 days. The customer has 10 days to deliver before the broker will buy in the account.

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