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Question Type: MultipleCho	IC
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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:

Α

Explanation:

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

Question Type: MultipleCho	IC
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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:

Α

Explanation:

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

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:

В

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:

Α

Explanation:

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

Question 6

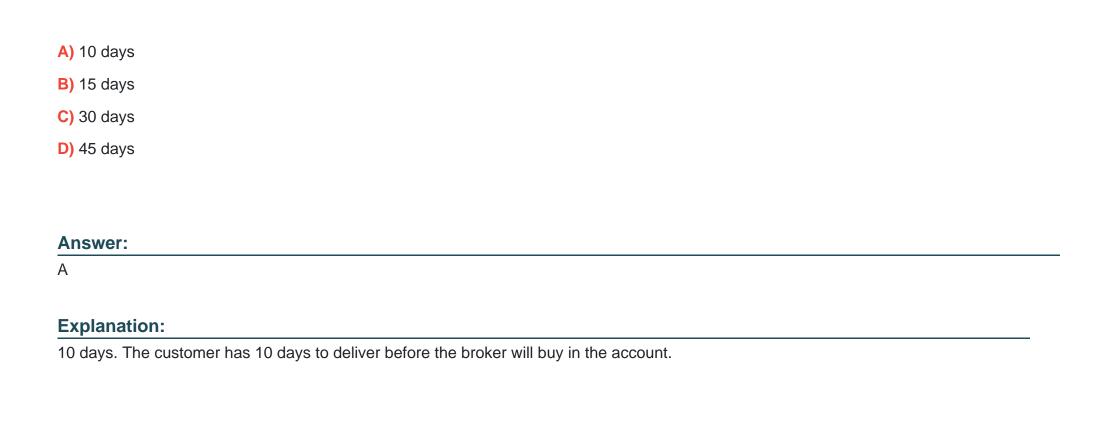
Question Type: MultipleChoice

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

Answer:	
A	
Explanation:	
the buyer is given one-da provided that he gives th	ay notice in writing. A contract made on a "seller's option" may be terminated by the seller at an earlier date be buyer one-day notice.
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Question 7 uestion Type: MultipleCh	oice
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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?

tions:	
10 days	
15 days	
30 days	
45 days	
swer:	
planation:	

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

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