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QUESTION NO: 1

A set of possible values that a random variable can assume and their associated probabilities of occurrence are referred to as _____.

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

ANSWER: A**QUESTION NO: 2**

Which of the following factor contributes to the price volatility of a bond?

- A. Maturity
- B. Coupon
- C. Yield to maturity
- D. All of the given options

ANSWER: D**QUESTION NO: 3**

Sometimes, as a condition of receiving an installment loan, a borrower is required to buy credit life insurance. From borrower's perspective, credit life insurance not a good deal because:

- A. It's very costly
- B. It does little more than give lenders a lucrative source of income
- C. It increases market interest charges
- D. It increases inflation

ANSWER: A B

QUESTION NO: 4

The principal reasons for using the Sharpe ratio when calculating a portfolio's performance are:

- A. It indicates the percentage return above/below the risk-free rate for each unit of risk taken
- B. It will always be quoted on a rolling quarterly basis
- C. A positive Sharpe ratio will always guarantee positive returns
- D. The higher the number, the more a portfolio manager can be said to have added value

ANSWER: A D**QUESTION NO: 5**

All of the following steps are involved in estimating the earnings stream, EXCEPT:

- A. Estimating corporate sales
- B. Estimating corporate earnings before taxes
- C. Estimating corporate liabilities and assets
- D. Estimating corporate earnings after taxes

ANSWER: C**QUESTION NO: 6**

Life insurance is intangible. You can't see, smell, touch or taste its benefits and those benefits mainly happen when someone is died. However, life insurance does have some important benefits that should not be ignored in the financial planning process. Which of the following is out of those benefits?

- A. Protection from debtors
- B. Financial protection from dependents
- C. Vehicle for savings
- D. Interest benefit

ANSWER: B C**QUESTION NO: 7**

One of the components of monthly mortgage insurance is homeowner's insurance. Its cost varies with factor/s as:

- A. Age of the house
- B. Location
- C. Material used in construction
- D. A and B Only

ANSWER: A B C

QUESTION NO: 8

The process of managing a portfolio never stops. Once the funds are initially invested according to the plan, the real work begins in:

- A. Evaluating the portfolio's performance
- B. Updating the portfolio based on changes
- C. Examining current and projected financial goals
- D. A and B both

ANSWER: D

QUESTION NO: 9

A broker is:

- A. Far more than a salesperson
- B. Mostly interested in his own commission
- C. May not be socially known
- D. Can trade your stock without your permission

ANSWER: A B

QUESTION NO: 10

Negligence is:

- A. Failing to act in a reasonable manner

- B. Failing to take necessary steps to protect others from harm
- C. Causing a loss
- D. Losing the judgment

ANSWER: A B

QUESTION NO: 11

The Counting House, Inc., purchased 5-year property class equipment for \$60,000. It uses the MACRS method of depreciation. What is tax depreciation for the second year of the asset's life?

- A. \$12,000
- B. \$19,200
- C. \$20,000
- D. \$24,000

ANSWER: B

QUESTION NO: 12

It is a check payable to a third party that is drawn by a bank on itself in exchange for the amount specified plus, in most cases, a service fee (of about \$5).

- A. Cashier's check
- B. Traveler's check
- C. Certified check
- D. None of these

ANSWER: A

QUESTION NO: 13

You can earn a _____ when you continuously use your credit card for purchasing stuff.

- A. Credit
- B. Interest

- C. Reward
- D. Punishment

ANSWER: C

QUESTION NO: 14

Frank, age 55, is considering adopting a lifestyle investment technique as he aims to build up his personal pension prior to retirement. He should be aware that:

- A. The asset mix of the fund will be adjusted automatically on pre-determined dates
- B. His ongoing exposure to equities will reduce with lifestyling
- C. After 10 years, a maximum of 25% of the investments will be in bonds
- D. Lifestyling is likely to be appropriate if he intends to purchase a conventional annuity with his entire fund.

ANSWER: A B D

QUESTION NO: 15

Which of the following is Correct?

- A. the financial position of an entity with a 2-to-1 reserve-to-surplus ratio is less affected by variability in its loss reserves than is an entity operating at 4-to-1 ratio.
- B. the financial position of an entity with a 2-to-1 reserve-to-surplus ratio is more affected by variability in its loss reserves than is an entity operating at 4-to-1 ratio.
- C. the financial position of an entity with a 4-to-1 reserve-to-surplus ratio is less affected by variability in its loss reserves than is an entity operating at 2-to-1 ratio.
- D. the financial position of an entity with a 4-to-1 reserve-to-surplus ratio is more affected by variability in its loss reserves than is an entity operating at 2-to-1 ratio.

ANSWER: A

QUESTION NO: 16

Which one of the following is not commonly granted trustee's powers?

- A. Pertaining to the retention, purchase and sale of assets
- B. Those pertaining to distributions of principal

- C. Those pertaining to make dealings
- D. None of these

ANSWER: C

QUESTION NO: 17

Medium-term notes (MTNs) have maturities that range up to:

- A. One year (But no more)
- B. Two years (but no more)
- C. Ten years (but no more)
- D. Thirty years (or more)

ANSWER: D

QUESTION NO: 18

Several insurance provisions affect a health insurance plan's value to you. Some important provisions address:

- A. The persons and places covered
- B. Cancellation
- C. Re-existing conditions
- D. Rehabilitation coverage

ANSWER: A B D

QUESTION NO: 19

Pauline, a basic-rate taxpayer, has a portfolio which comprises of various equity and fixed-interest unit trusts and OEICs. She should be aware that:

- A. Any losses from this portfolio are allowable for Capital Gains Tax calculations
- B. Her entire portfolio will be subject to a 10% tax credit
- C. Only the proceeds of sale from the OEICs could be subject to Capital Gains Tax
- D. The taxation of dividends on the OEICs held will be treated the same way as the unit trusts

E. She can never reclaim any tax deducted at source

ANSWER: A D

QUESTION NO: 20

Single payment loan is a loan:

- A. Made for a specified period
- B. At the end of which payment is due in full
- C. At the end of which half of the payment is due
- D. That expires within a year

ANSWER: A B