Canadian Securities Course Exam 1

CSI CSC1

Version Demo

Total Demo Questions: 15

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QUESTION NO: 1

An emerging Canadian company is exploring the possibility of using hotwater springs to produce clear energy forremote rural communities.The company has strong human resource capital and few assets, and raised SI 20,000 through the Capital Pool Company program. Which option is best for this company to continue maximizing public exposure and raising capital?

A. Crowfunding

B. Escrowing shares

C. offering a greenshee option

D. Filling disclosure documents with SEDAR+.

ANSWER: A

Explanation:

Crowfunding is the best choice because it can help an early-stage issuer obtain financing from a broad group of investors while also increasing awareness of its geothermal-energy concept. A company with limited tangible assets but a compelling project, specialized personnel, and a clear social or environmental purpose may particularly benefit from presenting its opportunity through an online funding portal. The public-facing nature of a crowdfunding campaign can build visibility among prospective investors, customers, and communities that may benefit from rural clean-energy infrastructure.

In Canada, securities crowdfunding is conducted under a prospectus exemption and involves specified conditions, including use of a registered funding portal where required and provision of prescribed issuer disclosure. These requirements are intended to let eligible early-stage businesses access capital while giving investors essential information about the issuer and offering. Crowdfunding therefore directly supports both stated objectives: expanding public exposure and raising additional capital. The Canadian Securities Administrators describe the start-up crowdfunding prospectus exemption and its issuer requirements at OSC National Instrument 45-108. General information on prospectus exemptions and capital raising is also available from the Canadian Securities Administrators.

QUESTION NO: 2

What bestdescribes the liability of limited partners in a limited partnership?

A. They are liable only to the extent of the daily business activities they participate in.

B. Their liability is limited to their investment

C. Their liability includes personal assets.

D. They are not liable for debts and losses incurred in business operations.

ANSWER: B

Explanation:

Their liability is limited to their investment is correct because a limited partnership separates the roles of capital investor and business manager. A limited partner contributes capital and, provided the partner remains within the statutory role of a limited partner, exposure to partnership obligations is generally capped at the amount invested or agreed to be contributed. Consequently, creditors ordinarily cannot pursue the limited partner’s personal assets merely because the partnership incurs debts or losses. This limited-liability feature makes the structure useful for investors seeking an ownership interest and potential distributions without assuming the unlimited personal liability borne by general partners.

The protection depends on the limited partner not taking part in control of the business. Canadian limited-partnership legislation provides that a limited partner who participates in management may become liable to persons who transact with the partnership while reasonably believing, based on that participation, that the limited partner is a general partner. The essential CSC principle is therefore that passive investors’ financial risk is normally restricted to their partnership contribution, while management and full residual liability rest with the general partner. See the British Columbia Partnership Act and the Ontario Limited Partnerships Act.

QUESTION NO: 3 - (SIMULATION)

What is unique to responsible investment?

It is unavailable with certain asset classes like segregated fundi

B. ESG factors are standardized across the investment no industry.

C. A combination of a values and valuation-based approach to investing

D. It bases investment decisions exclusively on environmental factors.

ANSWER: See the explanation for the answer

Explanation:

Correct answer: C. A combination of a values- and valuation-based approach to investing.

Responsible investment (RI) incorporates environmental, social, and governance (ESG) considerations into investment analysis and decisions. It is distinct because it combines:

Values-based considerations—the investor's ethical or social preferences; and
Valuation-based considerations—how ESG factors may affect a company's risks, opportunities, and financial value.

RI is not limited to environmental factors, ESG factors are not standardized throughout the investment industry, and RI can be used with a range of asset classes.

QUESTION NO: 4

What is the normal shape of a yield curve?

A. Downward slope

B. inverted

C. Upward slope

D. Humped

ANSWER: C

Explanation:

The correct answer is **Upward slope**. A normal yield curve plots yields to maturity against terms to maturity and generally rises from left to right: short-term debt instruments have lower yields, while longer-term bonds have higher yields. Investors usually require additional compensation for committing money for a longer period, because longer maturities involve greater exposure to such factors as changing interest rates and inflation. This additional compensation is commonly described through the term structure of interest rates and the maturity-risk premium. The upward-sloping pattern is therefore the conventional or normal yield-curve shape used in securities analysis. Yield curves are especially useful to fixed-income investors because they provide a market-based view of the yields available across different maturities for comparable debt securities. The Bank of Canada publishes benchmark Government of Canada yield curves and describes them as estimates of zero-coupon yields across a range of maturities, illustrating how the term structure is observed in practice. See the Bank of Canada's [Canadian bond yields]() page and the CFA Institute's overview of [the term structure of interest rates]().

QUESTION NO: 5

What must happen before the expiry of a takeover bid and after a formal bid is made for voting securities of a reporting Issuer?

A. At least 20% of the target's outstanding preferred shares must be tendered to the bid.

B. At least 25% of the target's outstanding voting shares must be tendered to the bid.

C. Payment for all acquired shares must be made.

D. A press release must be issued by every investor acquiring 6% or more of the securities to the bid.

E. More than 50% of the outstanding voting securities subject to the bid, excluding those held by the offeror and its joint actors, must be tendered and not withdrawn.

ANSWER: E

Explanation:

More than 50% of the outstanding voting securities subject to the bid, excluding securities already beneficially owned or controlled by the offeror and its joint actors, must be tendered and not withdrawn before the offeror may take up securities under a formal takeover bid. This is known as the mandatory minimum tender condition. It is a core investor-protection feature of Canada's takeover-bid regime: the bidder cannot acquire tendered securities unless a majority of the independent securityholders have supported the bid. The condition applies to the class of securities that is the subject of the bid and is assessed before the bid expires. Once this minimum condition and all other bid conditions are satisfied or waived, the offeror must extend the bid for an additional 10 days so that securityholders who did not initially tender have an opportunity to do so after knowing that the bid has achieved the required level of support. These requirements are set out in section 2.29 of National Instrument 62-104 Take-Over Bids and Issuer Bids. See the Ontario Securities Commission's National Instrument 62-104 page and the Canadian Securities Administrators' takeover-bid resources.

QUESTION NO: 6

What financial instrument is derived from thevalue of an underlying asset?

A. Real estate investment trust

B. Forward contract

C. Preferred share.

D. Inflation linked bond

ANSWER: B

Explanation:

The correct answer is **Forward contract**. A forward contract is a derivative: its value is linked to, or derived from, the price or value of an underlying asset. The underlying asset can be a commodity, foreign currency, interest rate, equity security, market index, or another financial variable. In a forward contract, two parties privately agree today on a price at which one party will buy and the other will sell a specified underlying asset at a future date. Changes in the underlying asset's market price affect the economic value of each party's contractual position before settlement. For example, a Canadian investor or business can use a currency forward to establish in advance the Canadian-dollar cost or proceeds of a future foreign-currency transaction, reducing uncertainty arising from exchange-rate movements. Forward contracts are generally over-the-counter agreements, meaning their terms—such as the amount, delivery date, and contract price—can be tailored by the parties. This direct dependence on an underlying asset or financial variable is the defining characteristic of a derivative. See the Bank of Canada's discussion of derivatives at https://www.bankofcanada.ca/core-functions/financial-system/financial-system-hub/financial-markets/ and the Ontario Securities Commission's investor information on derivatives at https://www.osc.ca/en/investors/investor-education-and-protection/investor-education/understanding-investments.

QUESTION NO: 7

What event is considered true inflation?

A. A Jump in call prices which causes the cost of transported goods to increase.

B. A general and sustained decrease in prices across me economy due to a recession

C. The sustained trend of rising prices on goods and services across the economy.

D. The introduction of a new tax which causes a one-lima increase of all prices..

ANSWER: C

Explanation:

The sustained trend of rising prices on goods and services across the economy is true inflation because inflation is a broad, continuing increase in the overall price level rather than a price change affecting only a particular product, sector, or isolated period. As the general price level rises, each dollar buys fewer goods and services, meaning that consumers' purchasing power declines over time. In Canada, inflation is commonly assessed through changes in the Consumer Price Index (CPI), which tracks prices for a representative basket of goods and services purchased by households. A sustained economy-wide movement is essential to the definition: it reflects an ongoing change in the cost of living and can influence interest rates, investment returns, wages, household budgeting, and monetary-policy decisions. The Bank of Canada describes inflation as an increase in the general level of prices and notes that the CPI is the principal measure used to monitor it. Statistics Canada provides the CPI data used to measure these changes in consumer prices. See the Bank of Canada's explanation of inflation and Statistics Canada's Consumer Price Index resources.

QUESTION NO: 8

Which type of bond offers the investor a choice of interest payments in either of two currencies?

A. Eurobonds

B. Foreign pay bonds

C. Subordinated debentures

D. Floating-rate securities

E. Currency option bonds

ANSWER: E

Explanation:

Currency option bonds are designed to give the holder a currency choice for interest payments. Their defining feature is that coupon payments may be received in either of two specified currencies, allowing the investor to select the currency that best suits their expected cash-flow needs or foreign-exchange view at the applicable payment date. This embedded currency choice can be valuable when an investor has obligations in more than one currency or wants flexibility in managing exposure to exchange-rate movements. The terms of the issue specify the available currencies and the election mechanics, including any relevant exchange rate or timing provisions. This feature is distinct from the general fact that many international bonds are denominated or payable in a foreign currency: the essential characteristic here is the investor's contractual right to choose between two currencies for interest. Currency option bonds are part of the broader fixed-income universe covered in the Canadian Securities Course, which addresses bond features, risks, and international fixed-income instruments. See CSI's overview of the Canadian Securities Course and the Bank of Canada's exchange-rate information for context on the currency exposure that this feature can help an investor manage.

QUESTION NO: 9

Which trend affecting the financialservices industry has resulted inthe significant use ETFs?

A. The rise of financialtechnology companies

B. The shift towardsdefined contribution plans

C. The emergence of cryptocurrency

D. The popularity of robo-advisors

ANSWER: B

Explanation:

The shift towardsdefined contribution plans is correct because this type of retirement arrangement places investment selection and much of the investment risk with the plan member, rather than promising a predetermined pension amount. As defined-contribution assets have grown, plan sponsors and investment providers have needed practical ways to offer diversified, transparent, and relatively low-cost exposure to broad markets and asset classes. ETFs are well suited to that need: a single ETF can provide diversified exposure to a market index, sector, bond market, or other strategy, while its exchange-traded structure generally supports efficient implementation and clear daily pricing. They can therefore be used as core building blocks in member-directed investment menus, model portfolios, and target-date or managed solutions supporting defined-contribution participants. The Canadian government distinguishes defined-contribution pension plans by the fact that the contribution amount is defined and the eventual retirement income depends on contributions and investment returns: Government of Canada: pension plan options. The Investment Funds Institute of Canada also describes ETFs as investment funds that trade on an exchange and commonly seek to track an index, characteristics that support their use in diversified retirement portfolios: IFIC: Exchange-traded funds.

QUESTION NO: 10

A large number of well-trained, willing-to-work individuals have given up trying to find employment. All else being equal, how will the labor market indicators be affected by this event.

A. A decrease in the structural unemployment rate.

B. A decrease in the overall unemployment rate.

C. An increase in the participation rate.

D. An increase in the labour force.

ANSWER: B

Explanation:

A decrease in the overall unemployment rate is correct because the unemployment rate measures unemployed people as a percentage of the labour force, rather than as a percentage of the entire working-age population. To be classified as unemployed, an individual must be without work and actively seeking employment (subject to limited official-search exceptions). When discouraged job seekers stop looking for work, they are no longer counted as unemployed. They also leave the labour force, which consists of employed and unemployed people who are actively participating in the labour market.

In this situation, the recorded number of unemployed people falls because the people who abandon their search are removed from that count. Although the labour-force total also declines, the unemployment rate falls when unemployed people withdraw from the labour force, assuming employment is otherwise unchanged. This illustrates why a lower unemployment rate does not necessarily indicate an improved job market: it can reflect fewer people seeking work rather than more people obtaining jobs. Statistics Canada defines the unemployed population using active job-search criteria and publishes labour-force concepts and measures in its Labour Force Survey guidance. See Statistics Canada's Labour Force Survey and Statistics Canada's guide to labour-market indicators.

QUESTION NO: 11

Where would the description da company's fixed assets normallybe found?

A. In the auditor report

B. In the annual report

C. In the notes to the financial statements

D. In the statement of financial position.

ANSWER: C

Explanation:

In the notes to the financial statements is correct because the notes provide the detailed narrative and accounting information needed to understand amounts reported in the primary financial statements. Fixed assets, often described as property, plant, and equipment, are presented as a summarized line item in the statement of financial position. The accompanying notes expand on that summary by identifying the nature or classes of assets, the accounting policies used to recognize and measure them, the depreciation method and useful lives applied, accumulated depreciation, additions and disposals, and, where applicable, impairment or revaluation information. This disclosure allows investors to assess both the composition of the company's long-term operating assets and the judgments underlying their reported carrying values. In Canadian financial reporting, IAS 16 requires disclosures for each class of property, plant, and equipment, including measurement bases, depreciation methods, useful lives or depreciation rates, and reconciliations of carrying amounts. Consequently, when a question asks where a description of fixed assets would normally be found, the notes are the most precise location because they supplement and explain the summarized figures in the financial statements. See IFRS Foundation: IAS 16 Property, Plant and Equipment and Deloitte IAS Plus: IAS 16 summary.

QUESTION NO: 12

What is the main benefit for the investors when a company announces a stock spit?

A. An increase in the shares' affordability.

B. An increase in the shares' market price.

C. An increase in the value of the shareholderstake

D. An Increase in the proportion of the shareholder's stake.

ANSWER: A

Explanation:

An increase in the shares' affordability is correct. In a stock split, a corporation increases the number of shares outstanding while reducing the price per share proportionately. For example, following a two-for-one split, an investor who owned one share worth $100 would own two shares worth approximately $50 each. The investor's total economic interest immediately after the split is unchanged, but the lower quoted price can make it easier for smaller or retail investors to buy shares in smaller dollar amounts. This improved accessibility is the principal investor benefit typically associated with a split. A lower per-share trading price may also support broader market participation and potentially improve trading liquidity, since more investors can transact in round or smaller positions. The split is therefore a change in the number and price of shares, rather than a transaction that independently creates additional wealth for existing shareholders. The U.S. Securities and Exchange Commission's investor education material explains that a stock split changes the number of shares held and the per-share price proportionately, without changing the investor's overall value at the time of the split. See SEC Investor.gov: Stock Splits and Nasdaq: Stock Splits.

QUESTION NO: 13

On what is the dividend rate for rate-reset preferred shares based?

A. The preferred share issuer's senior bonds plus a spread

B. The five-year Government of Canada bond yield plus a spread

C. The three-month Government of Canada Treasury bill yield plus a spread

D. The Dank at Canada's overnight rate plus a spread

ANSWER: B

Explanation:

The five-year Government of Canada bond yield plus a spread is correct. A rate-reset preferred share pays a fixed dividend for an initial period, commonly five years. At each reset date, the issuer recalculates the dividend rate using the prevailing yield on the five-year Government of Canada bond and adds the security's specified spread, which was established when the shares were issued. For example, a share with a stated spread of 2.50% would reset its dividend rate to the then-current five-year Government of Canada yield plus 2.50%. This design links the dividend more closely to medium-term Canadian benchmark interest rates over successive reset periods. The predetermined spread reflects the issuer and the particular preferred share's credit and market characteristics, while the Government of Canada yield provides the reference rate. Investors should recognize that the dividend can rise or fall at a reset date as the benchmark yield changes; it is not permanently fixed at the original rate. The Canadian Securities Institute describes rate-reset preferred shares as having dividends reset periodically in relation to the five-year Government of Canada bond yield. See the Canadian Securities Course overview and the Bank of Canada's Canadian bond yields information.

QUESTION NO: 14

Which exchange trades all financial andequity futures and options listed for trading in Canada?

A. ICE NGX Canada

B. Canadian Securities Exchange

C. Montreal Exchange

D. Toronto Stock Exchange

ANSWER: C

Explanation:

Montreal Exchange is correct because it is Canada's principal derivatives exchange and the marketplace on which financial derivatives and equity derivatives listed in Canada are traded. Commonly known as MX, it operates as part of TMX Group and provides a centralized Canadian market for products such as interest-rate futures and options, index futures and options, and equity options. This specialized derivatives-market role is what distinguishes MX within the Canadian capital-markets infrastructure.

The wording "all financial and equity futures and options listed for trading in Canada" reflects MX's role as the Canadian listing and trading venue for these exchange-traded derivative contracts. Market participants use MX to obtain standardized contracts, transparent price discovery, and exchange-based trading for hedging, portfolio management, and investment strategies. MX's product and market information identifies it as Canada's derivatives exchange and describes its financial-derivatives and equity-options markets. TMX Group also identifies Montréal Exchange as the group's derivatives marketplace. See Montréal Exchange—About Us and TMX Group—Montréal Exchange.

QUESTION NO: 15

According to the Bankof Canada, approximately how many months does ittake for the effect of changes in monetary policy to be feltthrough the whole economy?

A. 18

B. 6

C. 3

D. 36

ANSWER: A

Explanation:

18 is the correct choice. Changes in the Bank of Canada's policy interest rate affect financial markets and borrowing rates relatively quickly, but their full influence on spending, investment, production, employment, and inflation develops gradually.

Households may take time to renew mortgages or alter major spending decisions, while businesses may take time to revise investment and hiring plans. These decisions then flow through to broader demand and prices across the economy. The Bank of Canada commonly describes monetary policy as operating with “long and variable lags,” with its full effects generally taking about 18 to 24 months to work through the economy. Therefore, 18 months is an appropriate approximate figure and matches the lower end of the Bank’s stated timeframe. Recognizing this lag is important because the Bank sets policy based on its outlook for future inflation rather than waiting for all economic effects to appear immediately. The Bank’s discussion of the transmission mechanism is available at How monetary policy works. Its overview of inflation-control policy is available at Monetary policy.