



# CTFA<sup>Q&As</sup>

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### QUESTION 1

When securities repurchased under repos commonly have a principal amount that differs from principal amount of the security originally sold under the agreement, is known as:

- A. Splintering act
- B. Breakage
- C. Rollover
- D. None of the above

Correct Answer: B

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### QUESTION 2

Which of the following measures the sensitivity of the asset's price to interest rate movements, expressed as a number of years?

- A. Duration
- B. Yield to maturity
- C. Convexity
- D. Immunization

Correct Answer: A

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### QUESTION 3

Carrie has a "certainty equivalent" to a risky gamble's expected value that is less than the gamble's expected value. Carrie shows:

- A. Risk aversion
- B. Risk preference
- C. Risk indifference
- D. A strange outlook on life

Correct Answer: A

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### QUESTION 4

Excess liability:



- A. covers the insured against the loss in excess of an actual amount, but only for profits as covered and defined in a predetermined planning.
- B. covers the insured against the loss in excess of an actual amount, but only for profits as covered and defined in an underlying policy.
- C. covers all uninsured against the gain in excess of a stated amount, but only for losses as covered and defined in an underlying policy.
- D. covers the insured against the loss in excess of a stated amount, but only for losses as covered and defined in an underlying policy.

Correct Answer: D

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#### QUESTION 5

In which policies the contract provides for insurance coverage for a fixed period of duration and enables the insurer to not renew the contract or adjust the provisions of the contract at the end of the contract period?

- A. Short duration
- B. Policy duration
- C. Contract duration
- D. None of the above

Correct Answer: A

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#### QUESTION 6

In which of the following approaches the capitalization of an income is done?

- A. Present value approach
- B. Multiple of earning approach
- C. Communicative approach
- D. Integrated eclectic approach

Correct Answer: B

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#### QUESTION 7

The objective for the \_\_\_\_\_ strategy is similar to that of capital appreciation; namely, the investors want the portfolio to grow over time to meet a future need. Whereas the capital appreciation strategy seeks to do this primarily through capital gains, this strategy seeks to increase portfolio value by both capital gains and reinvesting current income.

- A. Total invest



- B. Total return
- C. High risk investment
- D. Low risk investment

Correct Answer: B

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#### QUESTION 8

Which of the following is formula of earning per share?

- A.  $EPS = IRR / \text{market value per share}$
- B.  $EPS = ROE * \text{Net asset value per share}$
- C.  $EPS = NPV * \text{Retained earning value per share}$
- D.  $EPS = ROE * \text{Book value per share}$

Correct Answer: A

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#### QUESTION 9

Changes in Government rules and regulation will adversely affect which of the following industry?

- A. Defensive industry
- B. Cyclic industry
- C. Growth industry
- D. None of the given options

Correct Answer: C

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#### QUESTION 10

Hedge funds:

- A. Seek to profit in all kinds of markets by pursuing leveraging and other speculative investment practices
- B. Are subject to very few regulatory controls
- C. Also have voluntarily restricted investment to wealthy investors through high investment minimums (e.g. \$1 million)
- D. All of these

Correct Answer: D

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#### QUESTION 11

A single, overall cost of capital is often used to evaluate projects because:

- A. It avoids the problem of computing the required rate of return for each investment proposal
- B. It is the only way to measure a firm's required return
- C. It acknowledges that most new investment projects have about the same degree of risk
- D. It acknowledges that most new investment projects offer about the same expected return

Correct Answer: A

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#### QUESTION 12

What can be the possible strategy to avoid liability?

- A. Understand what causes liability
- B. Develop you own safety program
- C. Carry adequate liability insurance
- D. None of these

Correct Answer: ABC

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#### QUESTION 13

Which of the following statements hold true for bid price?

- A. It is the price at which broker is willing to sell a certain security
- B. It is the price at which investor can buy units from the funded company
- C. It is the price asked by the seller of securities from buyers
- D. It is the price at which broker is willing to buy a certain security

Correct Answer: D

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#### QUESTION 14

Mutual entities, reciprocal or inter-insurance exchanges, public entity risk pools are all principal kinds of:

- A. Property and expense insurance organizations
- B. Feasibility and performance assurance organizations
- C. Property and liability insurance organizations



D. Building and asset related organizations

Correct Answer: C

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**QUESTION 15**

Which of the following necessary in order to reduce the huge number of possible investments to a smaller number that can investigate carefully?

A. Securing

B. Saving

C. Discounting

D. None of these

Correct Answer: D

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