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QUESTION 1

A group net order is one that benefits municipal syndicate members:

- A. equally
- B. according to their percentage participation in the account
- C. according to the number of designated orders they've received
- D. according to the number of presale orders they've received

Correct Answer: B

according to their percentage participation in the account. For example, if the group net order produces \$3,000 in fees and a syndicate member has a 10% overall participation, that member receives \$300 in fees.

QUESTION 2

Bubba wants to buy a US treasury bond with a bid of 97.28 and an asking of 98.2. How were these prices established?

- A. by the FINRA
- B. by the Federal Reserve Board
- C. by competitive bidding
- D. by the terms of the bond

Correct Answer: C

by competitive bidding. The quoted prices for treasury bonds-as with all negotiable securities-is determined in the market by competitive bidding.

QUESTION 3

In a triple net lease, which of the following is the tenant not responsible for paying?

- A. taxes
- B. financing charges
- C. insurance premiums
- D. maintenance

Correct Answer: B

financing charges. In a triple net lease, the tenant is responsible for taxes, insurance, and maintenance.



QUESTION 4

In a 401(k) plan, when are employee's contributions of compensation deferral vested?

- A. after 2 years
- B. immediately
- C. after 5 years
- D. the same as the employer's contributions

Correct Answer: B

immediately. The employer's contributions may be subject to a vesting schedule, but the employee's contributions are immediately vested.

QUESTION 5

Which of the following receives the highest priority of a municipal bond trustee when applying income and revenue derived from a financed toll facility?

- A. renewal and replacement fund
- B. operation and maintenance fund
- C. bond service account fund
- D. reserve maintenance fund

Correct Answer: B

operation and maintenance fund. This receives the top priority followed by debt service, maintenance reserves, and lastly renewal and replacement.

QUESTION 6

Registration of open-end investment company shares with the SEC implies that the:

- A. shares have investment merit
- B. SEC approves the issue
- C. SEC guarantees the accuracy of the disclosures in the registration statement
- D. prospectus contains the significant facts about the issue

Correct Answer: D

prospectus contains the significant facts about the issue. The SEC never approves or guarantees an issue. It only attempts to verify that sufficient information is disclosed in the prospectus.



QUESTION 7

Which of the following is an analyst most likely to classify as a defensive issue?

- A. the securities of a company that airplanes to the military
- B. a stock of a large company
- C. the common stock of a utility company
- D. a corporate bond

Correct Answer: C

the common stock of a utility company. The term "defensive issue" refers to a security that is least susceptible to swings in the business cycle.

QUESTION 8

Which of the following does not appear in a municipal syndicate letter to underwriters?

- A. the specific bid and offering terms of the issue
- B. the amount of each member's participation
- C. the extent of the manager's authority in directing the offering
- D. the duration of the syndicate account

Correct Answer: A

the specific bid and offering terms of the issue. The bid and offering terms are determined after the syndicate letter to underwriters.

QUESTION 9

When the Federal Reserve lowers reserve requirements, what is it attempting to do?

- A. ease credit
- B. raise interest rates
- C. counter inflation
- D. increase the rediscount rate

Correct Answer: A

ease credit. A lower reserve requirement permits member banks to have more money available for lending, thus ease credit.



QUESTION 10

Bubba buys a bond issued at par with a 5% coupon that is convertible into common stock at \$40. What conversion ratio does Bubba determine?

- A. 40
- B. 30
- C. 25
- D. 15

Correct Answer: C

25. The conversion ratio is how many shares of common stock Bubba obtains by converting. Divide the bond price - \$1,000 for a single bond - by the \$40 conversion price.

QUESTION 11

Under Regulation T, when must money be deposited to cover requirements for Bubba's new purchases on margin?

- A. no later than the fifth business day after the trades
- B. no later than the seventh business day after the trades
- C. on the day of the trades
- D. on the next business day following the trades

Correct Answer: A

no later than the fifth business day after the trades. Bubba should pay up no later than the fifth business day.

QUESTION 12

When the market value in a long margin account decreases, the SMA will:

- A. increase
- B. decrease
- C. stay the same
- D. fluctuate

Correct Answer: C

stay the same. The SMA does not decline as the market value declines.

QUESTION 13



Which of the following is the least important method of money control exercised by the Federal Reserve?

- A. reserve requirements
- B. open market operations
- C. discount rate
- D. Regulation T

Correct Answer: D

Regulation T. Because this regulates brokers extending credit to customers, it is important to the securities industry but does not have an extensive effect on the general economy.

QUESTION 14

If a customer fails to pay for securities purchased in a cash account, the member firm broker will do which of the following?

- A. grant an extension for a bona fide reason
- B. place the securities temporarily in a general account
- C. purchase the securities for the firm's error account
- D. liquidate the securities or otherwise cancel the transaction

Correct Answer: D

liquidate the securities or otherwise cancel the transaction. Reg T requires the position closed if the customer fails to comply with the rules. An extension may be granted, but not by the member firm. Only an exchange or the FINRA grants extensions for bona fide reasons.

QUESTION 15

For an FINRA member firm to exercise discretionary power in any customer account requires written authorization by that customer except when:

- A. the customer is a spouse of the registered representative
- B. the customer has given an oral approval after the transaction
- C. only time and price of execution are involved
- D. both B and C

Correct Answer: C

only time and price of execution are involved. The only exception to the discretionary rule is when the customer gives discretion regarding time and price of execution.



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