FINRA-SERIES-6 Q&As

FINRA Investment Company and Variable Contracts Products Representative Examination (IR)

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QUESTION 1

Any person who willfully acts in violation of the Securities Act of 1933, or any SEC rule, is subject to a penalty of:

A. 10 years in prison or a $10,000 fine, or both.

B. 5 years in prison or a $10,000 fine, or both.

C. 10 years in prison or a $25,000 fine, or both.

D. 5 years in prison or a $5,000 fine, or both.

Correct Answer: B

Explanation: Any person who willfully acts in violation of the Securities Act of 1933, or any SEC rule, is subject to a penalty of 5 years in prison or a $10,000 fine, or both.

QUESTION 2

When the U.S. dollar appreciates relative to other world currencies,

I. the prices of all domestic stocks and bonds can be expected to increase.

II. the prices of securities offered by manufacturers that import a lot of their parts can be expected to increase.

III.

an increase in the purchase of U.S. securities by foreign investors can be expected.

A.

I, II, and III

B.

I and II only

C.

II only

D.

III only

Correct Answer: C

Explanation: When the U.S. dollar appreciates relative to other world currencies, the prices of securities offered by manufacturers that import a lot of their parts can be expected to increase. This is because the dollar will buy more, so the parts will cost these firms less. All else equal, a decrease in expenses leads to increased cash flow, which leads to an increase in the prices of the securities offered by these firms. Not all domestic companies will benefit from the appreciation of the dollar. In particular, firms that export their products overseas may be hurt since their products will now cost the foreign consumer more in terms of their own country\\'s currency, and they may seek another supplier. A similar argument exists for why Selection III is not correct. U.S. securities will be more expensive to foreign investors, who may decide to invest in other foreign markets.

QUESTION 3

Dottie is a newly-minted, registered representative and is doing some cold calling to line up appointments with prospects. When doing so, Dottie:

I. must not call anyone on her firm\\'s do-not-call list.

II. must not call anyone on the FTC\\'s national do-not-call-list.

III. must not call anyone before 7 a.m. or after 7 p.m., based on the time zone of the person being called.

IV.

must provide the person called with her name, the name and contact information of her firm, and the purpose of her call.

A.

I and III only

B.

I and IV only

C.

I, II, and IV only

D.

I, II, III, and IV

Correct Answer: C

Explanation: Only Selections I, II, and IV are correct. When Dottie does her cold calling, she must not call anyone listed on either her firm\\'s do-not-call list or the FTC\\'s national do -not-call list, and she must provide the person called with her name, the name and contact information of her firm, and the purpose of her call. Under FINRA\\'s telemarketing rules, she must not call anyone before 8 a.m. or after 9 p.m., based on the time zone of the person being called.

QUESTION 4

The entity through whom investors buy and redeem mutual fund shares is the fund\\'s:

A. custodian.

B. transfer agent.

C. principal underwriter.

D. investment adviser.

Correct Answer: C

Explanation: The entity through whom investors buy and redeem mutual fund shares is the fund\\'s principal underwriter. The fund\\'s custodian is responsible for items such as accounting for the fund\\'s assets and settling securities transactions; its transfer agent maintains records of the shareholders' accounts; and its investment adviser handles the purchase and sale of the securities within the fund.

QUESTION 5

Which of the following payout options would provide an annuity owner with the biggest monthly check?

A. joint and last survivor

B. straight life

C. life with period certain

D. unit refund life

Correct Answer: B

Explanation: The straight life payout option would provide an annuity owner with the biggest monthly check. Under this option, the annuity payments stop upon the death of the owner. All of the other options would require that the insurance

company stand ready to continue payments beyond the owner\\'s death.

This means more risk to the insurance company and, ergo, lower payments to the owner.