

SAMPLE PAPER

INTRODUCTION TO SECURITIES & INVESTMENT

TIME ALLOWED: 1 HOUR

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How to use this sample paper

These 50 questions should be answered in an hour in the real exam, so make sure you time yourself accurately.

Record your answer for each question by circling your selected answer.

When you have finished the test, you may check your answers against the **Answer Sheet** at the back of this paper.

The exam is scored as follows:

46-50	Pass with Merit
35-45	Pass
30-34	Marginal Fail
0-29	Fail

For those questions you answered incorrectly, the answer sheet will show you the corresponding syllabus element, sub element and learning objective against which the questions were written, so you can identify any syllabus areas where you may need to revise further.

- 1 When a shareholder delegates the right to vote at an AGM to another person, which of the following statements is TRUE?
- A The right to vote should be delegated to a neutral party
 - B The right to vote is always delegated to the chairman
 - C They give a power of attorney
 - D They appoint a proxy
- 2 Which of the following normally have voting rights attributed to them at the time of issue?
- A Preference shares
 - B Warrants
 - C Ordinary shares
 - D Eurobonds

- 3 A fund manager has decided to adopt a `core-satellite` approach to its investment strategy. The key characteristic of this strategy is that it combines:
- A fundamental analysis with technical analysis
 - B active management with passive management
 - C short-term objectives with long-term objectives
 - D top down focusing with bottom up focusing
- 4 The published spread of a unit trust price is the difference between which of the following?
- A The cancellation and selling prices of the units
 - B The selling and buying prices of the units
 - C The offer and creation prices of the units
 - D The cancellation and creation prices of the units

- 5 What is the MAXIMUM compensation award that the Financial Ombudsman can make a firm pay?
- A £25,000
 - B £50,000
 - C £150,000
 - D £250,000
- 6 Which of the following is a measure of inflation in the UK?
- A Exchange rate
 - B FTSE 100 Index
 - C Balance of Payments
 - D Retail Price Index
- 7 What does the seller of an option normally acquire?
- A The right to buy an asset in the future
 - B The right to sell an asset in the future
 - C An immediate premium
 - D A premium at a specific future date

- 8 The profits made from full encashment of which ONE of the following products will be treated for tax purposes as income rather than capital gains?
- A Investment bonds
 - B OEICs
 - C Unit trusts
 - D Investment trusts
- 9 A capitalisation issue would have which of the following effects on an investor's shareholding?
- A The number of shares will change
 - B The share price will remain the same
 - C There will be partial payment of capital
 - D The investor will be required to sell part of his holding

10 Capital Gains Tax is payable on which of the following assets?

- A The maturity value of an endowment policy
- B The sale value of a UK company debenture
- C The encashment of National Savings Certificates
- D The sale of equities

11 Spot FX is traded on Tuesday.

When will the currency arrive in the recipients' bank accounts?

- A Friday
- B Wednesday
- C Thursday
- D Tuesday

- 12 The obligation to buy an underlying stock at an agreed price at a specified future date is known as a:
- A put option
 - B call option
 - C future
 - D swap
- 13 Which of the following financial activities is MOST likely to be carried out in the retail sector?
- A Trading of options
 - B Corporate finance
 - C Financial planning
 - D Reinsurance

- 14 What protection product would be MOST suitable for a company that employs a consulting engineer because of his detailed knowledge of a particular project?
- A Partnership insurance
 - B Business insurance
 - C Shareholder insurance
 - D Directors` insurance
- 15 Which of the following is a characteristic of direct investment in property compared to other investments?
- A It offers low volatility
 - B It is easier to value
 - C It offers liquidity
 - D It is divisible allowing partial sales

- 16 Who should private investors contact if they wish to buy shares in an investment trust?
- A A stockbroker
 - B A company registrar
 - C The London Stock Exchange
 - D The Financial Conduct Authority
- 17 What does the S&P 500 provide?
- A A broad view of the US stock market
 - B A narrow view of the US stock market
 - C A broad view of the French stock market
 - D A narrow view of the French stock market
- 18 In which of the following circumstances would individuals be committing the offence of insider dealing?
- A Dealing when they did not expect the trade to result in a profit
 - B Dealing when they believed, on reasonable grounds, that the information had been sufficiently widely disclosed
 - C Dealing in order to settle a debt irrespective of information they had become aware of
 - D Dealing using information that was not available to the market, to make a profit

- 19 A client holds an 8% bond which matures in 2016. It is currently trading at £124. What is the flat yield?
- A 1.80%
 - B 5.16%
 - C 6.45%
 - D 25.81%
- 20 Investing in bonds provides which of the following?
- A Regular income
 - B Tax-free growth
 - C Risk-free saving
 - D Inheritance tax protection
- 21 If money laundering is suspected, to whom must employees report their suspicion?
- A Compliance Officer
 - B Money Laundering Reporting Officer
 - C Internal Auditor
 - D National Crime Agency

22 What is a unit trust?

- A A pool of investments managed collectively on behalf of its investors by a fund manager
- B A pool of investments managed on behalf of its investors by an Authorised Corporate Director
- C A company set up with the sole intention of investing in the shares of other companies
- D A company which exchanges commitments with another to gain from the profit of the new commitment

23 Which type of occupational pension scheme converts pensionable service into a benefit related to pensionable salary at or near retirement?

- A Contracted-Out Money Purchase Scheme
- B Executive Pension Plan
- C Final Salary Scheme
- D Small Self-Administered Scheme

- 24 Treasury Bills are considered low risk investments because:
- A they are government-backed
 - B they cannot fall in value
 - C they have a short life-span
 - D the risk lies with the issuer
- 25 The XETRA DAX index relates to stock market performance in which of the following countries?
- A Italy
 - B Germany
 - C France
 - D Spain
- 26 Which of the following best describes an offset mortgage?
- A When income is used to offset the capital of a mortgage
 - B When the size of mortgage interest payments increases to offset a decrease in a property's value
 - C When interest calculations on a mortgage are offset by increases in a property's value
 - D When the balance in a savings account is used to offset interest charges in a mortgage account

- 27 What is the PRIME responsibility of the Bank of England's Monetary Policy Committee (MPC)?
- A Determining interest rates in accordance with inflation targets
 - B Intervening in the market to influence exchange rates
 - C Organising the amount of notes and coins in circulation
 - D Preparing economic statistics for the Government
- 28 Fund A is an authorised fund and Fund B is an unauthorised fund. This means that:
- A only Fund A can be marketed to the general public
 - B only Fund A will benefit from tax relief
 - C only Fund B can accept overseas investors
 - D only Fund B will use accumulation units
- 29 What fundamental factor usually dictates the price of goods and services within a market economy?
- A Level of import tariffs
 - B Foreign exchange controls
 - C Supply and demand
 - D Government policy

30 What kind of securities trade on SETS?

- A Shares in foreign companies
- B Shares in companies with a market capitalisation below £700,000
- C Bonds
- D Shares in the largest UK companies

31 What type of legal structure is an investment trust?

- A Trust corporation
- B Limited company
- C Registered co-operation
- D Mutual society

32 The use of which type of investment wrapper means that the payments made by the investor will attract tax relief at outset?

- A Junior ISA
- B Pensions
- C Investment bonds
- D Cash ISAs

33 A transfer to which of the following is usually exempt from inheritance tax?

- A Sibling
- B Children
- C Parents
- D Spouse

34 A buyer of exchange-traded futures would be:

- A going long
- B going short
- C supplying the underlying
- D closing the underlying

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- 35 All firms who wish to conduct financial services business in the UK have to undergo an authorisation process. The main reason for this is to ensure that the firm in question:
- A is deemed to treat customers fairly
 - B offers competitively priced products
 - C is considered fit and proper
 - D pays the correct level of taxes
- 36 What would be the economic impact of having higher inflation rates than other major industrialised countries?
- A Improved balance of payments
 - B Improved market certainty concerning personal savings
 - C Loss of international competitiveness
 - D Reduced unemployment rates

- 37 Which market would you use if you wished to trade in aluminium alloy?
- A ICE Futures
 - B LME
 - C Lloyds of London
 - D Eurex
- 38 In which of the following ways can unit trusts be purchased?
- A A stockbroker purchasing via a market maker
 - B A stockbroker purchasing via the Stock Exchange Electronic Trading System
 - C A private investor purchasing direct from the manager
 - D An investment advisor purchasing direct from the trustee
- 39 What is the meaning of "registered title" in relation to quoted equities?
- A Company name registered at Companies House
 - B Company name registered with the exchange on which the shares trade
 - C Shareholder name shown on the company register in relation to a shareholding
 - D The name of the underlying investor using a nominee company to hold shares

- 40 Safekeeping of securities is a function BEST described as that of a:
- A Custodian
 - B Market maker
 - C Broker
 - D Investor
- 41 When a firm issues a complainant with its final response, what must the firm's letter include?
- A The name, address and telephone number of the firm's chief complaints' officer
 - B The name, firm address and contact telephone number of the firm's managing director
 - C Details of the Financial Ombudsman Service
 - D Details of the Financial Services Compensation Scheme
- 42 Which of the following is a mandatory event?
- A Dividend
 - B Rights issue
 - C Takeover
 - D Scrip Dividend

- 43 Which of the following investments is covered by the insider dealing legislation?
- A Bank deposits
 - B Commercial property
 - C Equities
 - D Gold
- 44 Which of the following indices contains only the largest companies, by capitalisation, listed on the London Stock Exchange?
- A FTSE 100
 - B FTSE 250
 - C FTSE All Share
 - D FTSE Techmark
- 45 Who is the legal owner of the unit trust assets?
- A The depository
 - B The unitholders
 - C The manager
 - D The trustee

46 What are UK Government issued interest bearing securities known as?

- A Equities
- B Bonds
- C Gilts
- D Swaps

47 Which of the following statements regarding Exchange-Traded Funds in the UK is TRUE? They are:

- A priced at or near net asset value
- B private limited companies
- C traded through a market maker
- D subject to UK stamp duty

- 48 Which of the following arrangements BEST describes an ISA?
- A Direct equity investment
 - B Long-term deposit
 - C Tax-efficient wrapper for investments
 - D Tax-free endowment policy
- 49 Commercial paper is:
- A short term debt issued at a discount to par and repaid at par on maturity
 - B long term debt issued at a discount to par and repaid at par on maturity
 - C short term debt issued at par and repaid at a predetermined level on maturity
 - D long term debt issued at par and repaid at a predetermined level on maturity
- 50 A life policy is essentially a contract between which two principal parties?
- A An underwriter and an insurance company
 - B An insurance company and an individual
 - C An individual and an investment manager
 - D An investment manager and an underwriter

ANSWER SHEET

Introduction to Securities & Investment

Question	Key	Syllabus	Unit	Element
1	D	4	1	7
2	C	4	1	2
3	B	7	1	2
4	B	7	4	1
5	C	8	5	2
6	D	2	1	6
7	C	6	3	1
8	A	10	3	1
9	A	4	1	6
10	D	9	1	1
11	C	3	4	1
12	C	6	2	1
13	C	1	1	2
14	B	10	4	2
15	A	3	3	1
16	A	7	5	4
17	A	4	1	10
18	D	8	3	1
19	C	5	4	2
20	A	5	3	1
21	B	8	2	3
22	A	7	2	1
23	C	9	3	2
24	A	3	2	2
25	B	4	1	10

ANSWER SHEET

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26	D	10	2	2
27	A	2	1	3
28	A	7	1	3
29	C	2	1	1
30	D	4	1	8
31	B	7	5	1
32	B	9	3	1
33	D	9	1	3
34	A	6	4	1
35	C	8	1	3
36	C	2	1	5
37	B	6	5	1
38	C	7	4	2
39	C	4	1	11
40	A	1	1	1
41	C	8	5	1
42	A	4	1	5
43	C	8	3	1
44	A	4	1	9
45	D	7	2	2
46	C	5	2	1
47	A	7	6	1
48	C	9	2	1
49	A	3	2	2
50	B	10	4	1