



# FINRA-SERIES-7<sup>Q&As</sup>

FINRA General Securities Representative Examination (GS)

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### QUESTION 1

Which of the following best describes phantom income?

- A. income from deductions and tax credits
- B. the non-taxable portion of a distribution
- C. income received but not reported
- D. income reported but not received

Correct Answer: D

income reported but not received. Reportable income that is not distributable includes loan forgiveness.

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### QUESTION 2

Securities may be sold under SEC rule 144 provided that the following conditions are met:

- A. the company files regular financial data with the SEC
- B. they are sold in agency transactions only
- C. they are sold in principal transactions only
- D. both A and B

Correct Answer: A

the company files regular financial data with the SEC. Rule 144 transactions may use either agency or principal methods.

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### QUESTION 3

An employer profit sharing plan may be described as:

- A. an income tax deduction
- B. a retirement plan
- C. a tax deferral plan
- D. all of the above

Correct Answer: D

all of the above. A profit sharing plan has tax deductible contributions and is designed to provide a retirement plan for participants. Income in the plan is tax-free until withdrawn.

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#### QUESTION 4

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.

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#### QUESTION 5

Which of the following registered investment companies normally sells with an appropriate commission added to the contract price?

- A. an open-end investment company
- B. a unit investment trust
- C. a face-amount certificate company
- D. a closed-end investment company

Correct Answer: D

a closed-end investment company. An open-end investment company may have a sales charge but not a commission.

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