



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

FINRA General Securities Representative Examination (GS)





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### QUESTION 1

In a firm commitment offering, any shares that are not sold are:

- A. returned to the issuing corporation
- B. listed in the over-the-counter market
- C. transferred to treasury stock
- D. owned by the members of the syndicate

Correct Answer: D

owned by the members of the syndicate. In a firm commitment the underwriter buys the securities from the issuing company. If they don't sell to the public, they are owned by the underwriters.

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### QUESTION 2

An issuer is most likely to request an investment letter from the purchaser in connection with which of the offerings?

- A. a hot issue
- B. a mutual fund
- C. a private placement
- D. an exempt security

Correct Answer: C

a private placement. Normally, private placements are conducted with an investment letter.

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### QUESTION 3

Regulation T is set at 50%. Bubba's account contains long positions in the following securities with the prices listed: 100 ABC \$30 200 XYZ \$70 200 QBB \$40 200 KKK \$25 Total market value = \$30,000 Debit balance in the account = \$12,000 Net equity balance of the account = \$18,000

What is the buying power in Bubba's account?

- A. \$3,000
- B. \$6,000
- C. \$11,000
- D. \$0

Correct Answer: B



\$6,000. Divide Bubba's excess equity by the Reg T margin requirement of 50%.

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#### QUESTION 4

Which of the following securities provides the longest term of option privilege?

- A. puts
- B. calls
- C. warrants
- D. rights

Correct Answer: C

warrants. All of the others always have fixed maturity dates. Warrants often have no finite life and, if they do, it is a very long time.

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#### QUESTION 5

A dealer buys 100 shares of XYZ common, which is an actively traded stock, at 23.50. Three days later, when XYZ common is quoted at 19.50 - 19.75, he sells the 100 shares to a customer. The basis for the dealer's markup is:

- A. 10 5/8
- B. 19 7/8
- C. 23 1/2
- D. 5% above cost

Correct Answer: B

19 7/8. The markup is always based on the current market price, not upon cost. Therefore, the markup is based on the offering side of the current quotation.

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