# FINRA-SERIES-7 Q&As

FINRA General Securities Representative Examination (GS)

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**QUESTION 1**

Under a leaseback arrangement used to finance construction of local schools, who is the issuer of the municipal bonds?

A. the state in which the schools are located

B. the local school district

C. a legal authority created for this purpose

D. a public housing authority commissioned by the federal government

Correct Answer: C

a legal authority created for this purpose. Bonds with a leaseback arrangement are issued by a specially created entity.

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**QUESTION 2**

Bubba buys one XYZ September 50 call at $7 and sells one XYZ September 60 call at $3. At that time, XYZ stock is at $55. Bubba has no other stock positions. What is Bubba\\'s maximum possible profit?

A. $500

B. $600

C. $1,000

D. unlimited

Correct Answer: B

$600. The maximum profit is the difference between strike prices less the debit amount. The debit amount is $4 ($7 - $3). The difference between strike prices is $10 ($60 - $50). Multiply the $6 difference by 100, which is the number of shares on one option.

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**QUESTION 3**

Revenue bonds are least likely to provide constructions funds for:

A. a toll highway

B. an airport

C. a public school

D. a pollution control facility

Correct Answer: C

a public school. Schools are typically financed by general obligation bonds. The other choices are examples of revenue bonds.

**QUESTION 4**

What percentage load is associated with a mutual fund quoted 16.60-18.04?

A. 8.7%

B. 9%

C. 8%

D. cannot be determined from this information

Correct Answer: C

8%. The sales charge in this case is $1.44. Dividing that into the offering price of $18.04 results in 8%.

**QUESTION 5**

Which of the following is least relevant in evaluating the safety of a general obligation bond?

A. per capital debt

B. total GO debt as a percentage of market value of property

C. total GO debt as a percentage of assessed value of property

D. total debt service as a percentage of net operating revenue

Correct Answer: D

total debt service as a percentage of net operating revenue. This ratio is applicable to revenue bonds but not general obligation bonds. The other choices are all used in measuring credit risk in a GO bond.