# FINRA-SERIES-7 Q&As

FINRA General Securities Representative Examination (GS)

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**QUESTION 1**

Under Regulation T of the Federal Reserve, when may a broker overlook an amount due in a customer\\'s account?

A. if it does not exceed $1,000

B. if the client makes a request in writing

C. if the value of a trade is less than $1,000

D. under no circumstances

Correct Answer: A

if it does not exceed $1,000. If the net amount due is less than $1,000 no action is required under Reg T.

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**QUESTION 2**

Which of the following securities is traded only in the over-the-counter market?

A. corporate bonds

B. preferred stocks

C. open-end investment companies

D. closed-end investment companies

Correct Answer: C

open-end investment companies. Open-end mutual funds are a continuous offering of new securities that are not traded on an exchange. They trade only in the over-the-counter market. The other choices may trade over- the-counter or on exchanges.

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**QUESTION 3**

The term "secondary market" refers to:

A. trading in issues of low quality

B. trading in outstanding issues

C. issues that banks are not permitted to underwrite

D. private placements

Correct Answer: B

trading in outstanding issues. Secondary market transactions involve trading in securities after the original issue is made. When an issuer offers new securities to the public it is a "primary offering".

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**QUESTION 4**

A mutual fund with an 8% load and a 1% redemption fee carries a current quote of $6.25 - $6.79. If an investor has tendered his shares for redemption on that basis, the per share price he will receive is approximately:

A. $6.79

B. $6.72

C. $6.25

D. $6.19

Correct Answer: D

$6.19. The fund has a redemption fee of 1%. This is about 6 cents based upon the bid price. Subtracting that from the $6.25 bid results in $6.19.

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**QUESTION 5**

Which of the following securities has the highest amount of market risk?

A. US treasury bills

B. US treasury certificates

C. US treasury notes

D. savings bank deposits

Correct Answer: C

US treasury notes. Savings bank deposits have no risk. The short duration of treasury bills and certificates embodies less market risk than longer-term treasury notes.