

# *Finance*

*Series-24  
General Securities Principal Certification Exam*



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## Question: 1

Which of the following is most accurate regarding the FINRA manual?

- A. It must be given to all customers at account opening
- B. It must be made available to customers upon request
- C. It must be given to all customers within 30 days of account opening
- D. It is not required to be made available to customers, only to registered representatives and member firms

**Answer: B**

Explanation:

FINRA rules require that each member firm make available the FINRA manual upon customer request. Thus, each member firm must keep a copy in their office. It is unnecessary to distribute copies of the manual upon account opening, or any other time, other than at the customer's request to view.

## Question: 2

All of the following are true regarding arbitration except:

- A. It is a more cost efficient method than litigation
- B. It is required to settle disputes between two member firms
- C. Decisions from arbitrated cases may be appealed
- D. It is required to settle disputes between a member firm and clearing agency

**Answer: C**

Explanation:

Because it is a more cost efficient method than litigation, arbitration is required to settle disputes between member firms as well as to settle disputes between a member firm and a clearing agency. It may or may not be used to settle customer disputes. Decisions from arbitrated cases cannot be appealed.

## Question: 3

Net asset value of an open end fund can be calculated as:

- A. Previous day's closing price / Total market value
- B. Previous days total market value / Previous day's closing price

- C. Number of shares in fund / Total market value
- D. Total market value / Number of shares in fund

**Answer: D**

Explanation:

Net asset value of a fund is calculated by taking the total market value of the fund and dividing it by the fund's total number of shares. It is calculated daily, based on the closing price of the fund.

### Question: 4

Based on FINRA rules, the sale of a mutual fund may not require a sales charge which exceeds:

- A. 5.75% of the pop
- B. 6.25% of the pop
- C. 8.5% of the POP
- D. 10% of the POP

**Answer: C**

Explanation:

Sales charges on mutual funds may not exceed 8.5% of the POP, based on FINPA rules. If the firm doesn't offer dividend reinvestment, the maximum sales charge decreases to 7.25%. If it doesn't offer rights of accumulation, the maximum sales charge is 8%, and if the firm offers neither dividend reinvestment nor rights of accumulation, the maximum charge is 6.75%.

### Question: 5

All of the following are true regarding variable annuities except:

- A. They are more susceptible to inflation than fixed annuities
- B. The value of the annuity is based on the value of the underlying securities it holds
- C. Compared with fixed annuities, variable annuities are more likely to produce capital gains
- D. Payouts of the annuity will be based on the value of the underlying securities

**Answer: A**

Explanation:

The value of the annuity and its payout is based on the value of the underlying securities it holds. Since variable annuities hold equities as the underlying investment, they are more likely to produce capital gains. They are also less susceptible to changes in inflation compared to fixed annuities.

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