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QUESTIONS & ANSWERS  
**DEMO VERSION**  
*(LIMITED CONTENT)*

# Question 1

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Question Type: MultipleChoice

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Which of the following statements is not true about a letter of intent?

## Options:

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- A- the letter of intent has a maximum duration of 13 months
- B- a shareholder may not redeem any shares for 13 months
- C- a letter of intent may be backdated by 90 days
- D- a certain portion of shares purchased are held in escrow until the terms of the letter are met

## Answer:

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B

## Explanation:

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a shareholder may not redeem any shares for 13 months. Redemptions are permissible at any time. However, since escrowed shares are set aside to cover the difference in sales loads based on terms of the letter, redemptions prior to 13 months may liquidate the escrow account and thus return to the investor 100% of net asset value.

# Question 2

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Question Type: MultipleChoice

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What type of mutual fund would invest in equities and bonds?

## Options:

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- A- dual purpose
- B- balanced
- C- technology
- D- growth

Answer:

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B

Explanation:

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balanced. These funds invest for growth with stock and income with bonds.

## Question 3

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Question Type: MultipleChoice

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Which of the following may occasionally be purchased at a discount from net assets value?

Options:

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A- no-load funds

B- closed-end funds

C- open-end funds

D- contractual plans

Answer:

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B

Explanation:

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closed-end funds. Mutual funds are purchased at NAV (when no-load) or NAV plus a sales charge. The pricing of closed-end funds is determined by market activity and has no direct link to NAV.

## Question 4

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Question Type: MultipleChoice

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Bubba wishes to invest \$50,000 in three mutual funds offered by different underwriters with growth as the main objective. A recommendation to purchase only one such fund for \$50,000 might be more suitable to Bubba if:

### Options:

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- A- the growth in one fund will be greater than the combined growth in three
- B- the income from one fund will be greater than the combined income in three
- C- a withdrawal plan would be easier to employ using a single fund
- D- the purchase of one fund would probably be made at a break point allowing more dollars to be invested in fund shares

### Answer:

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D

### Explanation:

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the purchase of one fund would probably be made at a break point allowing more dollars to be invested in fund shares. There is nothing inherently unsuitable about recommending three different funds. However, in most cases, a single fund offers satisfactory diversification and can be purchased with a reduction in sales charge.

## Question 5

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Question Type: MultipleChoice

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Which of the following types of investment companies pays out 90% of its net investment income to shareholders?

### Options:

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- A- diversified
- B- registered
- C- regulated
- D- balanced

### Answer:

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C

### Explanation:

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regulated. Investment companies regulated by the Internal Revenue Code Subchapter M are required

to pay out a minimum of 90% of their net income annually to their shareholders.

## Question 6

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Question Type: MultipleChoice

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The net asset value of a mutual fund was \$9.72 last month. This month it is calculated at \$9.85.

What is the change in value called?

### Options:

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- A- yield
- B- asset revaluation
- C- appreciation
- D- capital gain

### Answer:

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C

### Explanation:

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appreciation. That's the correct term for increase in value.

## Question 7

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Question Type: MultipleChoice

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If a customer dies, the registered representative is required to:

### Options:

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- A- cancel all open (good 'til cancelled) orders
- B- await instructions and necessary papers from the executor of the estate
- C- sell out the account
- D- both A and B

### Answer:

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D

### Explanation:

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both A and B. These describe the activities a registered representative should undertake when a customer dies.

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