

Series 7 Securities Licensing Exam Review Questions

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First Printing Corrections

Pg	Error	Correction
Cram Sheet	28. Defeasance: Purchase of U.S. government securities from the trustee ; used to effectively retire existing debt for a municipality.	28. Defeasance: Purchase of U.S. government securities that are placed with a trustee; used to effectively retire existing debt for a municipality.
Cram Sheet	31. Revenue bonds: Bonds issued for new project funding such as new roads that with usage fees.	31. Revenue bonds: Bonds issued for new project funding such as new roads that are backed with usage fees.
Cram Sheet	33. Net revenue pledge: Revenue bonds funds to pay operation and maintenance costs before bondholders.	33. Net revenue pledge: Revenue bond funds used to pay operation and maintenance costs before bondholders.
Cram Sheet	125. IRA: Individual Retirement Account; \$3000 maximum tax-deductible individual contribution; \$3500 over age 50.	125. IRA: Individual Retirement Account; \$4000 maximum tax-deductible individual contribution; \$4500 over age 50 in 2005 .
Cram Sheet	141. Macroeconomics: Study of the economy using such as price levels, unemployment, inflation, industrial production, and consumer products.	141. Macroeconomics: Study of the economy using indicators such as price levels, unemployment, inflation, industrial production, and consumer products.
3	Question 12: 12. The date on which a corporation files a registration statement with the SEC for a new offering is known as the what?	12. The date on which a corporation receives approval on its registration statement with the SEC for a new offering is known as the what?
7	17. D 20. B	17. A 20. C

10	Answer 17: 17. Answer D is correct.	17. Answer A is correct.
10	Answer 20: 20. Answer B is correct. The...choice III is not...	20. Answer C is correct. The...choice C is not...
38	Question 13, choice C: C. \$480,000	C. \$4,800,000
63	6. A	6. C
64	Answer 6: 6. Answer A is correct.	6. Answer C is correct.
76	19. D	19. C
79	Answer 19: 19. Answer D is correct.	19. Answer C is correct.
84	Question 9: 9. All of the following securities pay federal income...	9. All of the following securities pay state income...
89	1. A	1. C
90	Answer 1: 1. Answer A is correct. The ... obligation. T-notes and strips are not direct ...	1. Answer C is correct. The ... obligation. T-bills , T-notes, and strips are direct ...
98	Question 25: 25. What is the current selling price of the agency debt bond maturing in May 2001?	25. What is the current selling price of an agency debt bond quoted at 102.12 ?

102	<p>Answer 25, first two sentences:</p> <p>25. Answer D is correct. The Federal agency bond listed with a maturity date of May 2001 has a selling price of the lowest asking price of 102.12, or 102 12/32nds.</p>	<p>25. Answer D is correct. A Federal agency bond with a selling price of 102.12, or 102 12/32nds has the following value.</p>
129	<p>Question 7, choice C:</p> <p>C. I, III, and IV</p>	<p>C. I, II, and IV</p>
135	<p>Question 25:</p> <p>Use the following...6.485% Merrill Lynch...</p>	<p>Use the following...6.485%...</p>
149	<p>16. A</p>	<p>16. C</p>
151	<p>Answer 16:</p> <p>16. Answer A is correct.</p>	<p>16. Answer C is correct.</p>
180	<p>Question 18, choice II:</p> <p>II. The writer owns a call on ABC stock with a strike price of \$70.</p>	<p>II. The writer owns a put on ABC stock with a strike price of \$70.</p>
183	<p>2. D</p> <p>18. B</p>	<p>2. B</p> <p>18. D</p>
184	<p>Answer 2, first and last sentences:</p> <p>Answer D is correct. ... The number of contracts could affect the premium, but for the most part, the number of contracts affects the premium the least of all the choices.</p>	<p>Answer B is correct. ... An option contract can have a zero intrinsic value but cannot have a zero time value.</p>

186	<p>Answer 18, first sentence and last two sentences:</p> <p>Answer B is correct. ... Uncovered puts have a finite loss because the stock represented by the option could only go to zero. Buying calls or puts has a maximum loss potential of the premium paid by the buyer.</p>	<p>Answer D is correct. ... To be considered covered, the writer would need to be long 100 shares of the ABC stock or long warrants on ABC stock with a price equal to or lower than the strike price of 65.</p>
195	14. D	14. C
197	<p>Answer 14, first, third, and fourth sentences:</p> <p>Answer D is correct. ... In this case, Ryan needs to be short 5000 shares of NCR stock to be a covered writer. If the put options go down in value, the loss is offset by the gain from the shorted shares of NCR stock.</p>	<p>Answer C is correct. ... In this case, the seller needs to be short 500 shares of xyz stock to be a covered writer. If the put options go down in value, the loss is offset by the gain from the shorted shares of xyz stock.</p>
206	<p>Question 20:</p> <p>Referring to the previous question, what is the amount of cash that Christine is required to bring into the margin account when writing the uncovered JVC May 80 Put @ 7 and a market value of \$77?</p>	<p>What is the amount of cash that Christine is required to bring into the margin account when writing an uncovered JVC May 80 Put @ 7 with a market value of \$77?</p>
206	<p>Question 21, choice D:</p> <p>D. II and III</p>	<p>D. I and III</p>
212	<p>Answer 20, second sentence:</p> <p>The previous question calculated...</p>	<p>The question calculated...</p>

212	Answer 21, delete the parenthetical reference at the end: (See the preceding explanation.)	
212	Answer 25, last sentence: The broker...her option account.	The broker... the option account.
219	6. B	6. A
220	Answer 6, first sentence: Answer B is correct.	Answer A is correct.
255	2. B	2. D
256	Answer 2, first sentence: Answer B is correct.	Answer D is correct.
292	Answer 22, last two sentences: The NYSE...(\$9800 x 20% = \$1990) as ... requirement of \$1990.	The NYSE...(\$9800 x 20% = \$ 1960) as ... requirement of \$ 1960 .
311	Question 20, choice C: C. No more than 5% of its assets in cash	C. No more than 25% of its assets in cash
317	Answer 20, second sentence: A diversified management company is not required...	A diversified management company is required...
352	Answer 7, last sentence: Conversely... also be the investors' risk.	Conversely... also the investors' risk.

359	<p>Question 9, first and second sentences:</p> <p>A married couple without pensions earn \$50,000 in a given year. They have made a \$3000 IRA contribution for the husband and a \$3000 IRA contribution for the wife.</p>	<p>A married couple without pensions earns \$50,000 in a given year. They have made a \$4000 IRA contribution for the husband and a \$4000 IRA contribution for the wife.</p>
359	<p>Question 9, choice A:</p> <p>A. \$44,000 taxable income</p>	<p>A. \$42,000 taxable income</p>
361	<p>Question 18 and choice I:</p> <p>Which of the following statements are considered true of a Roth IRA account?</p> <p>I. The maximum contribution is set at \$3000 per year.</p>	<p>Which of the following statements are considered true of a Roth IRA account in 2005?</p> <p>I. The maximum contribution is set at \$4000 per year.</p>
365	<p>Answer 8, last sentence:</p> <p>An individual... exceed the \$3000 maximum allowable deduction.</p>	<p>An individual... exceed the \$4000 maximum allowable deduction in 2005.</p>
366	<p>Answer 9, second and third sentences:</p> <p>A married couple... contribute \$3000 each to and IRA account. By doing...\$50,000 - \$6000 IRA contributions = \$44,000 taxable income.</p>	<p>In 2005, a married couple... contribute \$4000 each to and IRA account. By doing...\$50,000 - \$8000 IRA contributions = \$42,000 taxable income.</p>

367	Answer 18, third sentence: The maximum contribution to a Roth IRA is also set at \$ 3000 per year.	The maximum contribution to a Roth IRA is also set at \$ 4000 per year.
372	Question 13, first sentence: An investor... of \$90.	An investor... of 90.
372	Question 15, first two sentences: An investor...at \$90 ...TNT bonds at \$94 in ...	An investor...at 90 ...TNT bonds at 94 in ...
373	Question 16, second sentence: He purchases...at \$100 in ...	He purchases...at 100 in ...
377	Answer 13, third sentence: The 10 bonds... at \$90, ... matured at \$100, or...	The 10 bonds... at 90, ... matured at 100, or...
377	Answer 14, last sentence: At maturity, they mature at a par value of \$100.	At maturity, they mature at a par value of \$100 each .

This errata sheet is intended to provide updated technical information. Spelling and grammar misprints are updated during the reprint process, but are not listed on this errata sheet.