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QUESTION 1

In terms of depletion, percentage depletion is better than cost depletion because it:

- A. permits recovery of more than the original cost
- B. is limited to production
- C. is more widely available
- D. is not subject to recapture

Correct Answer: A

permits recovery of more than the original cost. Percentage depletion is only available for small producing wells.

QUESTION 2

When pricing callable municipal bonds, the "price to call" is based upon which of the following?

- A. in-whole calls
- B. partial calls
- C. sinking fund calls
- D. catastrophe calls

Correct Answer: A

in-whole calls. Price to call computations are based upon in-whole calls only. These calls will result in all bondholders being called simultaneously, thus guaranteeing a minimum yield to all.

QUESTION 3

Which of the following is considered a firm quotation in the over-the-counter market?

- A. 27.50
- B. 27.50 workout
- C. 27.50 subject
- D. both B and C

Correct Answer: A

27.50. Anytime there is qualifying language attached to a quotation it is not considered firm.

QUESTION 4

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?

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

Correct Answer: C

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

QUESTION 5

When does a call option provide the most value to its holder?

- A. when the underlying stock is extremely volatile
- B. in the month prior to its expiration
- C. when there is a large open interest in that class of option
- D. when the underlying stock price is rising

Correct Answer: D

when the underlying stock price is rising. That's why the holder of this option wants to have a right to "call" the stock.

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