CTFA$^{Q\&As}$

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QUESTION 1

Prequalification provides estimates of required down payment and closing costs of different types of mortgages. It identifies in advance any problems such as:

A. Credit report errors

B. Bargaining power with the seller of a house

C. Mortgage loans

D. Earnest money deposit

Correct Answer: A

QUESTION 2

Which of the following are required inputs of the present value approach?

A. Discount rate and the expected cash flows

B. Expenses paid in cash and dividends disbursed

C. Earnings in valuing stocks and stock-in-trade

D. Retained earnings and dividend payout ratio

Correct Answer: A

QUESTION 3

It occurs when you don\\'t make full payment on your previous bill.

A. Discount

B. Reward points

C. Finance charge

D. Membership fee

Correct Answer: C

QUESTION 4

In which of the following cases the sell decision be taken?

A. Where the intrinsic value is greater than the current market price as the asset is overvalued

B. Where the intrinsic value is lesser than the current market price as the asset is overvalued

C. Where the intrinsic value is equivalent than the current market price as the asset is acquired

D. Where the current market price has doubled than the intrinsic value as the asset is distributed

Correct Answer: B

QUESTION 5

Short-term interest rates generally fluctuate ______ long-term rates, so it pays to monitor interest rate movements, shop around for the best rates, and place your funds in savings vehicles consistent with your needs.

A. More than

B. Less than

C. Equal to

D. None of the above

Correct Answer: A

QUESTION 6

Which one of the following is correct formula for calculating gross margin?

A. Net Profit/Net Sales

B. Gross Profit/Net Sales

C. Net income/Net Sales

D. Gross Profit/credit Sales

Correct Answer: B

QUESTION 7

If an investment banker has agreed to sell a new issue of securities on a best-efforts basis, the issue:

A. Most likely involves an unusually large stock offering

B. Most likely involves bonds instead of common stock

C. Results in no assumption of underwriting risk by the investment banker

D. Most likely involves a well-established, large company

Correct Answer: C

QUESTION 8

The amount of interest one pays to open credit depends_______ on the method the lender uses to calculate the balances on which they apply finance charges.

A. Partly

B. Fully

C. Quarterly

D. None of these

Correct Answer: A

QUESTION 9

Most financial planners fall into one of two categories based on how they are paid. Commission based planners earn commissions on the financial products they sell, whereas ______________ charge fees based on the complexity of the plan they prepare.

A. Free only planners

B. Commission based planners

C. Professional planners

D. Security planners

Correct Answer: A

QUESTION 10

Standard and poor\\'s 500 index, the Dow Jones Industrial average, or the Toronto stock Exchange index is the examples of:

A. Equity indices

B. Stock exchange indices

C. OTC market indices

D. All of these

Correct Answer: A

QUESTION 11

The approximate per-share NAV plus any fees the fund imposes is the price:

A. That investors pay to purchase mutual fund

B. That investors receive on redemptions

C. Per share NAV

D. All of these

Correct Answer: A

QUESTION 12

Companies that have capitalization amounts of more than $2 billion are known as _________.

A. Small cap companies

B. Mid cap companies

C. Growth companies

D. Large cap companies

Correct Answer: D

QUESTION 13

The actual value of an asset, or the price of an asset, or the price for which it can reasonably be expected to sell in the open market is its:

A. Actual price

B. Book value

C. Depreciation amount

D. Fair market value

Correct Answer: D

QUESTION 14

Charitable trust that is an irrevocable trust and that may be testamentary or inter-vivos (Between living persons) is called:

A. Foundations

B. Charitable Remainder Unitrust

C. Charitable Remainder Annuity Trust

D. None of these

Correct Answer: D

QUESTION 15

It is a loan that allows a lender or other party to share in the appreciated value when the home is sold.

A. Shared appreciation mortgage

B. Balloon payment mortgage

C. Adjustable rate mortgage

D. Marginal rate mortgage

Correct Answer: A