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QUESTION 1

When securities repurchased under repos commonly have a principal amount that differs from principal amount of the security originally sold under the agreement, is known as:

- A. Splintering act
- B. Breakage
- C. Rollover
- D. None of the above

Correct Answer: B

QUESTION 2

Insurance entities usually write covered-call options because they consider the premium received for writing the options to be either:

- A. an economic hedge between a decline in market price and security
- B. a decrease in yield on the underlying risk security
- C. Both A and B
- D. Neither A nor B

Correct Answer: D

QUESTION 3

The magnitude of the variable annuity benefits provided by a deferred annuity depends on the size of the account value at the end of the accumulation phase.

- A. True
- B. False

Correct Answer: B

QUESTION 4

Short-duration contracts provide insurance protection for fixed period and can cancel the contract at the end of any contract period.

- A. True
- B. False

Correct Answer: A

QUESTION 5

Audit risk consists of:

- A. Risk of material misstatement
- B. detection of risk
- C. Both A and B
- D. Neither A nor B

Correct Answer: C

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