

# FINRA-SERIES-7<sup>Q&As</sup>

FINRA General Securities Representative Examination (GS)

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**QUESTION 1**

The initial Federal Reserve Bank margin requirement is set at 60% and Bubba purchases 100 shares of XYZ at \$100 per share. He deposits \$6,000 of the \$10,000 purchase price in his account. If XYZ increases in value to \$150 per share, how much excess equity would Bubba have in his account?

- A. \$1,000
- B. \$1,500
- C. \$2,000
- D. \$3,000

Correct Answer: C

\$2,000. Bubba started with \$6,000 of equity and a debit balance of \$4,000. The market value of his XYZ stock increased by \$5,000 (\$15,000 - \$10,000). Therefore, his equity increased to \$11,000. Since Bubba only needs 60% equity, his Reg T requirement is \$9,000 (\$15,000 x 60%). His equity exceeds the requirement by \$2,000.

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**QUESTION 2**

Bubba buys an OTC stock from a firm that is a market -maker in the stock. What may be said about the price he pays?

- A. it does not include a markup
- B. it includes a markup
- C. it includes a commission and a markup
- D. it includes a special fee

Correct Answer: B

it includes a markup. A market-maker acts as principal. Therefore, Bubba pays a markup but not a commission.

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**QUESTION 3**

An "accumulation unit" of a variable annuity is used to determine which of the following?

- A. the value of the annuitant's contract before annuity payments begin
- B. the amount of annuity payments to be paid to the owner
- C. the amount to be passed to the annuitant's beneficiary
- D. the amount returned to the annuitant upon redemption of the account

Correct Answer: A

the value of the annuitant's contract before annuity payments begin. Accumulation units determine contract value.

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Payout are determined by annuity units.

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## QUESTION 4

In considering the fairness of a firm's markup, the FINRA considers:

- A. dealer cost for the security
- B. financial condition of the client
- C. profitability of the member firm
- D. amount of the transaction

Correct Answer: D

amount of the transaction. The other choices are not FINRA considerations. The dollar amount of the transaction is one of the factors considered in markup fairness. Other factors include the type of security, the amount of service rendered, the unit price of the security, and general availability of the security.

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## QUESTION 5

A corporate bond is quoted as having a net change in value of plus one point. By how much did the bond price increase?

- A. \$1,000
- B. \$100
- C. \$10
- D. \$1

Correct Answer: C

\$10. A point is 1% and bonds are priced in \$1,000 increments. Multiplying \$1,000 by 1% equals \$10.

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