

FINRA-SERIES-7^{Q&As}

FINRA General Securities Representative Examination (GS)

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QUESTION 1

Which of the following forms of underwriting is least likely for an offering of municipal bonds?

- A. negotiated
- B. competitive bid
- C. firm commitment
- D. best efforts

Correct Answer: D

best efforts. A best efforts deal least likely for a municipal securities offering. It is most often associated with small corporate stock or limited partnership offerings. Municipal securities are usually competitive bid or negotiated. Both of these types are firm commitment.

QUESTION 2

Bubba buys a \$4 convertible preferred with a \$50 par value that is exchangeable for common stock at 47.50. If the preferred stock is trading at 52 and the common stock at 51, Bubba determines that the preferred stock is:

- A. overpriced and will quickly decline
- B. selling at a 4% premium over conversion value
- C. underpriced and should rise quickly
- D. going to be called when the common stock price is \$52

Correct Answer: C

underpriced and should rise quickly. The parity price for the common stock is about \$49.38 - determined as: $50 / 47.50 = 1.053$ $52 / 1.053 = 49.38$ Since the common stock is trading at 51, the preferred is underpriced.

QUESTION 3

The expiration date of a listed option is:

- A. the last day of the expiration month
- B. the third Saturday of the expiration month
- C. the Saturday following the third Friday of the expiration month
- D. the third Friday of the expiration month

Correct Answer: C

the Saturday following the third Friday of the expiration month. It is NOT the third Saturday. The final day to trade

options is the third Friday of the expiration month. The options expire the next da y.

QUESTION 4

Which of the following sets out the details for the management board of condominiums, including the board's powers and limitations?

- A. master deed
- B. bylaws
- C. rental agreement
- D. loan agreement

Correct Answer: B

bylaws. The bylaws of a condominium association provide general details about management.

QUESTION 5

Bubba has been classified as a restricted person according to Rule 2790. He may purchase equity securities of an IPO except:

- A. to purchase securities to avoid dilution
- B. when the new issue of securities is purchased pursuant to a stand-by agreement
- C. when the transaction is exempt by an order of the FINRA
- D. when the new issue of securities is purchased pursuant to a best effort basis

Correct Answer: D

when the new issue of securities is purchased pursuant to a best effort basis. All the other choices are allowable under the rule "except" this one.

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