

# FINRA-SERIES-6<sup>Q&As</sup>

FINRA Investment Company and Variable Contracts Products  
Representative Examination (IR)

**Pass FINRA FINRA-SERIES-6 Exam with 100%  
Guarantee**

Free Download Real Questions & Answers **PDF** and **VCE** file from:

<https://www.leads4pass.com/finra-series-6.html>

100% Passing Guarantee  
100% Money Back Assurance

Following Questions and Answers are all new published by FINRA  
Official Exam Center

- ⚙️ **Instant Download** After Purchase
- ⚙️ **100% Money Back** Guarantee
- ⚙️ **365 Days** Free Update
- ⚙️ **800,000+** Satisfied Customers



**QUESTION 1**

In mid-September, the stock of Amazon.com, Inc. (AMZN) is selling for \$147. A January call option on the stock is selling for \$6.10 and has a strike price of \$160. This call option is:

- A. at the money.
- B. in the money.
- C. out of the money.
- D. overpriced. No one should pay \$6.10 for the right to buy a share of stock for \$160 when its current market price is only \$147.

Correct Answer: C

Explanation: If Amazon.com is selling for \$147 and the strike price on the option is \$160, the call option is said to be out of the money since, even if an investor were given the option free, he would not benefit from exercising it at this time. If he did so, he would be paying \$160 for a stock that is selling for only \$147 on the open market. Even so, the option is not necessarily overpriced at \$6.10 because the option has what is known as "time value" on it. The stock of Amazon.com has several months during which it could rise well above the \$160 strike price on the option.

---

**QUESTION 2**

Given the same maturity, which of the following debt instruments would you expect to offer the highest yield-to-maturity?

- A. a debenture issued by Abbott Laboratories
- B. a bond issued by the Federal Home Loan Bank Board
- C. a general obligation bond issued by the state of Massachusetts
- D. a U.S. Treasury bond

Correct Answer: A

Explanation: Given the same maturity, the debenture issued by Abbott Laboratories would be expected to offer the highest yield -to-maturity. It is unsecured debt offered by a corporation and is the riskiest of the four choices. Bonds issued by the U.S. government and by U.S. government agencies are considered to be free of default-risk and would have lower yields to reflect this. The general obligation bond offered by the state of Massachusetts pays interest that is free from federal taxation and will have a lower yield because of this feature.

---

**QUESTION 3**

Which of the following statements regarding the taxes associated with a variable life insurance policy is false?

- A. Earnings on a variable life insurance policy grow tax-free.
- B. Payments to beneficiaries upon the death of the policyholder are taxed as ordinary income.

C. One variable life policy can be exchanged for another variable life policy without triggering any consequences under Section 1035 of the tax code.

D. If a policyholder withdraws some of the cash value associated with the policy, taxes need only be paid on the amount that exceeds the total amount of the premiums paid to date.

Correct Answer: B

Explanation: The statement that payments to beneficiaries upon the death of the policyholder are taxed as ordinary income is false. When a policyholder dies, the death benefit received by the beneficiaries is tax-free. The death benefit will, however, be included in calculating any estate taxes that might be due. All the other choices are true statements. Unlike the tax treatment of variable annuities, the IRS uses first-in, first-out (FIFO) accounting when determining whether the withdrawals have come from earnings or premium payments; therefore, when a policyholder withdraws some of the policy's cash value, it is assumed to be a withdrawal of premiums first, and that amount of the withdrawal is tax-free.

---

#### QUESTION 4

On Friday, August 6th, the Board of Directors of Ecolab (ECI) announced that it would pay a dividend of \$0.155 a share to shareholders of record as of Tuesday, September 21st. The dividend checks were scheduled to be mailed on Friday, October 15th. In this scenario, the payment date is:

- A. Friday, August 6th.
- B. Friday, September 17th.
- C. Tuesday, September 21st.
- D. none of the above.

Correct Answer: D

Explanation: The payment date is none of the choices listed. The payment date is the day the checks are scheduled to be mailed-Friday, October 15th.

---

#### QUESTION 5

Mr. Big of HiGrow Corporation needs more money to support the exceptional growth rate that his firm is enjoying. He meets with BigFee Investment Banker, who agrees to handle the IPO for HiGrow. Subsequently, InTheLoop Brokerage is tapped to be part of the selling group that will handle the sale of the new stock to the public. In this example, the underwriter is:

- A. Mr. Big
- B. HiGrow Corporation
- C. BigFee Investment Banker
- D. InTheLoop Brokerage

Correct Answer: C

Explanation: BigFee Investment Banker is the underwriter in this example. The underwriter is the investment banking

firm that helps a firm with the issue of new securities-which includes helping the firm file a registration statement with the SEC and establishing a selling group to facilitate the distribution of the securities to the public.

---

**QUESTION 6**

Mr. Shortfall placed a market order to buy 100 shares of Google (GOOG) with GetErDone Broker-Dealers. The market order was executed at \$530 a share. In accordance with Regulation T:

- A. Mr. Shortfall must pay for the purchased shares within 3 business days.
- B. Mr. Shortfall must pay for the purchased shares within 5 business days.
- C. GetErDone can request an extension from FINRA or another SRO for Mr. Shortfall if he is unable to pay for the shares within 5 business days.
- D. Both B and C are true statements.

Correct Answer: D

Explanation: After his market order to buy shares of GOOG is executed, Mr. Shortfall must pay for the shares within 5 business days. If he is unable to do so within this time period, GetErDone can request an extension from FINRA or another SRO for him.

---

**QUESTION 7**

Any compensation earned by a broker-dealer and its registered representative on the sale of mutual fund shares must be returned to the fund's underwriter if the purchaser decides to redeem his shares within:

- A. 30 days.
- B. 1 week.
- C. 7 business days.
- D. 5 business days.

Correct Answer: C

Explanation: Any compensation earned by a broker-dealer and its registered representative on the sale of mutual fund shares must be returned to the fund's underwriter if the purchaser decides to redeem his shares within 7 business days.

---

**QUESTION 8**

Which of the following activities are permitted during the "cooling off" period associated with a new offering?

- I. A preliminary prospectus may be provided to prospective investors.
- II. The security can be registered in any states in which it will be sold.
- III. The management of the issuing firm may give interviews in which they discuss the market for their products and

future revenue expectations.

IV.

The underwriter of the issue may run a tombstone advertisement in the Wall Street Journal to announce the upcoming offering.

A.

I only

B.

I and IV only

C.

I, II and IV only

D.

I, III and IV only

Correct Answer: C

Explanation: Only the activities described in Selections I, II, and IV are permitted during the “cooling off” period associated with a new offering. A preliminary prospectus can be provided to prospective investors; the security can be registered in any states in which it will be sold, and the underwriter of the issue can run a tombstone advertisement in the Wall Street Journal, or any other publication for that matter. The management of the issuing firm may not, however, give interviews in which they discuss future revenue expectations, among other things.

---

#### QUESTION 9

Which of the following are fiscal policy tools under the jurisdiction of the U.S. Congress?

A. the decision on the amount of cash reserves that a bank must hold

B. the decision on whether to raise or lower effective tax rates

C. the decision on whether to raise or lower the rate at which banks can borrow money from the Federal Reserve

D. Both A and B are fiscal policy tools

Correct Answer: B

Explanation: The decision on whether to raise or lower effective tax rates is a fiscal policy tool under the jurisdiction of the U.S. Congress. The decision on the amount of cash reserves a bank must hold (the reserve requirement) and the decision on whether to raise or lower the rate at which banks can borrow money from the Federal Reserve (the discount rate) are monetary policy tools under the jurisdiction of the Federal Reserve.

---

#### QUESTION 10

The Securities Exchange Act of 1934:

I. regulates the market for new issues.

II. delineates the registration requirements for investment advisers.

III. regulates secondary market activities.

IV.

requires that officers and some other employees of member firms submit their fingerprints to the U.S. attorney general's office.

A.

I and II only

B.

II and III only

C.

III and IV only

D.

I, II, III, and IV

Correct Answer: C

Explanation: Only Selections III and IV accurately describe provisions of the Securities Exchange Act of 1934. The Securities Exchange Act of 1934 provides for the regulation of secondary market activities. One section of the Act (Rule 17f-2) requires that officers and some other employees of member firms submit their fingerprints to the U.S. attorney general's office. The Securities Act of 1933 regulates the market for new issues, and the Investment Advisers Act of 1940 delineates the registration requirements for investment advisers.

---

### QUESTION 11

Which of the following would not be required to display prominently the name of the member firm issuing it?

I. sales literature distributed to an institutional investor

II. correspondence by a registered representative with her client

III.

an advertisement to recruit new registered representatives

A.

I only

B.

I and II only

C.

III only

D.

I, II, and III

Correct Answer: C

Explanation: Only an advertisement to recruit new registered representatives is not required to display prominently the name of the member firm issuing it.

---

### QUESTION 12

Which of the following would be a reason for a person to receive a statutory disqualification from membership in FINRA?

A. The person is on the verge of financial insolvency.

B. The person has been barred from membership in one of the national exchanges.

C. The person has made a misleading statement of material fact on the membership application.

D. All of the above are reasons for a person to receive a statutory disqualification from membership in FINRA.

Correct Answer: D

Explanation: All of the choices are reasons for a person to receive a statutory disqualification from membership in FINRA. A person is subject to a statutory disqualification from membership in any self-regulatory organization (SRO) if it is considered to be financially weak, if it has been barred from membership in any other SRO, or if it has made a misleading statement of material fact on the membership application. Nor is this an exhaustive list of reasons that a person would face a statutory disqualification.

---

### QUESTION 13

Ms. Fortune died at the relatively young age of 60. Which of the following options are available to her 65-year-old spouse, the beneficiary of her IRA?

I. withdraw the entire balance in a single lump sum

II. continue to make contributions to the IRA as if it were his own

III.

roll his deceased wife's IRA into an existing IRA that he owns

A.

I only

B.

I and II only

C.

I and III only

D.

I, II, and III

Correct Answer: D

Explanation: If Ms. Fortune died at the age of 60 and her beneficiary is her 65-year-old spouse, he can choose to withdraw the entire balance in a single lump sum, continue to make contributions to the IRA as if it were his own, or roll the IRA into another existing IRA. If he opts to withdraw the entire balance in a single lump sum, he will have to pay tax on that distribution at his marginal tax rate.

---

#### QUESTION 14

The “statement of additional information” (SAI) that mutual funds and closed-end funds are required to produce:

A. must be provided to prospective investors whenever an offer to sell shares of these funds is made.

B. must be sent to shareholders of the fund on at least a semiannual basis.

C. usually contains some biographical information on the officers and directors of the fund.

D. Both A and B are true statements.

Correct Answer: C

Explanation: The “statement of additional information” (SAI) that mutual funds and closed-end funds are required to produce usually contains some biographical information on the officers and directors of the fund. The SAI need only be provided to prospective investors upon request, and it is not sent to shareholders of the fund. Shareholders of the fund receive annual and semiannual reports from the fund, however.

---

#### QUESTION 15

Which of the following would offer an investor the most protection against purchasing power risk?

A. a stock mutual fund

B. a government bond fund

C. a high-yield bond fund

D. a money market fund

Correct Answer: A

Explanation: A stock mutual fund would offer an investor the most protection against purchasing power risk. Purchasing power risk is the risk that the money received from the investment won't buy as much because of inflation. Stock funds offer higher returns that have historically exceeded the annual rate of inflation, on average. The majority of the return



from bond funds is from the fixed interest payment, which does not change regardless of the inflation rate, so the return earned by the investor may end up being less than the inflation rate in any given year. Likewise, money market funds offer very low returns that, in some years, are less than the rate of inflation.

[FINRA-SERIES-6 PDF  
Dumps](#)

[FINRA-SERIES-6 VCE  
Dumps](#)

[FINRA-SERIES-6 Exam  
Questions](#)