

PRACTICE EXAM

Core 1: Securities & Managed Investments (RG146)

QUESTIONS

Q 1	What sectors comprise the Australian economy?
a.	Business and government
b.	Business, government and Non-profit organizations
c.	Business only
d.	Households, business, government, non-profit organizations, exporters/importers and borrowers/lenders

Q 2	Which government department issues an Australian Financial Services licence?
a.	APRA
b.	AUSTRAC
c.	ASIC
d.	ACCC

Q 3	The domestic economy will be strong if:
a.	Everyone who wants to work can get a job
b.	Sustainable economic health has growth and expansion to provide income and opportunities
c.	The economy grows faster than the population
d.	All of the above

Q 4	Is the Gross Domestic Product measure the sole measure of the Australian domestic economy?
a.	Not on it's own
b.	No
c.	Yes
d.	No, you must take external factors into account as well

Q 5	Is recession defined as a sustained decline in economic activity as measured by a reduction in GDP for a certain period?
a.	Yes
b.	No
c.	The decline can be for one quarter only
d.	The decline must be for 3 or more years

Q 6	What type of economic data indicators do analysts use to predict the future?
a.	Current indicators
b.	Lagging and current indicators
c.	Leading and lagging indicators
d.	Lagging, current and leading indicators

Q 7	Is Australia part of the global economy?
a.	When it advises it's trading partners that it is
b.	No
c.	If it is invited by it's trading partners
d.	Yes

Q 8	For economic growth to exceed population growth what must the RBA do?
a.	Raise interest rates most of the time
b.	Have very loose policy objectives
c.	Balance one policy objective against another
d.	All of the above

Q 9	What is the cornerstone of all modern economic policy and analysis?
a.	Sustainable growth policy
b.	Flat growth policy
c.	General analysis but no real policy
d.	Unsustainable growth policy

Q 10	What does financial markets refers to?
a.	A platform for financial products for investors to punt on
b.	An avenue for investors to raise funds
c.	Markets for financial products designed for the purposes of channelling funds from investors to those wishing to raise capital
d.	Markets for financial products designed for the purposes of channelling funds from capital raisers to those wishing to invest

Q 11	Does "over the counter (OTC)" mean:
a.	Not traded on a formal market by one party
b.	Traded on a formal market
c.	Traded between two (or more) parties not on a formal market
d.	Sold through a retail outlet

Q 12	What does the primary market mean?
a.	Trading in shares or units on ASX
b.	Trading on the OTC market
c.	Trading between two parties in shares or units off market
d.	Issuing shares or units to investors for payment

Q 13	What does the secondary market mean?
a.	Trading on the OTC market
b.	Trading between two parties in shares or units off market
c.	Subsequent trading between buyers and sellers after the initial issue
d.	Raising capital from retail investors

Q 14	What does ITS mean?
a.	Independent Trading System
b.	Independent Trading Scheme
c.	Integrated Timing System
d.	Integrated Trading System

Q 15	When must an ASX participant settle an equities transaction:
a.	Trade date + 3
b.	Trade date + 1
c.	Trade date + 5
d.	When the client has paid

Q 16	What is the minimum buy/sell order amount in the ASX Interest Rate Market?
a.	\$30,000
b.	\$500,000
c.	\$100,000
d.	\$1,000,000

Q 17	When must ASX derivative trades be settled by an ASX participant:
a.	Trade date + 3
b.	Trade date + 1
c.	Trade date + 5
d.	When the client has paid

Q 18	Who are the financial markets regulators?
a.	ASIC, ASX, AUSTRAC
b.	APRA, Reserve Bank, AUSTRAC
c.	ACCC and ASX
d.	ASIC, APRA, Reserve Bank, AUSTRAC, ASX and ACCC

Q 19	Are financial products:
a.	any instrument usually of a contractual nature used for the transfer or accumulation of monetary wealth
b.	any instrument usually of a contractual nature used for financial risk management
c.	any instrument usually of a contractual nature used for the transfer or accumulation of monetary wealth or for financial risk management
d.	any instrument usually to use to make lots of money irrespective of the associated risks

Q 20	Are most retail clients investment objectives usually:
a.	The same because they are retail clients
b.	The same if they earn the same amount of money
c.	Different only because they may view risk differently
d.	Different as everyone is unique

Q 21	If two assets react in a similar way to an event does this mean that they are:
a.	Negatively correlated
b.	Positively correlated
c.	Not correlated at all
d.	Equally correlated

Q 22	If an investor uses the top down approach does this mean that:
a.	They look at a company's fundamentals first and then at the factors influencing the share market
b.	They look at the factors affecting the overall stock market first and then drill down to a company
c.	They look at a company's fundamentals first and then at the factors influencing the particular market sector only
d.	They look at the factors affecting the overall stock market first and then drill down to a sector only

Q 23	What is a contrarian investor?
a.	An investor who focuses what other investors are doing
b.	An investor who only buys popular shares
c.	An investor who only sells popular shares
d.	An investor who focuses on unpopular shares that appear to have little or no prospects

Q 24	What does EPS mean?
a.	Early prospects of sale
b.	Earnings per sale
c.	Earnings per share
d.	Equal profit sharing

Q 25	What does GICS mean?
a.	Global industry classification standard
b.	Global industry classification sector
c.	Global industry category sector
d.	Global industry classified sector

Q 26	What are the two main tax areas that affect investors?
a.	CGT and PAYE
b.	PAYE and GST
c.	GCT and dividend imputation
d.	GST and dividend imputation

Q 27	What is the ASIC Regulatory Guide (RG) that gives guidance on training for AFS licence holders representatives?
a.	RG 126
b.	RG 162
c.	RG 164
d.	RG 146

Q 28	When does an asset come under the Capital Gains Tax regime?
a.	If it was acquired after 1 July 1985
b.	If it was acquired after 19 September 1987
c.	If it was acquired after 19 September 1985
d.	If it was acquired after 1 July 1987

Q 29	What is a retail client ?
a.	All member of a superannuation fund and trustees of a superannuation funds with less than \$10m in assets
b.	Employees with less than 20 employees (or less than 100 employees if a manufacturer
c.	Anyone who is not a wholesale client
d.	All of the above

Q 30	Under the Anti-money laundering/counter terrorist financing laws what clients must prove their identity?
a.	Only retail clients
b.	Only retail clients and registered charities
c.	All clients when requested to do so
d.	Only wholesale clients

Q 31	Are you considered to have given personal advice if:
a.	You have given a client facts only on an investment (without discussing the client's situation)
b.	You have handed a client a research report (without discussing the client's situation)
c.	You client has instructed you to buy an investment
d.	You have discussed the client's situation with them and suggested an investment

Q 32	If you have a new client that you have provided advice in exchange traded options to, what documents must be given to the client?
a.	Financial Services Guide and Statement of Advice
b.	Statement of Advice and Product Disclosure Statement
c.	Financial Services Guide only
d.	Financial Services Guide, Statement of Advice and Product Disclosure Statement

Q 33	Are the ASX Rules enforceable under the Corporations Act?
a.	Yes
b.	No
c.	Only some are
d.	Only if APRA decides to enforce them

Q 34	What is a managed fund?
a.	Investments where investors pools their funds with other investors and elect one of them to manage the funds
b.	Investments where investors pools their funds with other investors and the funds are managed by investment professionals
c.	Investments where investors pools their funds with other investors and the funds are managed by the Australian Securities Exchange
d.	A fund that is set up and managed by one investor

Q 35	Must an investor in a managed fund receive a Product Disclosure Statement?
a.	Yes, irrespective of whether they are retail or wholesale
b.	Only if they request one
c.	There is no requirement to give an investor one
d.	Yes, an investor must receive one if they are a retail client

Q 36	What does rebalancing mean?
a.	Taking action to make sure that the asset doesn't drift away from the desired position over time
b.	Constantly buying and selling the asset so that its pricing remains stable
c.	Taking action to bring the asset back into line so that it doesn't drift away from the desired position over time
d.	Buying more of the asset if it's price continues to decline

Q 37	What is the most widely used asset class in managed funds in Australia?
a.	Derivatives
b.	Bills of Exchange
c.	Equities
d.	Cash

Q 38	Are Property Trusts (with more than 300 members) subject to income tax if all taxable income is passed onto unit holders?
a.	Yes – it doesn't matter how many unit holders there are
b.	No – there is no tax obligation with Property Trusts
c.	Yes – only if there is more than 500 members
d.	No – as the unit holders are tax assessed on all assessable distributions

Q 39	What does the process of giving financial advice include?
a.	Identifying a client's needs and objectives

b.	Analysing a client's present circumstances
c.	Developing appropriate strategies and recommending appropriate investments to a client
d.	All of the above

Q 40	Must all AFS licence holders belong to a formal external dispute resolution scheme ?
a.	Yes
b.	No
c.	Not if they have their own internal disputes process
d.	Only if they advise ASIC that they have no internal dispute process

Q 41	What are the two basic reasons why people invest?
a.	To make lots of money in the present with no thought to the future; and To build wealth and provide a hedge against inflation
b.	To provide income now or sometime in the future; and Not to be too concerned about future inflation
c.	To provide income only for the future; and To build wealth and provide a hedge against inflation
d.	To provide income now or sometime in the future; and To build wealth and provide a hedge against inflation

Q 42	When is a Statement of Advice required?
a.	When personal advice is being provided to a retail client
b.	When personal advice is being provided to a retail client and the "further advice exception" doesn't apply
c.	When any advice (general or personal) is provided to a retail client
d.	When a client asks for the advice provided to be documented

Q 43	What are the objectives of a Statement of Advice?
a.	Document client information financial analysis and assessment
b.	Deliver the strategy, tactics and products
c.	Detail the implementation process and evidence compliance
d.	All of the above

Q 44	What does ongoing client service involve?
a.	Reviewing the client's needs; and Reviewing financial and investment strategies
b.	Assessing the current positions of the client's investments; and Determining the best portfolio
c.	Comparing the best versus the client's current portfolio; and Making decisions to alter investments if differences are significant – discuss with client
d.	All of the above

ANSWERS:

1	d	2	c	3	d	4	d
5	a	6	d	7	d	8	c
9	a	10	c	11	c	12	d
13	c	14	d	15	a	16	b
17	b	18	d	19	c	20	d
21	b	22	b	23	d	24	c
25	a	26	c	27	d	28	c
29	d	30	c	31	d	32	d
33	a	34	b	35	d	36	c
37	c	38	d	39	d	40	a
41	d	42	b	43	d	44	d

All education enquiries should be directed in the first instance to:

Stockbrokers Association of Australia (ACN 089 767 706)
PO Box R14,61, Royal Exchange NSW 1225
Telephone: (02) 8080 3200
Fax: (02) 8080 3299
Email: education@stockbrokers.org.au
Website: www.stockbrokers.org.au