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Series-6

Investment Company and Variable Contracts
Products Representative Exam (IR)

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QUESTION 1

Commercial paper is:

- A. long-term debt issued by commercial banks.
- B. short-term, unsecured debt issued by large corporations.
- C. issued with maturities of 1 to 2 years.
- D. short-term debt that is backed by stocks and bonds that the issuing firm owns.

Answer: B

QUESTION 2

A general decrease in price levels in the economy is referred to as:

- A. disinflation.
- B. stagflation.
- C. recession.
- D. deflation.

Answer: D

QUESTION 3

The Federal Reserve announces that it plans to buy \$3.89 billion in Treasury securities on the open market. All else equal, which of the following is a likely result of this Fed action?

- A. Interest rates will rise, causing security prices to fall.
- B. Money supply will increase, causing interest rates to fall.
- C. Stock and bond prices should increase.
- D. Both B and C are likely results of this Fed action.

Answer: D

QUESTION 4

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

Answer: B

QUESTION 5

Which of the following actions can be expected to result in a decrease in stock and bond prices, all else equal?

- I. The Federal Reserve announces a decrease in the discount rate.
 - II. Congress votes to decrease payments to Social Security recipients.
 - III. Congress votes to decrease taxes.
 - IV. The Federal Reserve announces that it will sell some of the Treasury securities it owns on the open market.
- A. I and III only
 - B. II and IV only
 - C. I, II, and III only
 - D. II and III only

Answer: B

QUESTION 6

When the U.S. dollar appreciates relative to other world currencies,

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- I. the prices of all domestic stocks and bonds can be expected to increase.
- II. the prices of securities offered by manufacturers that import a lot of their parts can be expected to increase.
- III. an increase in the purchase of U.S. securities by foreign investors can be expected.
- A. I, II, and III
- B. I and II only
- C. II only
- D. III only

Answer: C

QUESTION 7

The Securities Act of 1933 did what?

- A. It established the requirement that investment advisers be registered with the SEC.
- B. It established the SEC as the regulatory agency for the secondary market.
- C. It established the requirement that new securities be registered.
- D. All of the above are correct answers.

Answer: C

QUESTION 8

Ms. Scatty is a registered representative with a well-known family of mutual funds. When selling one of the funds, she forgets to give her buyer a prospectus.

Which of the following statements is true?

- A. Ms. Scatty can be held civilly liable under the Securities Act of 1933.
- B. Ms. Scatty can be held criminally liable under the Securities Act of 1933.
- C. Since mutual funds are not covered under the Securities Act of 1933, there is no liability in this instance.