



**INSTITUTE OF BANKING AND FINANCE
OF TRINIDAD AND TOBAGO**

**PROFESSIONAL CERTIFICATE FOR FINANCIAL
ADVISORS**

LEVEL 2 - BANKING SPECIALIZATION

SAMPLE EXAMINATION

TIME ALLOWED: ONE (1) HOUR

INSTRUCTIONS TO CANDIDATES

1. Please write and shade your Student Membership Number in the 'ID Number Box' on the Answer Sheet provided.
2. This examination contains forty (40) Multiple Choice Questions.
3. Students should attempt ALL questions.
4. Students must use a **2B pencil**.
5. The overall pass mark for the Level 2 Exams is 60%.
6. Financial Calculators are allowed.

PLEASE NOTE

1. This examination has two (2) Sections. Students must pass both Sections to pass the examination.
2. Taxation rates for the year 2020 Income Year apply in this examination.

MULTIPLE CHOICE QUESTIONS (MCQs) GUIDELINES

- Each of the MCQs has only ONE best answer.
- Answer each question in your answer sheet by giving the answer of your choice. For example, if (A) is the best answer for Question 1, shade completely the bubble with the letter "A" on the answer sheet. If more than one answer is given for a question, that question will not be marked. Incorrect answers will be marked as zero. No account will be taken of any explanations you offer.
- If you wish to change your mind about an answer for a MCQ, erase your first answer completely and then shade another letter. You will NOT receive marks if more than one letter is shaded.

PLEASE DO NOT TURN PAGE UNTIL INSTRUCTED TO DO SO

PROFESSIONAL CERTIFICATE FOR FINANCIAL ADVISORS

LEVEL 2 - BANKING SPECIALISATION

SAMPLE EXAMINATION

SECTION I

1. The premium on indemnity insurance is generally?
 - (a) Fixed monthly premiums over the life of the loan
 - (b) Single premium paid upfront
 - (c) Variable decline monthly premiums
 - (d) Paid up at the end of the mortgage period

2. Which one of the following statements is not true regarding credit cards?
 - (a) Credit Card companies comply with the Consumer Credit Act 1974
 - (b) Full or partial payments are accepted
 - (c) Generally, 60 days free credit
 - (d) The credit limit revolves

3. Which one of the following institutions regulates the mortgage market in Trinidad and Tobago?
 - (a) The Mortgage Finance Corporation
 - (b) The Central Bank of Trinidad & Tobago
 - (c) The Securities and Exchange Commission
 - (d) The Government of Trinidad and Tobago

4. The equal monthly instalment of a 5.50% per annum 28-year mortgage loan with a principal of \$1,600,000 is closest to?

- (a) \$8,364
- (b) \$8,283
- (c) \$6,562
- (d) \$9,343

5. A mortgage loan which is increased based on the available equity and the additional amount lent for another purpose is commonly known as?

- (a) A Participation mortgage
- (b) A Shared-appreciation mortgage
- (c) A Remortgage
- (d) A Reverse Annuity Mortgage

6. The owner of an insurance contract is known as?

- (a) The Proposer
- (b) The Life Assured
- (c) The Beneficiary
- (d) The Policyholder

7. If a party fails to perform his side of a contract and does not have a legal excuse for doing so, this is referred to as:

- (a) A breach of contract.
- (b) An injunction.
- (c) Duress.
- (d) Consideration.

8. When is the principal outstanding due on an interest only mortgage loan that is repaid?
- (a) Throughout the term of the mortgage loan
 - (b) By equal quarterly instalments
 - (c) By one bullet payment
 - (d) At the same time interest is paid
9. Which of the following is correct? A fixed rate coupon bond_____.
- (a) Typically pays coupons only during the first five years.
 - (b) Never sells for a price that is greater than par value.
 - (c) Provides no cash flow to the holder at maturity.
 - (d) Makes periodic interest payments of fixed dollar amounts.
10. One of the main reasons why people fail to make provision for the adverse financial effects of death or sickness is that?
- a) They are unaware of the effects
 - b) They believe “it won’t happen to me”
 - c) They believe the Government will help
 - d) They believe the National Insurance System will keep them financially stable
11. Protection policies provide funds to meet practical needs. Which one of the following is NOT a need covered by these types of policies?
- a) To replace earned income
 - b) To repay debts
 - c) To cover losses arising from speculation in the foreign exchange markets
 - d) To provide specific medical treatment or care

12. Which of the following is an example of a low risk investment?

- (a) Treasury Bill.
- (b) Bank account.
- (c) Stock.
- (d) Both a & b.

13. Which one of the following is NOT a main factor, which influence individuals to take out a protection policy?

- a) Peace of mind
- b) Income generation
- c) Control
- d) Value for money

14. Suppose that a company's annual gross profit is \$20 million, and its total annual wage bill is \$5 million. What amount of cover would you recommend for a key person if their salary is \$500,000 per annum and whose loss would be felt for five years?

- a) \$5 million
- b) \$500,000
- c) \$10 million
- d) \$2 million

15. The National Insurance Board (NIB) provides several benefits to insured persons. Which of the following is NOT a benefit paid by the NIB?

- a) Survivor's benefits
- b) Unemployment insurance
- c) Sickness benefits
- d) Injury Benefits

16. The process by which an insurance company decides whether it can accept a risk offered to it and, if so, on what terms is known as?
- a) Tracking
 - b) Coverage
 - c) Good faith
 - d) Underwriting
17. Six years ago Maria purchased a fixed rate Argentina sovereign bond due to the high yields offered. The bond was issued in Argentina pesos. What is the major type(s) of risk faced in this investment?
- (a) Default risk
 - (b) Exchange rate risk
 - (c) Reputation risk
 - (d) Both (a) and (b) above
18. In general, individuals invest for two broad reasons. These reasons are:
- (a) To provide income and to provide a capital return
 - (b) To provide income and to provide discretionary spending
 - (c) To provide discretionary spending and to provide a capital return
 - (d) To provide a capital return and portfolio returns
19. First Citizens Bank shares are being offered to the general public and are being listed on the stock exchange for the first time. This issuance may be referred to as a:
- (a) Rights issue
 - (b) Secondary issue
 - (c) Initial Public offering
 - (d) Bonus issue

20. The maturity date on a floating rate bond may be defined as:

- (a) the interest reset date
- (b) the interim payment date
- (c) the date by which the principal is to be repaid
- (d) the face value of the bond

END OF SECTION I

**PROFESSIONAL CERTIFICATE FOR FINANCIAL ADVISORS
LEVEL 2 - BANKING SPECIALISATION – SAMPLE EXAMINATION**

SECTION II

21. If a share is sold ex dividend then?
- (a) There is no dividend on these shares
 - (b) The buyer receives the dividend payment
 - (c) The dividend is split between the buyer and seller
 - (d) The seller receives the dividend
22. If a company distributes 70% of its profits as dividend, the dividend cover will be closest to?
- (a) 1.4
 - (b) 7.0
 - (c) 1.7
 - (d) 2.0
23. Which one of the following is generally true regarding the shareholders of a publicly listed company?
- (a) The shareholder does not have a liability for the debts of the company
 - (b) The shareholder does not have a right to receive dividends
 - (c) The shareholder carries a liability for the debts of the company
 - (d) The shareholder is not entitled to the residual value of the company in liquidation
24. Which one of the following is a disadvantage of a money purchased defined contribution pension arrangement?
- (a) Easy for members to understand benefits and contributions rates
 - (b) No underlying benefit promise for members
 - (c) The employer can better control cost
 - (d) A better value for members with short service who leave the plan before retirement

25. Mango Limited's call options with a strike price of \$3.50 are trading at a \$0.75 premium. If at maturity Mango's share price is \$5.15 the investor should?
- (a) Exercise the option for a profit of \$1.65 per option
 - (b) Exercise the option for a profit of \$4.40 per option
 - (c) Exercise the option for a profit of \$0.90 per option
 - (d) Do not exercise the options
26. ABC Company Limited pays a fixed dividend on its shares of \$2.00. Assuming the expected rate of return is 10%, how much should this share cost?
- (a) \$20.00
 - (b) \$5.00
 - (c) \$10.00
 - (d) \$15.00
27. Which one of the following is true regarding open-ended mutual funds?
- (a) There is no limit on the number of shares that can be issued
 - (b) Shares are generally purchased and sold on an exchange
 - (c) There is a fixed limit on the number of shares that can be issued
 - (d) The market price is determined by supply and demand
28. In general interest rates lower than the coupon rate available on a bond will lead to?
- (a) Bond prices remaining unchanged
 - (b) Bond prices falling
 - (c) Bond prices increasing
 - (d) Bond coupon rates falling
29. The body primarily responsible for overseeing investor protection in Trinidad and Tobago is?
- (a) The Trinidad and Tobago Central Bank
 - (b) The Trinidad and Tobago Bureau of Financial Oversight
 - (c) The Trinidad and Tobago Securities and Exchange Commission
 - (d) The Trinidad and Tobago Stock Exchange
30. An investor seeking an investment of funds to be kept for an emergency or otherwise in case of need should use which one of the following?
- (a) A Deposit account
 - (b) A 5-year certificate of deposit
 - (c) A Government 10-year fixed rate bond
 - (d) A hedge fund

31. Muriel purchased 100 shares at \$12 per share. Over the next year, she received dividend income of \$800 as a result of owning the stock. She then sold the stock for \$19 per share. She did not incur any expenses for either the purchase or sale of the stock. This information indicates that Muriel's capital gain on her investment was?

- (a) \$1,500
- (b) \$700
- (c) \$15
- (d) \$400

32. Within the insurance company the individual responsible for determine the premium rate for life insurance and other policies is known as:

- (a) Approver
- (b) Examiner
- (c) Adjuster
- (d) Actuary

33. When premiums are being used on a regular basis to buy units with each purchase of units made at the offer price of the unit at the time. When the unit price is low more units are purchased than when the unit price is high and vice versa. This is known as and the effect to the policyholder is:

- (a) Dollar cost averaging and the effect is non-beneficial
- (b) Dollar cost averaging and the effect is beneficial
- (c) Dollar cost returns and the effect is non-beneficial
- (d) Dollar cost returns and the effect is beneficial

34. The securities that make up the capital markets tend to be classified as either debt or equity. In general?

- a) Equity represents ownership
- b) Debt represents ownership
- c) Equity represents lending
- d) Debt and equity both represent ownership

35. Securities with maturities of less than a year are considered to represent?

- a) The Debt Market
- b) The Money Market
- c) The Refinance
- d) The Primary Market

36. The main capital markets regulator in Trinidad and Tobago is?
- a) The Trinidad and Tobago Securities and Exchange Commission
 - b) The Trinidad and Tobago Stock Exchange
 - c) The Government of Trinidad and Tobago
 - d) The Central Bank of Trinidad and Tobago
37. One of the rights of the common shareholders is that they have the ability to?
- a) Declare the dividends of the company
 - b) Determine the Board of Directors of the company
 - c) Determine the CEO of the company
 - d) Determine the price of the company's shares
38. Which one of the following securities derives its value from another underlying asset?
- a) A Derivative
 - b) A Common Stock
 - c) A Preferred Share
 - d) Bond
39. When a company is seeking to raise additional capital, it may issue a certificate that provides the holder with the right to purchase shares in the company within a specific period of time. This certificate is known as?
- a) A stock
 - b) A bond
 - c) A warrant
 - d) A derivative
40. Profits not paid out to shareholders of a company are referred to as:
- (a) Retained earnings.
 - (b) A rights issue.
 - (c) Interest payments.
 - (d) Dividends.

END OF SECTION II
END OF EXAMINATION