

FINRA Practice Test Questions and Answers

1. What is mandatory reporting?

- A) A legal obligation to report certain situations such as abuse or neglect
- B) An optional recommendation for best practice
- C) A requirement to report all client information to authorities
- D) A policy that only applies to government employees

2. What is a 'futures contract'?

- A) A standardized legal agreement to buy or sell an asset at a predetermined price at a specified future date
- B) An option to purchase a commodity at today's price in the future
- C) A forward agreement negotiated privately between two parties
- D) A contract allowing delivery of securities at the buyer's discretion

3. What is a 'covered call' strategy?

- A) Selling a call option while owning the underlying stock
- B) Buying a call option against a short stock position
- C) Selling a call and a put simultaneously on the same stock
- D) Buying a call option without owning the underlying stock

4. What is the primary role of FINRA?

- A) Regulate the securities industry
- B) Issue government bonds
- C) Determine interest rates
- D) Oversee federal monetary policy

Answers: 1-A 2-A 3-A 4-A

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