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Finra

SIE

Securities Industry

Essentials

QUESTION: 1

Which of the following terms describes an offer to purchase some or all shareholders' shares in a corporation, usually at a premium to the market price?

- A. Tender
- B. Stock split
- C. Redemption
- D. Class action

Answer(s): A

Explanation:

Tender Offer Definition: A tender offer is an offer to purchase a certain number of shares from shareholders, typically at a price above the current market value. This is often part of mergers, acquisitions, or corporate takeovers.

Stock Split: A stock split increases the number of shares but decreases the price per share without affecting the total value of an investor's holdings.

Redemption: Redemption refers to the repayment of a bond or preferred stock at maturity or at a predetermined date.

Class Action: A class action is a lawsuit filed by a group of people with similar grievances.

Reference:

SEC Rule 14e on tender offers: SEC Tender Offers.

QUESTION: 2

Which of the following statements best describes a characteristic of 529 savings plan accounts?

- A. There are no contribution limits to the account.
- B. The number of contributors to the account is limited.
- C. Using funds for undergraduate or graduate studies is permissible.
- D. Earnings are taxed to the donor at the time of a qualified withdrawal.

Answer(s): C

Explanation:

529 Savings Plans: These plans allow tax-advantaged savings for education expenses. They can be used for both undergraduate and graduate studies, as well as certain K-12 expenses.

Contribution Limits: Contributions are subject to gift tax limits but have no specific statutory maximum under federal law.

Tax Treatment: Earnings grow tax-deferred and are tax-free if used for qualified education expenses.

Reference:

IRS Section 529 Guidance: IRS 529 Plans.

QUESTION: 3

Which of the following statements is true regarding the ownership of investment company shares held as tenants in common?

- A. All tenants must sign redemption requests.
- B. Any income is distributed evenly among the tenants.
- C. Each tenant has a fractional interest in the investment.
- D. Upon the death of a tenant, all shares in the account are taxable in the estate of the deceased.

Answer(s): C

Explanation:

Tenants in Common: In this arrangement, each tenant owns a fractional interest in the account's assets, which can be unequal depending on the agreement.

Income Distribution: Income is distributed based on ownership percentage, not necessarily equally.

Redemption Requests: Only the owner of the fractional interest has authority to request redemption for their portion.

Estate Taxation: Upon the death of a tenant, only their fractional interest is taxable in their estate.

Reference:

FINRA Guidelines on Joint Accounts: FINRA Joint Accounts.

QUESTION: 4

A broker-dealer (BD) creates a marketing postcard that includes a statement regarding FINRA's endorsement of the BD. Which of the following responses is true?

- A. The statement regarding FINRA's endorsement is not permissible.
- B. The statement is permissible if a principal of the BD approves it in writing prior to use.
- C. The statement is permissible if the statement is approved in writing by FINRA prior to use.
- D. The statement is permissible if the postcard does not discuss specific investment opportunities.

Answer(s): A

Explanation:

FINRA Rule 2210: Firms are prohibited from suggesting or implying FINRA's endorsement or approval in any advertising materials.

Approvals: Even if a principal or FINRA approves the content, such a statement remains impermissible.