



## Series 6 Practice Questions

1. Regulation D, which is the federal private placement rule, limits the number of non-accredited investors to a maximum of 35, while the number of accredited investors is:
  - A. 50
  - B. 75
  - C. 100
  - D. Unlimited
  
2. Under FINRA Rule 3230 - Telemarketing, all of the following are prohibited except:
  - A. Calling before 8 am or after 9 pm
  - B. Calling someone that the associated person has a personal relationship with at anytime
  - C. Failing to maintain a firm-specific do-not-call list
  - D. Failing to consult the federal do-not-call list
  
3. Christie's mom Helen passed away on December 1, leaving her securities account to her. Over the years, Helen had invested \$500,000 into her brokerage account. As of her date of death, her account balance was \$1.3 million. All of the following are false except:
  - A. Christie's cost basis will be \$500,000
  - B. If Christie should sell the securities within one year of Helen's death, any gain realized will be taxed as ordinary income
  - C. Christie's cost basis is the fair market value of the account as of the date of death
  - D. Christie must hold the securities for at least a year to have a long-term capital gain on any realized appreciation
  
4. Form 8-K is due within how many days of a significant business event?
  - A. 2
  - B. 3
  - C. 4
  - D. 10
  
5. A mutual fund's statement of additional information will include:
  - I. Information about share pricing and expenses
  - II. The history and description of the fund
  - III. Disclosure about the fund officers and directors
  - IV. Information about service providers, brokerage commissions, tax matters, and financial statements
  - A. I, II, III, IV
  - B. I, II
  - C. I, II, III
  - D. II, III, IV



6. When a broker-dealer receives a customer's Transfer Initiation Form (TIF) they have how long to validate or take exception to the transfer?
  - A. One business day
  - B. Two business days
  - C. Three business days
  - D. Four business days
  
7. Which type of equity security may be converted into shares of common stock?
  - A. Debenture
  - B. Note
  - C. Convertible preferred stock
  - D. Participating preferred stock
  
8. If the ask is less than the bid it must be:
  - A. An open-end fund
  - B. A class B share
  - C. A closed-end fund
  - D. A class C share
  
9. Which of the following has a use by age 30 rule?
  - A. Qualified tuition plans
  - B. ESAs
  - C. Roth IRAs
  - D. Traditional IRAs
  
10. FINRA's Uniform Practice Code:
  - A. Standardizes trading in the industry
  - B. Sets forth the arbitration requirements
  - C. Has the penalties for violation of the Code of Procedure
  - D. Includes all FINRA rules



## Series 6 Practice Questions Answers and Rationale

1. D Regulation D enables the issuer to make a private placement of securities without SEC registration. While Reg D limits the number of non-accredited investors to 35, there is no limit on the number of accredited investors. An accredited investor is one who is financially knowledgeable and meets certain net worth or income requirements.
2. B FINRA Rule 3230 - Telemarketing allows for an associated person to call a person with whom they have a personal relationship at any time.
3. C Inherited securities are inherited at their fair market value as of the date of death. In the question, Christie's cost basis is \$1.3 million. She does not owe any income tax unless she sells the securities for more than her cost basis. If she were to sell the securities within the first year of Helen's death, the realized appreciation would be taxed at long-term capital gains rates.
4. C Form 8-K is due within four business days of a significant (material) event.
5. D The prospectus will include information about share pricing and expenses. The statement of additional information (SAI) will include information about: the history and description of the fund; disclosure about the fund officers and directors including their names, positions, length of service to the fund, and work history for the past five years; and information about service providers (investment adviser and underwriter), brokerage commissions, tax matters, and financial statements.
6. A When a broker-dealer receives a customer's Transfer Initiation Form they have one business day to validate or take exception to the transfer.
7. C Convertible preferred stock is convertible into shares of common stock of the issuer.
8. C Closed-end fund shares trade in the secondary market. The only way the ask could be less than the bid is because the market priced it that way. With an open-end fund, the least the price would ever be is bid = ask and that would be a no-load fund.
9. B Educational savings accounts have a use by age 30 rule, except for beneficiaries that have special needs. Under this rule, the earnings are taxable as ordinary income plus a 10% penalty if not used by age 30, or rolled to an ESA of another family member, that is under age 30.
10. A FINRA's Uniform Practice Code (UPC) is designed to standardize trading in the industry. The UPC includes the dates and times for each type of settlement.