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NEW QUESTION: 1
What is an example of a KYC requirement?
A. KYC information can be shared between accounts for clients with multiple accounts.
B. KYC information is limited to the main accountholder if account is joint.
C. KYC information is discretionary when the client is not acting on the advisor's recommendation.
D. KYC information should include the customer's personal circumstances.
Answer: (SHOW ANSWER)
Know Your Client requirements require the advisor and firm to collect and maintain sufficient information about the client to assess suitability. This includes personal circumstances, financial circumstances, investment knowledge, risk tolerance, risk capacity, time horizon, investment objectives, liquidity needs, and other relevant constraints. Option A is incorrect because each account may have different objectives, ownership, risk profile, or restrictions, so information cannot simply be assumed across accounts without proper review. Option B is incorrect because joint accounts require relevant information for the account holders. Option C is wrong because KYC obligations still matter even when the client initiates a transaction. The advisor must understand the client well enough to identify suitability concerns. Therefore, personal circumstances are a core KYC requirement.

NEW QUESTION: 2
Maya invested $5,000 in a three-year ABC market-linked GIC for her non-registered account. Her GIC just matured and the return was based on the performance of the S & P/TSX Composite Index, with a 70% participation rate. Initial and ending reference index levels were 13,600 and 19,000, respectively. What amount of GIC return will be taxable for Maya in the year of maturity?
A. $1,985.00.
B. $694.75.
C. $992.50.

D. $1,389.71.

Answer: (SHOW ANSWER)

A market-linked GIC pays a return based on a formula tied to an index, but the return is still treated as interest income for tax purposes in a non-registered account. First calculate the index gain: 19,000 minus 13,600 equals 5,400. Divide 5,400 by 13,600 to get 39.7059%. Apply the 70% participation rate:

39.7059% × 70% = 27.7941%. Apply that return to Maya's $5,000 investment: $5,000 × 27.7941% =

$1,389.71. Because the GIC matured in the current year, that full GIC return is taxable in the year of maturity. Therefore, the correct taxable amount is $1,389.71.

NEW QUESTION: 3

What is an advantage of a structured product?

A. Complexity.

B. Diversification.

C. Liquidity.

D. Cost structure.

Answer: B (LEAVE A REPLY)

Structured products are designed to combine different financial components, commonly a debt instrument with derivatives, to create a customized payoff profile. Their main advantage is diversification because they can provide exposure to markets, indexes, currencies, commodities, or baskets of assets that may be difficult for a retail investor to access directly. Complexity is not an advantage; it is one of the key risks because investors may not fully understand the payoff formula, embedded derivatives, or issuer risk. Liquidity is also usually limited because many structured products are intended to be held to maturity and may have weak secondary markets. Cost structure is another concern because embedded fees can be difficult to identify. Therefore, diversification is the best answer.

NEW QUESTION: 4

Which derivatives transaction has the greatest default risk?

A. Individual investor buying shares on an exchange during the ex-rights period.

B. Interest rate forward agreement between an investment dealer and a corporation.

C. Exchange-traded equity option contract between an individual investor and a dealer.

D. Individual investor entering future contract with an institutional investor.

Answer: (SHOW ANSWER)

An interest rate forward agreement (FRA) is an over-the-counter (OTC) derivative contract. Unlike exchange- traded derivatives, OTC contracts are not centrally cleared, meaning there is no intermediary to guarantee performance. This increases counterparty (default) risk, making FRAs inherently riskier than exchange-traded contracts.

* A. Individual investor buying shares on an exchange during the ex-rights period: This is a standard transaction involving equity securities, not derivatives, and carries no default risk.

* C. Exchange-traded equity option contract between an individual investor and a dealer: Exchange- traded derivatives are backed by a clearinghouse, which mitigates default risk.
* D. Individual investor entering a futures contract with an institutional investor: Futures contracts are also exchange-traded and centrally cleared, reducing default risk.
Reference:CSC Volume 1, Chapter 10, "The Role of Derivatives - Counterparty Risks in OTC Contracts" explains the higher default risk associated with OTC derivatives like FRAs.

NEW QUESTION: 5
What type of investment typically involves massive amounts of capital provided by a small number of investors?
A. Derivatives
B. Infrastructure
C. Bonds
D. Commodities
Answer: (SHOW ANSWER)
Infrastructure investments often require massive capital commitments for projects such as airports, highways, and utilities. These investments are typically made by institutional investors or private equity funds, involving relatively few but large-scale investors due to the high entry cost and the long-term nature of these investments.
References:
* CSC Volume 2, Chapter 20: "Alternative Investments: Benefits, Risks, and Structure," explains the characteristics of infrastructure as an asset class and its association with significant capital requirements.

NEW QUESTION: 6
Which ratio helps compare the shares of companies within the same industry?
A. Price-to-earnings.
B. Asset coverage.
C. Debt-to-equity.
D. Working capital.
Answer: (SHOW ANSWER)
The price-to-earnings ratio compares a company's market price per share with its earnings per share.
It is widely used to compare companies within the same industry because firms in the same sector often share similar growth expectations, risk profiles, capital intensity, and earnings patterns. A higher P/E may suggest investors expect stronger future growth, while a lower P/E may suggest weaker expectations or undervaluation, depending on context. Asset coverage is more relevant to creditor protection and fixed-income analysis. Debt-to-equity measures leverage and capital structure. Working capital measures short-term liquidity. These ratios are useful, but they do not directly compare share valuation the way the P/E ratio does. Therefore, Option A is correct.

NEW QUESTION: 7
A bond with a duration of five is currently priced at $103. If Interest rates rise by 2%. approximately what win be me bond ' s price?
A. $108.15
B. $113.30
C. $97.85
D. $92.70
Answer: (SHOW ANSWER)
The approximate price change of a bond due to a change in interest rates can be estimated using the formula:
Price Change (%)=#Duration×#Interest Rate\text{Price Change (\%)} = - \text{Duration} \times \Delta \text
{Interest Rate} Price Change (%) = #Duration × #Interest Rate
Given:
* Duration = 5
* Current Price = $103
* Change in Interest Rate (#\Delta #) = 2% or 0.02
Price Change (%)=#5×0.02=#0.10 (#10%)\text{Price Change (\%)} = -5 \times 0.02 = -0.10 \, (-10\%) Price Change (%) = #5 × 0.02 = #0.10 (#10%) The new price is calculated as:
New Price=Current Price×(1+Price Change)=103×(1#0.10)=103×0.90=97.85\text{New Price} = \text
{Current Price} \times (1 + \text{Price Change}) = 103 \times (1 - 0.10) = 103 \times 0.90 = 97.85 New Price
= Current Price × (1 + Price Change) = 103 × (1 # 0.10) = 103 × 0.90 = 97.85
* A. $108.15 and B. $113.30: These represent price increases, which are incorrect for rising interest rates.
* D. $92.70: This reflects a greater-than-actual price drop, which is inconsistent with the duration-based calculation.
Reference: CSC Volume 1, Chapter 7, " Duration as a Measure of Bond Price Volatility " explains how bond prices respond to interest rate changes.

NEW QUESTION: 8
How does diversification work?
A. It can reduce the risk that the price of a specific security will change in a different direction from the market.
B. It is built on the concept of risk reduction by adding securities with perfect positive correlation to a portfolio.
C. It can eliminate systematic risk from a portfolio.
D. It shows that the risk continues to fall proportionally as the number of stocks in the portfolio increases.

Answer: (SHOW ANSWER)

NEW QUESTION: 9
Which type of ETF is also referred to as smart beta ETF?
A. Rules-based
B. Standard
C. Synthetic
D. Index-based
Answer: (SHOW ANSWER)
Rules-based ETFs, also known as smart beta ETFs, use predetermined rules or algorithms to select and weight securities in their portfolios. These ETFs aim to outperform traditional market-capitalization-weighted ETFs by targeting specific factors such as value, momentum, quality, or volatility.
* Strategic Factor Weighting: Securities are weighted based on fundamental or quantitative factors, not just market capitalization.
* Higher Returns Potential: These ETFs are designed to capture excess returns (alpha) relative to a benchmark.
* Lower Costs: Smart beta strategies often combine active and passive management elements at a lower cost than traditional active funds.
* A. Rules-based: Correct answer. Smart beta ETFs are built on rule-based frameworks designed to achieve specific investment objectives.
* B. Standard: Refers to traditional, market-cap-weighted ETFs, not smart beta.
* C. Synthetic: Refers to ETFs that use derivatives to replicate returns of an underlying index, unrelated to smart beta.
* D. Index-based: Includes standard ETFs tracking an index but does not apply specifically to smart beta.
References:
CSC Volume 2, Chapter 19: Smart Beta and Rules-Based ETFs, which describes their unique features, benefits, and strategies.

NEW QUESTION: 10
Which investor right must be disclosed in a Fund Fact document?
A. Investors have the right to rescind the purchase if these is misrepresentation in the document.
B. Investors have a right to withdrawal from their purchase within 24 hours after confirmation of the purchase is received.
C. Investors can request a paper copy of the simplified prospectus for a small charge.
D. Investors have the right to act or claim damages without any limitation.
Answer: A (LEAVE A REPLY)
The Fund Facts document is a regulatory disclosure document provided to mutual fund investors in Canada.

It aims to provide clear, concise, and relevant information about the fund. One critical investor right disclosed in this document is the right to rescind their purchase if there is any misrepresentation in the document. This ensures transparency and legal protection for investors.
* Explanation of Options:
* A. Rescission Due to Misrepresentation: Correct. If the document contains false or misleading statements, investors can rescind the purchase under securities laws.
* B. 24-Hour Withdrawal Right: Incorrect. This is not a standard right for mutual fund purchases; the withdrawal right period is generally within two business days after receiving the trade confirmation.
* C. Requesting a Simplified Prospectus: While investors can request this document, the Fund Facts specifically focuses on investor rights related to rescission and misrepresentation.
* D. Claiming Damages Without Limitation: Incorrect. Claims for damages are subject to limitations under securities law and are not unrestricted.
:
CSC Volume 2, Chapter 17: Fund Facts and regulatory disclosures.

NEW QUESTION: 11
What risk of investing in split shares is specific to a preferred shareholder?
A. Reinvestment
B. Dividend cuts
C. Volatility
D. Leverage
Answer: (SHOW ANSWER)

NEW QUESTION: 12
In which type of ETF does the portfolio manager select securities and their weighting to best match the performance of an index?
A. Rules-based
B. Synthetic.
C. Sampling
D. Full replication
Answer: (SHOW ANSWER)
In ETFs, portfolio management involves selecting securities to match an index ' s performance. Full replication is a method where the portfolio manager buys all the securities in the index in their exact proportions.
* Full Replication:
* Involves holding every security in the index.
* Ensures minimal tracking error and high fidelity to the benchmark.
* Suitable for highly liquid and straightforward indexes like the S & P/TSX Composite.
* Sampling:
* Used for large, complex indexes where holding all securities is impractical.

* Selects a representative sample to approximate the index ' s performance.
* Rules-Based and Synthetic ETFs:
* Employ predefined rules or derivatives rather than physical securities.
Option D reflects the primary method of mirroring an index ' s performance through full replication, ensuring accuracy and minimal tracking error.
References:
Volume 2, Section 19: Exchange-Traded Funds-Full Replication vs. Sampling.
Volume 2, Section 13: Efficient Market Hypothesis-Implications for Passive Management.

NEW QUESTION: 13
In March of this year, a client buys 1,000 PIL inc, common shares at $16 per share and pays a commission of
$25 on the purchase. Several months later in the same year, the client sell the shares at $12 per share and pays commission of $50 on the sale. What is the client's allowable capital loss on the transaction?
A. $2,038
B. $2,025
C. $1,925
D. $2,013
Answer: (SHOW ANSWER)
To calculate theallowable capital loss, we must first determine theadjusted cost base (ACB)and the proceeds of disposition (POD), then subtract the latter from the former. Commissions on both the purchase and sale are included in the calculation.
Step-by-Step Explanation:
* Purchase Details:
* Number of shares purchased: 1,000
* Purchase price per share: $16
* Total purchase cost before commission: $16 × 1,000 =$16,000
* Add purchase commission:$25
* Adjusted cost base (ACB): $16,000 + $25 =$16,025
* Sale Details:
* Number of shares sold: 1,000
* Sale price per share: $12
* Total sale proceeds before commission: $12 × 1,000 =$12,000
* Deduct sale commission:$50
* Proceeds of Disposition (POD): $12,000 - $50 =$11,950
* Capital Loss Calculation:
* Capital loss = ACB - POD
* Capital loss = $16,025 - $11,950 =$4,075
* Allowable Capital Loss:
* In Canada,50% of the capital lossisallowablefor tax purposes.

* Allowable capital loss = 50% × $4,075 =$2,038
Final answer:
* Option A ($2,038):Correct.
* Option B ($2,025):Incorrect; likely excludes commissions or contains a minor calculation error.
* Option C ($1,925):Incorrect; this does not account for the full adjusted cost base or allowable percentage.
* Option D ($2,013):Incorrect; this likely contains a rounding error or miscalculation.
References to Canadian Securities Course Exam 2 Study Materials:
* Volume 2, Chapter 24 - Canadian Taxation
* Discusses the calculation of adjusted cost base (ACB), proceeds of disposition (POD), and allowable capital losses.
* Volume 1, Chapter 11 - Corporations and Their Financial Statements
* Details financial concepts like capital gains, losses, and the treatment of commissions in securities transactions.
* Volume 2, Chapter 26 - Working with the Retail Client
* Covers tax implications and planning for securities transactions.

NEW QUESTION: 14
Over the previous three calendar years, fund LMO had five drawdowns as follows:

Year 1	15% from January to March, and 7.5% from September to November
Year 2	18% from February to March, and 3.25% from May to June
Year 3	8.75% from June to August

What was the maximum drawdown during this time period?
A. 22.50%
B. 52.50%
C. 18.00%
D. 21.25%
Answer: (SHOW ANSWER)

NEW QUESTION: 15
Why would a corporation choose to issue preferred shares rather than debt?
A. Existing assets have excess financing capacity to justify the issue of preferred shares.
B. The preferred dividend rate usually varies with the market interest rates
C. issuing preferred shares would reduce the amount of leverage.
D. The costs for issuing preferred shares are usually kwh than debt.
Answer: (SHOW ANSWER)
When a corporation issues preferred shares rather than debt, it avoids increasing its leverage (debt-to-equity ratio). Preferred shares are considered equity for financial reporting purposes and do not require the repayment of principal like debt instruments. Although they may have fixed dividend obligations, these are not legally binding in the way interest payments on debt are.

Issuing preferred shares allows the corporation to strengthen its balance sheet while potentially preserving its credit rating. Preferred shares do not directly affect leverage but provide capital without increasing debt.
References:
* Volume 1, Chapter 8:Preferred Shares, section on "Why Companies Issue Preferred Shares" explains the advantages of using preferred shares instead of debt.

NEW QUESTION: 16
The Bank of Canada uses an operating band to help manage the oversight rate. How wide is the operating Band?
A. 25 basis points
B. 75 basis points
C. 50 basis points
D. 100 basis points.
Answer: (SHOW ANSWER)
The Bank of Canada uses an operating band of 50 basis points to manage the overnight rate. The top of the band is the Bank Rate, and the bottom is the rate the Bank pays on settlement balances. The overnight rate typically operates within this band.
* A. 25 basis points: This is too narrow to accommodate monetary operations.
* B. 75 basis points: This is wider than the standard operating band.
* D. 100 basis points: This is incorrect; the operating band is 50 basis points.
Reference: CSC Volume 1, Chapter 5, " Monetary Policy - Operating Band for the Overnight Rate " explains the 50-basis-point band used by the Bank of Canada.

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NEW QUESTION: 17
The following table presents annual returns on TUV common stock and the S&P/TSX Composite Index over a three-year period.
What is TUV's beta relative to the S&P/TSX Composite Index over this three-year period?
A. Less than 0.
B. Greater than 1.
C. Between 0 and 1.
D. Exactly 1.

Answer: (SHOW ANSWER)

NEW QUESTION: 18
Which vehicle is least appropriate for an institutional investor?
A. Discount broker
B. Family office
C. Dark pool
D. University endowment
Answer: (SHOW ANSWER)

NEW QUESTION: 19
What is the best description of growth-style investment managers?
A. Managers deliver long-term total return mostly through capital appreciation
B. Managers are usually concerned with quarterly portfolio fluctuations
C. Managers focus on identifying the current phase of the economic cycle, the direction the economy is headed in, and the various sectors affected
D. Managers buy discounted stocks that should eventually rise in price by screening stocks for cheap fundamentals
Answer: A (LEAVE A REPLY)

NEW QUESTION: 20
The following information is available for REW Co:
What is the price of REW Co. if calculated using the dividend discount model?
Freecram.net
A. $12.50.
B. $15.71.
C. $13.75.
D. $14.29.
Answer: (SHOW ANSWER)

NEW QUESTION: 21
The consumer price index was 125.9 in December of last year and 123.0 in December of the year before What was the inflation rate last year?
A. 2.36%
B. 2.30%
C. 0.98%
D. 1.02%
Answer: (SHOW ANSWER)
The inflation rate is calculated using the formula:
Inflation Rate=CPIcurrent#CPIpreviousCPIprevious×100\text{Inflation Rate} = \frac{\text{CPI}_{\text

{current}} - \text{CPI}_{\text{previous}}}{\text{CPI}_{\text{previous}}} \times 100 Inflation Rate = CPIprevious CPIcurrent # CPIprevious × 100 Substitute the given values:
Inflation Rate=125.9#123.0123.0×100=2.9123.0×100#2.36%\text{Inflation Rate} = \frac{125.9 - 123.0}
{123.0} \times 100 = \frac{2.9}{123.0} \times 100 \approx 2.36\% Inflation Rate = 123.0125.9 # 123.0 ×
100 = 123.02.9 × 100 # 2.36%
* B. 2.30%: This is close but results from rounding errors or miscalculation.
* C. 0.98% and D. 1.02%: These values are far below the correct inflation rate calculated using the formula.
Reference: CSC Volume 1, Chapter 4, " Measuring Inflation - Consumer Price Index " explains how to calculate inflation using CPI values.

NEW QUESTION: 22
Which ratio gauges a company's ability to repay its debts using funds generated from operating activities?
A. Cash flow-to-total debt
B. Interest coverage.
C. Asset coverage.
D. Debt-to-equity
Answer: A (LEAVE A REPLY)
Thecash flow-to-total debt ratioassesses a company's ability to repay its debts using cash generated from its operating activities. It is calculated by dividing operating cash flow by total debt. A higher ratio indicates better capacity to cover debts. This metric is crucial for evaluating financial health and understanding a firm's liquidity position. Other ratios listed have different focuses:
* Interest coverage(B) measures a company's ability to pay interest with operating income.
* Asset coverage(C) measures the protection provided to creditors.
* Debt-to-equity(D) evaluates capital structure but not immediate debt repayment ability.
References
* CSC Volume 2, Chapter 14:Company Analysis - Risk Analysis Ratios, p. 14-12 to 14-16.

NEW QUESTION: 23
When a company issues a number of common shares, some of which are held by institutional investors, what are the institutional investors' shares known as?
A. Market capitalization shares.
B. Outstanding shares.
C. issued shares
D. Public float shares.
Answer: (SHOW ANSWER)

The shares held by institutional investors, along with other shares available for trading by the public, are referred to as thepublic float shares. These are the issued shares of a company that are actively traded in the market, excluding restricted shares held by insiders or strategic investors.
Other options:
* Issued shares: Includes all shares a company has issued, including restricted shares.
* Outstanding shares: Includes all shares held by all shareholders, including restricted shares and shares not available for trading.
* Market capitalization shares: Not a term used to describe shares; market capitalization is a measure of a company's total value based on its stock price and outstanding shares.
References:
* Volume 1, Chapter 8:Equity Securities, section on "Public Float and Market Capitalization" explains the concept of public float shares.

NEW QUESTION: 24
An analyst compiles the following information for Theta Inc.

	($)
Profit	1,200,000
Preferred Share Dividends Paid	80,000
Common Share Dividends Paid	100,000
Total Equity	5,550,000

Based on the financial information provided, what will the dividend payout ratio be for Theta Inc.?
A. 1.80%
B. 8.33%
C. 3.24%
D. 6.66%
Answer: (SHOW ANSWER)

NEW QUESTION: 25
When considering the overall investment objectives of liquid alternatives, what time horizon is the most appropriate for retail investors when investing in these funds?
A. Short-to medium-term
B. Short-term
C. Long-term
D. Medium-term
Answer: (SHOW ANSWER)
Liquid alternatives, also known as alternative mutual funds, combine features of traditional mutual funds with hedge fund-like strategies. They provide access to alternative investments such as derivatives, short-selling, and leverage while adhering to stricter regulations for retail investors. These funds are designed to achieve diversification and risk-adjusted returns that are less correlated with traditional stock and bond markets.

When considering liquid alternatives, a long-term investment horizon is most appropriate for retail investors.
The key reasons include:
* Volatility and Complexity : Liquid alternatives can be more volatile than traditional funds due to their use of sophisticated strategies like leverage or derivatives. This requires a long-term outlook to weather short-term fluctuations.
* Objective of Absolute Returns : Liquid alternatives are often structured to provide positive returns over a full market cycle, which typically spans several years.
* Diversification Benefits : The risk mitigation offered by these funds unfolds over time as they reduce the portfolio ' s overall exposure to specific market conditions.
Investors seeking short-term gains may not benefit as much due to the time required for the strategies employed to materialize their intended results. Long-term objectives align better with the nature of liquid alternatives and their ability to smooth returns.
:
CSC Volume 2, Chapter 20: " Alternative Investments: Strategies and Performance, " discusses the structure and time horizon considerations for liquid alternatives.

NEW QUESTION: 26
Which is a typical feature of investing in a listed private equity company?
A. Average levels of liquidity.
B. Access to a wide range of skills and large number of personnel.
C. Controls and limits on private equity management to protect existing investors.
D. Ability to act on legitimate insider information.
Answer: (SHOW ANSWER)
Investing in a listed private equity company offers the benefit of access to a broad array of skills and a large talent pool. Unlike traditional private equity investments, these entities are publicly traded and often operate with extensive resources and expertise to evaluate and manage investment opportunities.
* Key Features of Listed Private Equity Companies
* They provide liquidity compared to traditional private equity, as shares can be traded on public exchanges.
* They leverage a diverse team of analysts, strategists, and operational experts to identify and optimize investment opportunities.
* Evaluating Other Options:
* Average levels of liquidity (A): Listed private equity companies are considered to have higher liquidity relative to traditional private equity funds.
* Controls and Limits (C): These companies may not necessarily impose stricter controls than traditional private equity.
* Ability to act on legitimate insider information (D): Insider trading is strictly regulated and prohibited by law.

* Risk and Return Trade-Off: While providing advantages like transparency and liquidity, listed private equity investments may be subject to market volatility akin to other publicly traded equities.
References:Volume 2, Chapter 22: Alternative Investments - Section on Listed Private Equity. Volume 2, Chapter 20: Investment Structures and Risks - Private Equity Analysis.

NEW QUESTION: 27
How can an analyst use trend analysis to analyze a company's financial statements?
A. Computer the company's current ratios with its ratios from prior years to determine a trend.
B. Review the company's ratio over the past year, as they provide the best estimate of near-term performance and future trends.
C. Identity trends by selecting the lowest ratio for the base year, even if a loss is experienced, as it represents a good starting point for analyzing the growth in the ratios.
D. Analyze the ratios against companies in a wide a range of industries to see how the company is trending in the current economic cycle.
Answer: (SHOW ANSWER)
Trend analysis involves comparing a company's financial ratios or metrics over several periods to identify patterns or changes that may indicate performance trends. This approach is essential for evaluating a company
' s financial health over time and detecting improvements or declines in critical financial metrics. By analyzing the current ratios -which measure liquidity and the company's ability to cover short-term obligations-with data from prior years, an analyst can determine trends such as increasing efficiency, solvency, or potential financial stress. This method provides meaningful insights into a company's financial trajectory, supporting better decision-making.
Option B and C are incorrect because they either limit the analysis to a short timeframe or ignore the significance of using a stable and representative base year. Option D deviates from the principle of selecting relevant industry peers.
:
Volume 2, Chapter 14: Company Analysis, Trend Analysis, Canadian Securities Course .

NEW QUESTION: 28
For what type of company is the dividend discount model least applicable?
A. One with changing dividend payments and a stable dividend growth rate.
B. One with stable dividend payments and a stable dividend growth rate.
C. One with stable dividend payments and a fluctuating dividend growth rate.
D. One with changing dividend payments and a fluctuating dividend growth rate.
Answer: (SHOW ANSWER)
The dividend discount model (DDM) is based on the premise that a company's intrinsic value is the present value of all future dividends. This model works best when:
* Dividends are stable or follow a predictable growth rate.
* The company has an established dividend payout history.

* Inapplicability to Fluctuating Dividend Patterns:A company with changing dividend payments and fluctuating growth rates lacks the consistency required for the DDM. The fluctuating nature introduces uncertainty, making it difficult to estimate future dividends accurately. This diminishes the model's reliability in valuing such companies.
* Comparison with Other Options:
* Option A:Changing dividend payments but a stable growth rate could still provide a predictable valuation framework using DDM.
* Option B:Stable dividends and a stable growth rate align perfectly with DDM assumptions.
* Option C:Stable dividends and fluctuating growth rates are more predictable than Option D.
Supporting Study Material References:
* Volume 2, Chapter 13 (Fundamental Analysis):Explains the relevance of consistent dividend patterns in equity valuation, emphasizing

NEW QUESTION: 29
If an advisor is interested in a top-down, active equity management approach that is more aggressive and likely to be successful, which type of fund manager should he choose?
A. Sector rotation.
B. Buy and hold.
C. Value oriented.
D. Market timing.
Answer: (SHOW ANSWER)
Sector rotation is a top-down active equity strategy. The manager begins with macroeconomic and industry analysis, then shifts portfolio exposure toward sectors expected to outperform at a particular stage of the business cycle. This approach is more active and aggressive than buy-and-hold investing, but it is generally more practical than pure market timing because the manager remains invested while changing sector weights. Market timing attempts to move in and out of the market altogether, which is highly difficult and often unreliable. Value-oriented management is usually bottom-up because it focuses on individual undervalued securities. Buy and hold is passive or low-turnover. Therefore, sector rotation best matches a top-down active approach.

NEW QUESTION: 30
Who manages trades for institutional clients at a dealer firm?
A. Market maker
B. Investment banker
C. Agency trader
D. Liability trader
Answer: (SHOW ANSWER)

NEW QUESTION: 31
What is the main responsibility of the trustees of a mutual fund trust?
A. Arranging cash distributions through dividend payments.

B. Ensuring investments are in line with the fund's investment objectives.
C. Day-to-day supervision of the investment portfolio.
D. Portfolio trading and implementation of investment strategy.
Answer: (SHOW ANSWER)

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NEW QUESTION: 32
Anwar is placing a market order to purchase 100 shares of AJL when the bid/ask is $10.25."$ 10.75. Before the trade is complete, the bid/ask moves to $10.207S1Q70. What is the share price that Anwar will pay on the purchase transaction?
A. $10.70
B. $10.75
C. $10.29
D. $10.20
Answer: (SHOW ANSWER)
A market order executes immediately at the best available ask price for a purchase transaction. In this case, the bid/ask initially was $10.25/$10.75. However, before execution, the ask price updated to $10.70, meaning Anwar will pay $10.70 per share.
* B. $10.75: This was the previous ask price but is no longer valid after the update.
* C. $10.29: This value is not relevant to the current bid/ask spread.
* D. $10.20: This represents the updated bid price, which applies to sell orders, not buy orders.
Reference:CSC Volume 1, Chapter 9, "How Securities are Bought and Sold - Types of Orders" explains market orders and their execution at the prevailing ask price.

NEW QUESTION: 33
Which type of sell side equity revenue is earned when a dealer acts in the capacity of an agent in clients trade?
A. Fees
B. Spreads
C. Interest
D. Commission
Answer: (SHOW ANSWER)

In the context of sell-side equity revenue, when a dealer acts as an agent for a client's trade, the revenue is typically earned as a commission. The dealer facilitates the trade between buyers and sellers without taking ownership of the securities, earning fees for providing this service.
* Commission: Earned when the dealer acts as an agent.
* Spreads: Earned when the dealer acts as a principal, buying securities at one price and selling at a higher price.
* Fees: Charged for additional services, such as research or analytics.
* Interest: Earned from financing activities or margin accounts, not directly tied to trading.
* A. Fees: Incorrect; fees are typically charged for services, not for acting as an agent.
* B. Spreads: Incorrect; spreads are earned when the dealer acts as a principal.
* C. Interest: Incorrect; interest revenue is unrelated to acting as an agent.
* D. Commission: Correct answer. Acting as an agent involves earning commissions for facilitating trades.
References:
CSC Volume 2, Chapter 27: The Role of Sell-Side Dealers, which details revenue models in institutional and retail trading.

NEW QUESTION: 34
If the manager believes the market is efficient, what investment strategy should they employ for a portfolio?
A. Momentum investing
B. Growth investing
C. Buy-and-hold strategy
D. Sector rotation
Answer: (SHOW ANSWER)

NEW QUESTION: 35
What is the key objective for investors in alternative strategy funds?
A. To match the performance of a reference index.
B. To maximize risk-adjusted returns.
C. To achieve absolute returns
D. To exceed the current rate of inflation.
Answer: (SHOW ANSWER)
Alternative strategy funds aim to achieveabsolute returns, focusing on positive returns under various market conditions rather than comparing performance to a benchmark index. These strategies often include hedge funds and alternative mutual funds, using techniques like leverage, short selling, and derivatives to manage risk and enhance returns. The goal is not necessarily to outperform an index (as in option A) or match inflation rates (option D) but to deliver consistent positive returns.
References

* CSC Volume 2, Chapter 21:Alternative Investments: Strategies and Performance, p. 21-3 to 21-24.

NEW QUESTION: 36
Which statutory right allows a purchaser to caned their order if a prospectus has a misrepresentation?
A. Right of rescission.
B. Right of action for damages
C. Right of amended prospectus delivery
D. Right of withdrawal.
Answer: (SHOW ANSWER)
Theright of rescissionallows a purchaser to cancel their purchase if the prospectus contains a misrepresentation. This statutory right protects investors by ensuring that they are not bound by transactions based on incorrect or misleading information. Under Canadian securities law, the right of rescission is an important safeguard to maintain market integrity and investor confidence. This right is distinct from theright of action for damages, which allows investors to sue for compensation, and theright of withdrawal, which permits cancellation within a limited time after agreeing to the purchase, typically two business days.
References:
* Volume 1, Chapter 3:The Canadian Regulatory Environment, section on "Rights of Purchasers" describes the statutory rights related to prospectuses and their misrepresentations.

NEW QUESTION: 37
What must be included in the relationship disclosure information provided to the mutual fund client?
A. A general explanation of how the investment performance of fund managers might be used against a benchmark.
B. A definition of the various terms of Know Your Product information collection and how the information will be used.
C. A description of the general impact on the client's return from management expense fees and other ongoing fees.
D. A description of any benefits received by the client related to the client's purchase or ownership of an investment through the dealer.
Answer: (SHOW ANSWER)
Relationship disclosure information is intended to help clients understand the nature of their relationship with the dealer, including account services, costs, charges, compensation, conflicts, and how fees affect investment returns. For a mutual fund client, disclosure of the general impact of management expense fees and other ongoing fund costs is essential because these charges reduce the investor's return over time. Option A relates more to performance reporting or benchmarking discussion. Option B incorrectly focuses on internal Know Your Product collection terminology rather than client disclosure. Option D is incorrectly phrased because the relevant

disclosure concerns charges, compensation, and benefits received by the dealer or related parties, not benefits received by the client. Therefore, Option C is correct.

NEW QUESTION: 38
What is the main pitfall of closet indexing for investors?
A. The portfolio does not closely resemble the benchmark index.
B. Investors must take greater risks due to a high portfolio beta.
C. passively management fund can be marketed as actively managed.
D. High portfolio turnover makes it unsuitable for taxable accounts
Answer: (SHOW ANSWER)
Closet indexing is a controversial practice where a fund manager claims to actively manage a portfolio but instead mirrors an index closely. This practice undermines the very premise of active management.
* Lack of Value Addition: Investors pay higher fees for active management without receiving the expected benefits, as the portfolio closely tracks a benchmark index.
* Deceptive Marketing: Funds marketed as actively managed may mislead investors, violating transparency principles.
* Limited Alpha Generation: Since the portfolio resembles an index, it often fails to deliver excess returns (" alpha "), defeating the purpose of active management.
* Regulatory Concerns: Closet indexing raises ethical questions and can lead to scrutiny by regulatory bodies.
Option C highlights the core issue of closet indexing-misrepresenting a passively managed portfolio as active, leading to higher fees without the commensurate effort or performance.
References:
Volume 2, Section 18: Mutual Funds-Indexing and Closet Indexing.
Volume 2, Section 13: Portfolio Manager Styles-Active vs. Passive Management.

NEW QUESTION: 39
What is the primary difference between industry standards and industry ratios?
A. Industry standards provide a consistent benchmark over time, while industry ratios change each year.
B. Industry standards change each year, while industry ratios remain relatively static.
C. Industry standards are presented as specific numbers, while industry ratios are presented as a range.
D. Comparing against industry standards provides more fair and thorough analysis results rather than comparing against the average of the industry.
Answer: (SHOW ANSWER)

NEW QUESTION: 40
How do index-tracking ETFs differ from index mutual funds?
A. Index mutual funds have higher implicit trading costs

B. ETFs have higher tracking errors
C. ETFs have higher administrative costs of record-keeping
D. Index mutual funds only have initial investment and trading fees
Answer: (SHOW ANSWER)

NEW QUESTION: 41
What investment option is classified as a fixed-income asset?
A. Preferred share.
B. Rental property.
C. Real estate investment trust security.
D. Hedge fund.
Answer: (SHOW ANSWER)
Preferred shares are often treated as fixed-income-type investments because they usually pay a fixed dividend and rank ahead of common shares in claims on corporate assets and income. Although preferred shares are legally equity, their income characteristics and sensitivity to interest rates make them closer to fixed-income securities for many portfolio management purposes. Rental property and real estate investment trust securities are real estate-related investments, not fixed-income assets. A hedge fund is an alternative investment vehicle that may use many different strategies, including leverage, short selling, derivatives, or arbitrage, but it is not classified as a fixed-income asset by default. Among the choices, preferred shares are the only investment option with fixed-income characteristics.

NEW QUESTION: 42
Pierre has been plotting the price behaviour of QLT using a 100-day moving average. The 100-day moving average line has been above the daily market price for several weeks. However, the price of QLT broke through the moving average line with heavy trading volume, and the moving average line is moving higher.
What action should Pierre take based on this information?
A. Buy QLT shares
B. Buy put option on QLT shares
C. Sell QLT shares
D. Sell call option on QLT shares
Answer: (SHOW ANSWER)

NEW QUESTION: 43
A portfolio manager at an investment firm is analyzing the behavior of stocks in various market conditions.
They believe markets are efficient and that all public and non-public and non-public available information is fully reflected in current process. How should the construct their investment portfolio?
A. Create a passive investment portfolio with exchange- traded funds.

B. Use both fundamental and technical analysis to add value to the portfolio.
C. Use technical analysis to review all past price movements and trends.
D. Actively buy and sell stocks in an attempt to beat the stock market's average returns.
Answer: (SHOW ANSWER)
When an investor or portfolio manager adheres to the belief in market efficiency-specifically the strong form of the Efficient Market Hypothesis (EMH)-it implies that all information (public and non-public) is fully reflected in security prices. This belief diminishes the value of active investment strategies, such as fundamental or technical analysis, as these approaches presume the possibility of identifying undervalued or overvalued securities.
As such, the logical approach in this scenario would be to adopt a passive investment strategy. This includes constructing a portfolio of exchange-traded funds (ETFs) or index funds that replicate the performance of a broad market index, such as the S&P/TSX Composite Index. A passive approach aligns with the principle of market efficiency, as it avoids attempts to outperform the market, which are considered futile under the EMH.
:
Volume 2, Chapter 13: Fundamental and Technical Analysis, Efficient Market Hypothesis, Canadian Securities Course.

NEW QUESTION: 44
A fixed-rate bond was originally priced at $100 and paid $5 per year in interest. Currently, the bond is trading at $102.75. What is the impact on the current yield of coupon of the bond as a result of the change in price?
A. The coupon is higher than 5%.
B. The current yield is higher man 5%.
C. The current yield is lower than 5%
D. The coupon is lower than 5%.
Answer: (SHOW ANSWER)
The coupon rate of the bond remains fixed at 5%, as it is based on the bond ' s original par value of $100. The current yield, however, decreases because the bond ' s price has increased to $102.75. Current yield is calculated as:
Current Yield=Coupon PaymentCurrent Price\text{Current Yield} = \frac{\text{Coupon Payment}} {\text
{Current Price}} Current Yield = Current PriceCoupon Payment
Given:
* Coupon Payment = $5
* Current Price = $102.75
Current Yield=5102.75#4.87%\text{Current Yield} = \frac{5}{102.75} \approx 4.87\% Current Yield =
102.755 # 4.87%
* A. The coupon is higher than 5%: The coupon remains fixed at 5%.

* B. The current yield is higher than 5%: The current yield is lower than 5% due to the increased price.
* D. The coupon is lower than 5%: The coupon does not change with the bond ' s price.
Reference: CSC Volume 1, Chapter 7, " Bond Pricing - Current Yield Calculation " explains the relationship between price changes and current yield.

NEW QUESTION: 45
Jenny contributed $5,000 each year for five years to a spousal RRSP in Albert's name. In the calendar year immediately following Jenny's last contribution, Albert withdrew $25,000 from the RRSP. What are the tax implications of the withdrawal for Albert and Jenny?
A. No effect on Jenny's taxable income and Albert includes $25,000 in his taxable income.
B. Jenny includes $10,000 in her taxable income and Albert includes $15,000 in his taxable income.
C. Jenny includes $25,000 in her taxable income and Albert includes $0 in his taxable income.
D. Albert includes $10,000 in his taxable income and Jenny includes $15,000 in her taxable income.
Answer: (SHOW ANSWER)

NEW QUESTION: 46
What type of return is calculated for a security held for 18 months if no adjustments to the return are made?
A. Effective rate of return.
B. Nominal rate of return.
C. Annualized total return.
D. Holding period return.
Answer: (SHOW ANSWER)
The return on a security held for a specific period, such as 18 months, without adjusting for time or compounding, is referred to as the holding period return (HPR) . This straightforward calculation assesses total returns over the period of ownership.
1. Definition of Holding Period Return:
The HPR is calculated as:
HPR=(Ending Value - Initial Value) + Dividends ReceivedInitial ValueHPR = \frac{{\text{(Ending Value - Initial Value) + Dividends Received}}}{{\text{Initial Value}}}HPR=Initial Value (Ending Value - Initial Value) + Dividends Received This measure evaluates total growth, disregarding compounding or annualization.
2. Other Return Types (Incorrect Answers):
* Effective Rate of Return: Reflects annualized returns considering compounding within a year. It is not applicable to non-annualized periods like 18 months.
* Nominal Rate of Return: The unadjusted rate of return without accounting for inflation. While related, it does not specifically refer to the holding period concept.

* Annualized Total Return: This adjusts returns to reflect an annual basis, assuming constant performance throughout the period. It is unsuitable for raw, unadjusted returns like the HPR.
References from CSC Study Documents:
* Chapter 15, Volume 2: Covers the calculation of different return metrics, with detailed examples of HPR and its application.
* Portfolio Return Analysis in Section 15 explains the non-compounded nature of holding period calculations.
Let me know if further details or clarifications are needed!

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NEW QUESTION: 47
All things being equal and assuming a stable economy, which factor most likely limits the effectiveness of fiscal policy?
A. Level of tax rates.
B. Level of inflation.
C. Level of short-term interest rates.
D. Time required to approve tax legislation.
Answer: (SHOW ANSWER)
One of the most significant factors limiting the effectiveness of fiscal policy is the time lag involved in implementing tax changes or expenditure adjustments. This lag exists because fiscal policy measures typically require parliamentary approval and detailed legislative processes, delaying their impact on the economy.
* Types of Fiscal Policy Lags
* Recognition Lag: Time taken to recognize the need for intervention.
* Decision Lag: Time taken by policymakers to design and approve a fiscal response.
* Implementation Lag: Time taken for the effects of the fiscal measures to manifest in the economy.
* Other Options Considered:
* Level of Tax Rates (A): While high tax rates may reduce economic activity, they do not inherently limit fiscal policy effectiveness.
* Level of Inflation (B): Inflation primarily impacts monetary policy rather than fiscal policy directly.
* Short-Term Interest Rates (C): These are more relevant to monetary policy, which is managed separately by the central bank.

* Illustrative Case: In scenarios requiring rapid economic intervention (e.g., recessions), these lags often mean fiscal responses are delayed, sometimes reducing their relevance or efficiency by the time they are implemented.
References:Volume 2, Chapter 13: Fundamental Macroeconomic Analysis - Fiscal Policy Impact. Volume 1, Chapter 5: Economic Policy - Challenges of Government Policy Implementation.

NEW QUESTION: 48
For buy-side institutional investors, what is the purpose of algorithmic trading?
A. To consolidate a large number of individual trades into a single trade to reduce the market impact.
B. To optimize the order execution of a large block of shares by breaking it up into smaller trades.
C. To optimize the order execution of small trades.
D. To reduce overall trading order execution costs.
Answer: (SHOW ANSWER)

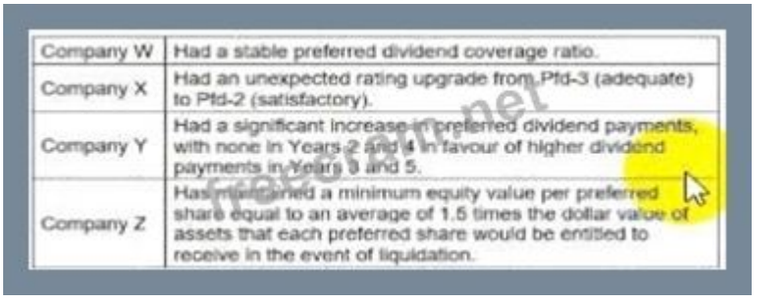
NEW QUESTION: 49
What is one type of linked PPN in Canada?
A. Participation
B. Performance
C. Stock basket
D. Zero-coupon plus option
Answer: (SHOW ANSWER)

NEW QUESTION: 50
Which would most likely be a violation of the Know Your Client Duty of Care guideline?
A. Not changing account information when the client's needs change
B. Failing to disclose a conflict of interest to the client
C. Borrowing a client's excess funds held in their account
D. Not verifying if a proposed transaction is suitable for a client
Answer: (SHOW ANSWER)

NEW QUESTION: 51
What is a characteristic of provincial savings bonds?
A. Backed by provincial assets
B. Available only at a certain time
C. Can be issued Internationally.
D. Mature every six months
Answer: (SHOW ANSWER)
Provincial savings bondsare available for purchase only during specific periods, often during annual campaigns. They are a secure investment option backed by the issuing provincial

government and are available only to residents of the issuing province. They are not issued internationally and do not mature every six months.
References:
* Volume 1, Chapter 6:Fixed-Income Securities, section on "Provincial and Municipal Securities" discusses the features and issuance timing of provincial savings bonds.

NEW QUESTION: 52
Companies W, X, Y, and Z ail issue preferred shares and have experienced the following conditions Over the last five years:



Company W	Had a stable preferred dividend coverage ratio.
Company X	Had an unexpected rating upgrade from Pfd-3 (adequate) to Pfd-2 (satisfactory).
Company Y	Had a significant increase in preferred dividend payments, with none in Years 2 and 4 in favour of higher dividend payments in Years 3 and 5.
Company Z	Has maintained a minimum equity value per preferred share equal to an average of 1.5 times the dollar value of assets that each preferred share would be entitled to receive in the event of liquidation.

Based on the above, which company is most likely to experience an increase in the market price of its preferred shares?
A. Company W.
B. Company Y.
C. Company Z.
D. Company X.
Answer: (SHOW ANSWER)

NEW QUESTION: 53
Why are inverse exchange-traded funds effective in declining markets?
A. They use physical commodities.
B. They use derivatives.
C. They use borrowed capital.
D. They use active management.
Answer: (SHOW ANSWER)

NEW QUESTION: 54
In what way do ETFs differ from mutual funds?
A. Primarily trade liquid securities.
B. Provider works with a designated broker to create and redeem units.
C. Invest in emerging markets.
D. Subject to National Instrument 81-102 regulations.
Answer: (SHOW ANSWER)
A key structural difference between ETFs and mutual funds is the ETF creation and redemption mechanism. ETF providers work with designated brokers or authorized dealers to create and redeem large blocks of ETF units, usually in exchange for baskets of securities or cash. This

process helps keep the ETF's market price close to its net asset value and supports secondary-market liquidity. Mutual fund investors generally purchase and redeem units directly through the fund company at net asset value, not through an exchange-based creation/redemption process. Options A and C are not unique ETF characteristics because both ETFs and mutual funds can hold liquid securities or emerging market investments. Option D may apply broadly to investment funds, so it is not the distinguishing feature.

NEW QUESTION: 55
Which action would most likely violate the Professionalism primary ethical value?
A. Trading ahead of a client's order.
B. Not ensuring a trade is suitable for the client.
C. Becoming a day trader while employed at a dealer.
D. Failing to disclose a conflict of interest.
Answer: (SHOW ANSWER)
Professionalism requires industry participants to conduct themselves in a manner that upholds the reputation, standards, and trustworthiness of the securities industry. Becoming a day trader while employed at a dealer can create serious concerns about judgment, conflicts, misuse of time, personal trading priorities, and the appearance of improper conduct. That conduct most directly relates to professionalism. Option A, trading ahead of a client order, is a serious breach but is more directly connected to fairness, integrity, and client priority rules. Option B is primarily a duty of care and suitability failure. Option D is mainly an integrity and conflict-of-interest disclosure issue. The action most clearly tied to failing to maintain professional conduct is becoming a day trader while employed at a dealer.

NEW QUESTION: 56
Which funds have a similar objective to those of balanced funds?
A. Asset allocation funds
B. Fixed-income funds
C. Dividend funds
D. Target-date funds
Answer: (SHOW ANSWER)

NEW QUESTION: 57
Which form of private equity investing focuses on fixed-income securities of public companies that are in financial trouble?
A. Distressed debt.
B. Leveraged buyout.
C. Growth capital.
D. Late-stage venture capital.
Answer: (SHOW ANSWER)

Distressed debt investing focuses on the debt securities of companies experiencing financial difficulty, restructuring, default risk, or bankruptcy pressure. Investors buy these securities at deep discounts because the issuer is troubled, then seek returns through recovery, restructuring, asset sales, or improved credit conditions. This is different from a leveraged buyout, where investors acquire control of a company using significant borrowed funds. Growth capital provides financing to expanding companies, usually without taking full control. Late-stage venture capital supports private companies that are closer to maturity or public listing. Since the question specifically refers to fixed-income securities of public companies in financial trouble, distressed debt is the correct private equity-related strategy.

NEW QUESTION: 58
What economic outcome does the government set out to achieve by increasing their own spending?
A. To increase the spending power of individuals.
B. To stimulate the economy in the short run.
C. To boost business profits and common share prices.
D. To create inflationary pressure.
Answer: (SHOW ANSWER)

NEW QUESTION: 59
What does a fundamental analyst believe that is contrary to the beliefs of a technical analyst?
A. History repeats itself.
B. Fiscal policy, monetary policy and inflation may be analyzed.
C. The profitability of the issuer is paramount.
D. The movements in price movements must be studied.
Answer: (SHOW ANSWER)

NEW QUESTION: 60
In Canada, which industries are categorized as defensive?
A. Baking and materials
B. Energy and materials.
C. Energy and utilities.
D. Banking and utilities.
Answer: (SHOW ANSWER)
Defensive industries are less sensitive to economic cycles. They tend to perform consistently regardless of economic conditions because they provide essential goods and services that consumers require regardless of their financial situation. Banking and utilities fall under this category as:
* Bankingensures essential financial services.
* Utilities(e.g., electricity, water) provide necessary services.

Industries like energy and materials are morecyclical, reacting strongly to economic fluctuations. Hence,D.
Banking and Utilitiesis the correct choice.
References:
* Volume 2, Chapter 13, "Classifying Industries by Reaction to the Economic Cycle".

NEW QUESTION: 61
After reviewing a client's risk tolerance, time horizon and financial objectives. Andy recommends that a long- term asset mix of 55% equities, 40 bonds and 5% cash would be most appropriate for the client.
Which approach has Andy taken in his recommendation?
A. Dynamic asset allocation
B. Tactical asset allocation
C. Strategic asset allocation
D. Ongoing asset allocation
Answer: (SHOW ANSWER)
Strategic asset allocation is a long-term approach to portfolio management where a target allocation among asset classes (e.g., equities, bonds, cash) is established based on the client's risk tolerance, time horizon, and financial objectives. This allocation remains relatively constant over time, with periodic rebalancing to maintain the original proportions.
* Details of Andy's Recommendation:Andy recommends a fixed asset mix of 55% equities, 40% bonds, and 5% cash, which aligns with the principles of strategic asset allocation. The focus is on maintaining this allocation to meet long-term goals, without frequent shifts based on short-term market movements.
* Why Other Options Are Incorrect:
* A. Dynamic asset allocation: This involves frequent changes to asset allocation in response to market trends, which is not evident in Andy's recommendation.
* B. Tactical asset allocation: This is a short-term, active approach where adjustments are made based on market conditions to capitalize on opportunities.
* D. Ongoing asset allocation: While this involves periodic rebalancing, it is not a defined approach like strategic allocation.
:
CSC Volume 2, Chapter 16: Asset allocation strategies.

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NEW QUESTION: 62
According to the life cycle hypothesis, what stage is almost always determined by the level of disposable income available?
A. Retirement years
B. Early earning years
C. Peak earning years
D. Mature earning years
Answer: (SHOW ANSWER)

NEW QUESTION: 63
What typically causes a designated broker to remove ETF units from the market?
A. A client sells on the exchange.
B. The broker delivers the basket of shares to the ETF provider.
C. There are arbitrage opportunities with the ETF price.
D. Demand of an ETF outstrips supply.
Answer: (SHOW ANSWER)

NEW QUESTION: 64
What do the returns on treasury bills often represent?
A. Bank prime rate.
B. Inflation rate
C. Risk-free rate
D. Federal funds rate
Answer: (SHOW ANSWER)
Detailed Explanation: Treasury bills (T-bills) are short-term government debt instruments with minimal risk of default. Their returns are often used as a proxy for the risk-free rate in financial analysis, as they represent the theoretical return on an investment with zero credit risk. The risk-free rate is critical for discounting cash flows and comparing returns on various investments.
Other options:
* A. Bank prime rate is the interest rate commercial banks charge their most creditworthy customers.
* B. Inflation rate is unrelated to the direct return on T-bills, though it impacts real returns.
* D. Federal funds rate applies in the U.S. to interbank lending, not directly to T-bills.
References: CSC Volume 1 (2023 Edition): Chapter on the financial markets, inflation, and trade settlement.
CSC Volume 2 (2024 Edition): Sections on portfolio analysis and risk-free securities.

NEW QUESTION: 65

What event would trigger an amendment of the account application while monitoring a portfolio?
A. When a client's job situation has changed.
B. The annual client meeting.
C. When a new market cycle is formed.
D. When the advisor's views are influenced by a recent news headline.
Answer: (SHOW ANSWER)

NEW QUESTION: 66
What product intrinsically minimizes taxable events?
A. Index-based ETF.
B. Mortgage-backed security.
C. Asset-backed commercial paper.
D. Mutual fund.
Answer: (SHOW ANSWER)
An index-based ETF intrinsically minimizes taxable events because it usually has low portfolio turnover and follows a passive index-tracking strategy. Lower turnover means fewer realized capital gains inside the fund. ETFs may also use creation and redemption mechanisms that reduce the need to sell portfolio securities to meet investor redemptions, which can improve tax efficiency compared with many mutual funds. Mortgage-backed securities and asset-backed commercial paper generate interest income, which is fully taxable in a non-registered account. Actively managed mutual funds may realize more taxable distributions because of higher trading activity and portfolio changes. The product best associated with minimizing taxable events by design is an index-based ETF.

NEW QUESTION: 67
Which asset type is classified as a fixed-income asset for portfolio management purposes?
A. Money market securities
B. Preferred shares.
C. Convertible bonds.
D. Bonds with a maturity of one year or less.
Answer: (SHOW ANSWER)
* Fixed-income assets are characterized by predictable cash flows. Convertible bonds qualify because they have features of fixed-income securities (coupon payments and principal repayment) while also offering the option to convert into equity.
* Money market securities (Option A) are short-term, high-liquidity instruments and typically not classified as fixed-income for long-term portfolio management purposes.
* Preferred shares (Option B) are equity-like instruments with fixed dividend payments but lack the " fixed-income " designation for portfolio management.
* Bonds with less than one year to maturity (Option D) fall under money market classifications rather than fixed income.
* Canadian Securities Course Volume 2, Fixed-Income Securities Section.

NEW QUESTION: 68
What client's characteristics and investment priorities would lead an advisor to recognize that liquid alternatives are unsuitable for this client?
A. Short-term time horizon.
B. Focused on specific outcomes.
C. Good understanding of portfolio theory.
D. Short-term liquidity needs.
Answer: (SHOW ANSWER)
Liquid alternatives may offer retail investors access to hedge-fund-like strategies such as short selling, leverage, derivatives, market-neutral approaches, or alternative sources of return. However, these strategies are more complex and are generally better suited to investors with a longer time horizon, appropriate risk tolerance, and a clear understanding of portfolio diversification. A short-term time horizon makes liquid alternatives unsuitable because strategy results may require a full market cycle to become effective, and short-term volatility can be difficult to manage. Being focused on specific outcomes may actually support the use of liquid alternatives. A good understanding of portfolio theory is also a positive suitability factor. Short-term liquidity needs matter, but the clearest unsuitability factor here is a short-term time horizon.

NEW QUESTION: 69
An advisor wants to explain the benefits of labour sponsored funds (LSVCC) to some of his clients. With which client should the advisor have this discussion?

Client 1	The client is in their prime earning years. They are looking to add risk in their portfolio and is comfortable with investments with prolonged lockup periods. Tax benefits in the form of federal tax credits would certainly be a plus.
Client 2	The client is in their early earning years. While there's an appetite for more risk, the client cares a great deal about liquidity.
Client 3	The client is seeking investments that can provide offsetting tax credits for their income. The client is generally willing to take on risk and is willing to tolerate lower liquidity. The client is insistent that the tax credits can be carried forward.
Client 4	The client has a fairly stable income, but has indicated a willingness to add risk to their portfolio. While tolerant of lower liquidity, the client is particularly sensitive to high fees.

A. Client 4.
B. Client 2.
C. Client 1.
D. Client 3.
Answer: (SHOW ANSWER)

NEW QUESTION: 70
TRU Fund portfolio manager decided to deviate from the portfolio long-term target asset mix in order to capitalize on investment opportunities in the domestic bond market. What type of asset allocation is the TRU Fund portfolio manager using?
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A. Strategic.
B. Tactical.
C. Dynamic.

D. Timing.
Answer: (SHOW ANSWER)

NEW QUESTION: 71
What is a characteristic of provincial savings bonds that distinguishes them from other provincial bonds?
A. They are backed by provincial assets pledged an security.
B. They can &e purchased only by residents of the province.
C. They can be purchased at any time of the year.
D. They do not have redemption rules.
Answer: (SHOW ANSWER)
A key characteristic ofprovincial savings bondsis that they can only be purchased by residents of the issuing province. This restriction differentiates them from other provincial bonds, which may be available to investors nationwide or internationally.
Other options:
* Backed by provincial assets pledged as security: All provincial bonds are backed by the credit of the issuing government, not specifically by pledged assets.
* Purchased at any time of the year: Provincial savings bonds are available only during specific sales campaigns.
* Do not have redemption rules: Savings bonds often have specific redemption rules, unlike this statement.
References:
* Volume 1, Chapter 6:Fixed-Income Securities, section on "Provincial and Municipal Bonds" explains the restrictions and features of provincial savings bonds.

NEW QUESTION: 72
Stuart has a non-registered account and redeems his entire mutual fund units for $15,000. His initial investment was $10,000. Over the years, he has received $2,000 in dividends on his units, which he has reinvested in the fund. If Stuart has made no other purchases or sales within this mutual fund, and ignoring any possible sales charges, what is his gain for tax purposes?
A. $7,000.
B. $2,000.
C. $5,000.
D. $3,000.
Answer: (SHOW ANSWER)
For a non-registered mutual fund, reinvested distributions increase the investor's adjusted cost base because the investor has already been taxed on those distributions when they were received. Stuart initially invested $10,000. The $2,000 of reinvested dividends is added to the adjusted cost base, making the total ACB $12,000. When he redeems the fund for $15,000, the capital gain is calculated as proceeds of disposition minus adjusted cost base: $15,000 minus $12,000 equals $3,000. Option C incorrectly ignores the reinvested dividends and treats the gain

as $5,000. Option B is only the reinvested dividend amount, and Option A double-counts the dividend. The correct capital gain is $3,000.

NEW QUESTION: 73
For institutional trading, when does the investor need to provide trade-matching elements?
A. After the dealer issues a trade execution notice.
B. One the custodian confirms the trade.
C. With the initial order.
D. Once the trade clears.
Answer: (SHOW ANSWER)
Trade-matching is a critical process in institutional trading, ensuring that details of a trade (e.g., price, quantity, and settlement terms) align among the involved parties, including the investor, dealer, and custodian.
In Canada, institutional trade matching must occur within a specific timeline, and the investor is responsible for providing trade-matching elementsafter the trade execution notice is issued by the dealer.
Step-by-Step Explanation:
* What is Trade Matching?Trade matching involves the comparison of trade details between the buyer and seller (and their intermediaries) to confirm accuracy and reduce settlement risks.
* When Does the Investor Provide Trade-Matching Elements?
* After the dealer executes the trade, the dealer issues atrade execution noticeto the investor.
* The investor must then provide the necessary trade-matching details, such as account information, settlement instructions, and any other required confirmations.
* This process ensures that the trade can move seamlessly through to settlement.
* Why Not Other Options?
* Option B (Once the custodian confirms the trade):Incorrect. The custodian's role is typically involved in the final settlement process and not in providing trade-matching details.
* Option C (With the initial order):Incorrect. Trade-matching details are provided after the trade is executed, not at the time the order is placed.
* Option D (Once the trade clears):Incorrect. Trade matching occurs before the trade clears to ensure settlement.
References to Canadian Securities Course Exam 2 Study Materials:
* Volume 2, Chapter 27 - Institutional Clearing and Settlement
* Highlights the process of institutional trade matching, the roles of the investor, dealer, and custodian, and the required timelines.
* Volume 2, Chapter 27 - The Sell Side and the Buy Side of the Market
* Explains trade execution and the responsibilities of institutional clients and their intermediaries in completing trades.
Final answer:
* Option A (After the dealer issues a trade execution notice): Correct.

* Other options are incorrectbased on the standard processes for institutional trade matching in Canada.

NEW QUESTION: 74
Melanie has RRSP contribution room of $17,500 for the current tax year. Her husband, Jack, has RRSP contribution room of $5,000. What is the maximum tax-deductible contribution Melanie can make to her RRSP and/or a spousal RRSP?
A. $17,500.
B. $22,500.
C. $5,000.
D. $20,000.
Answer: (SHOW ANSWER)

NEW QUESTION: 75
What type of return is adjusted for inflation?
A. Ex-ante
B. Nominal
C. Ex-post
D. Real
Answer: D (LEAVE A REPLY)
The real rate of return refers to the return on an investment adjusted for the effects of inflation. Unlike nominal return, which reflects the raw return of an investment without considering inflation, the real return provides a clearer measure of an investment's actual purchasing power.
The formula for calculating real rate of return is:
Real Return=Nominal Return#Inflation Rate\text{Real Return} = \text{Nominal Return} - \text{Inflation Rate} Real Return = Nominal Return # Inflation Rate For example, if an investment generates a nominal return of 5% and inflation during the period is 2%, the real return would be 3% (5% - 2%).
* A. Ex-ante: Refers to a forecasted return, not necessarily adjusted for inflation.
* B. Nominal: Measures the raw return without accounting for inflation.
* C. Ex-post: Refers to a return based on historical data, which can be nominal or real.
* D. Real: The correct answer, as it specifically accounts for inflation to measure the actual growth in purchasing power.
References:
CSC Volume 2, Chapter 15: Real Returns and the Effect of Inflation, which explains the difference between real and nominal rates of return and their application in investment analysis.

NEW QUESTION: 76
When acting as a principal, how do investment dealers generate revenue?
A. Through commissions
B. Thrown tracers.

C. Through brokerage changes.
D. Through spreads on buy/sell prices.
Answer: (SHOW ANSWER)
When acting as a principal, investment dealers buy and sell securities for their own account. They generate revenue by earning a spread, which is the difference between the price at which they buy securities (bid price) and the price at which they sell them (ask price). This is distinct from their role as an agent, where revenue is earned through commissions on trades executed on behalf of clients.
* A. Through commissions: Commissions are earned when acting as an agent, not as a principal.
* B. Through tracers: This term does not apply to revenue generation.
* C. Through brokerage charges: Brokerage charges relate to fees imposed on client accounts, not principal trading spreads.
Reference:CSC Volume 1, Chapter 1, "The Principal and Agency Functions of Investment Dealers" explains how spreads generate revenue in principal trades.

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NEW QUESTION: 77
What is a leveraged ETF?
A. A fund that seeks to match the performance returns of the underlying index tracked
B. A contract using borrowed funds to buy the underlying stock or portfolio
C. A fund that uses an option strategy to reduce the volatility of the underlying portfolio
D. An option designed to achieve multiple returns of inverse performance of the tracked underlying index
Answer: (SHOW ANSWER)

NEW QUESTION: 78
Which fiscal policy measure was designed to encourage individuals to save?
A. First Home Savings Account.
B. Capital gain inclusion rate.
C. Dividend tax credit.
D. Tax Free Savings Account.
Answer: (SHOW ANSWER)

The Tax-Free Savings Account (TFSA) is a fiscal policy measure introduced by the Canadian government to encourage individuals to save. Unlike other savings mechanisms, the TFSA provides a unique tax advantage:
any income earned within the account, whether from interest, dividends, or capital gains, is completely tax- free. This structure incentivizes saving by maximizing the growth potential of the funds invested without the burden of tax erosion.
* Nature of the TFSA
* Introduced in 2009, the TFSA allows Canadians aged 18 or older to contribute a specific annual limit (indexed to inflation) to the account. Contributions are made with after-tax dollars, meaning withdrawals, including investment income, are not taxed.
* Comparison to Other Measures in the Options:
* First Home Savings Account (FHSA): This is a targeted saving vehicle to assist first-time homebuyers and is more restrictive in its purpose.
* Capital Gain Inclusion Rate: Although it reduces taxable income by allowing only a portion of capital gains to be taxed, it doesn ' t offer the complete tax-exempt growth and withdrawal benefits of a TFSA.
* Dividend Tax Credit: This offsets taxes on eligible dividends but is designed to encourage investment in Canadian corporations rather than promote individual saving per se.
* Economic Impact By encouraging Canadians to save, the TFSA bolsters household financial security and indirectly supports the broader economy by increasing available investment capital.
References: Volume 2, Chapter 24: Canadian Taxation - Section on Tax-Free Savings Accounts.
Volume 2, Chapter 13: Macroeconomic Analysis - Fiscal Policy Measures.

NEW QUESTION: 79
Tom sold some bonds in his RRSP and used the total $100,000 in proceeds to buy a 75% guaranteed segregated fund. Three years later, Tom died. At the time of his death, the market value of the segregated fund was $700,000. Assuming no interim withdrawal on market value reset, what is the death benefit payable from this investment?
A. $0,
B. $70,000
C. $30,000
D. $5, 000
Answer: C (LEAVE A REPLY)
Key Concepts:
A segregated fund with a guaranteed death benefit ensures that the investor (or their estate) receives at least a certain percentage of the initial investment in case of death. This percentage is applied to the original investment amount, and if the market value of the segregated fund at the time of death is lower than this guaranteed amount, the insurance company pays the shortfall.
Step-by-step Explanation:
* Initial Investment in the Segregated Fund: Tom invested $100,000 into a segregated fund with a 75% death benefit guarantee .

* Guaranteed amount = 75% × $100,000 = $75,000 .
* Market Value at the Time of Death: The market value of the segregated fund is $70,000 at the time of Tom ' s death.
* Shortfall Calculation: The guaranteed amount ($75,000) is greater than the market value ($70,000).
* Shortfall = $75,000 - $70,000 = $5,000 .
* Death Benefit Payable: Since the segregated fund guarantees at least $75,000, the insurance company will pay the shortfall of $5,000 to the estate.
The answer:
* Option A ($0): Incorrect; there is a shortfall between the guaranteed amount and the market value, so a payout will occur.
* Option B ($70,000): Incorrect; this is the market value, not the shortfall amount.
* Option C ($30,000): Incorrect; this value does not align with the 75% guarantee calculation.
* Option D ($5,000): Correct; this is the shortfall amount payable as the death benefit.
References to Canadian Securities Course Exam 2 Study Materials:
* Volume 2, Chapter 22 - Segregated Funds
* Explains death benefit guarantees in segregated funds and how the shortfall is calculated.
* Volume 2, Chapter 24 - Canadian Taxation
* Highlights how RRSP investments, such as segregated funds, are treated upon the investor ' s death.
* Volume 2, Chapter 26 - Working with the Retail Client
* Discusses estate planning considerations, including the role of segregated funds in ensuring financial protection.

NEW QUESTION: 80

A portfolio manager is reviewing the current asset mix of a portfolio. Some securities have done really well, while others have experienced poor returns. How can the portfolio manager rebalance the portfolio to ensure it remains aligned with the client's long-term goals?

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A. Reallocate assets back to their target weights by buying securities that have performed well and selling securities that have done poorly.
B. Create cash reserves for future potential investment opportunities by selling securities that have performed well.
C. Create cash reserves for future potential investment opportunities by selling securities that have done poorly.
D. Reallocate assets back to their target weights by selling securities that have performed well and buying securities that have done poorly.
Answer: (SHOW ANSWER)
Portfolio rebalancing restores the portfolio to its target asset allocation after market movements cause some holdings to drift above or below their intended weights. Securities or asset classes that have performed strongly may become overweight, increasing portfolio risk beyond the client's investment policy. Securities that have performed poorly may become underweight. The

disciplined rebalancing process is to sell part of the overweight positions and buy underweight positions, assuming they remain suitable within the portfolio strategy. Option A does the opposite and would increase concentration in winners. Options B and C focus on creating cash rather than restoring the target allocation. The correct rebalancing action is to sell outperforming overweight holdings and buy underperforming underweight holdings.

NEW QUESTION: 81
Which factor would deter an investor from investing in a company's convertible preferred shares?
A. Common stock outlook has been downgraded.
B. Long life of the conversion privilege.
C. High preferred dividend coverage ratio.
D. The equity per preferred share decreased to three times the value of assets.
Answer: (SHOW ANSWER)
Convertible preferred shares combine preferred share income features with the option to convert into common shares. Their attractiveness depends heavily on the outlook for the issuer's common stock because the conversion privilege becomes valuable only if the common shares perform well. If the common stock outlook has been downgraded, the conversion feature becomes less attractive and the investor may be deterred from buying the convertible preferred shares. A long conversion privilege is generally positive because it gives the investor more time for the common shares to appreciate. A high preferred dividend coverage ratio is also favourable because it suggests stronger dividend protection.
Therefore, the downgraded common stock outlook is the best deterrent.

NEW QUESTION: 82
What is the normal shape of a yield curve?
A. Downward slope
B. inverted
C. Upward slops
D. Humped
Answer: (SHOW ANSWER)
The normal shape of a yield curve is an upward slope, indicating that longer-term bonds offer higher yields than shorter-term bonds. This reflects the additional risk and time value of money associated with longer maturities.
* A. Downward slope: This could describe a yield curve during unusual circumstances, such as a period of market uncertainty or deflation.
* B. Inverted: An inverted yield curve, where shorter-term yields exceed longer-term yields, is a rare occurrence and often signals economic recession.
* D. Humped: A humped curve is rare and occurs when intermediate-term yields exceed both short-term and long-term yields.
Reference:CSC Volume 1, Chapter 7, "The Yield Curve - Normal Shape" discusses the upward-sloping yield curve as the standard in normal market conditions.

NEW QUESTION: 83
What type of equity analysis tracks the moving average in an attempt to identify buy or sell signals?
A. Quantitative.
B. Sentiment indicators.
C. Cycle.
D. Fundamental.
Answer: (SHOW ANSWER)
Moving averages are used in technical and quantitative equity analysis to smooth price data and identify trend direction. A moving average converts fluctuating daily prices into a clearer trend line, allowing analysts to detect possible buy or sell signals when prices cross above or below the moving average. Sentiment indicators measure investor psychology, such as bullish or bearish expectations, and do not directly track moving averages. Cycle analysis focuses on recurring market or economic patterns over time. Fundamental analysis studies financial statements, earnings, valuation, industry conditions, and business quality. Since the question specifically refers to tracking moving averages to identify trading signals, the best answer is quantitative analysis.

NEW QUESTION: 84
What industry stocks tend to have lower betas than the market?
A. Transportation
B. Capital goods
C. Utilities
D. Automobiles and components
Answer: (SHOW ANSWER)
Beta is a measure of a stock ' s volatility compared to the overall market. Stocks with lower betas tend to experience smaller price fluctuations relative to the market.
* Utilities : Utility companies generally have stable and predictable revenue streams because they provide essential services like electricity, water, and gas, which are always in demand regardless of economic cycles. As a result, utility stocks have lower betas, reflecting their lower sensitivity to market movements.
* Why Other Options Are Incorrect :
* A. Transportation : Stocks in this sector are more sensitive to economic changes and fuel prices, leading to higher betas.
* B. Capital Goods : This sector involves investments in industrial equipment and machinery, which fluctuate with economic cycles and have higher betas.
* D. Automobiles and Components : This industry is cyclical and highly dependent on economic trends, leading to higher betas.
:
CSC Volume 2, Chapter 13: Risk and return in specific industries.

NEW QUESTION: 85
How are monthly Canada Pension Plan (CPP) benefits treated when both spouses are eligible for CPP?
A. Each spouse receives the higher pension amount.
B. Each spouse can only receive their own benefits.
C. Each spouse receives the lower pension amount.
D. Each spouse can share a portion of the total pension amount.
Answer: (SHOW ANSWER)
When both spouses or common-law partners are eligible for Canada Pension Plan retirement benefits, they may be able to share a portion of their CPP retirement pensions. CPP pension sharing allows part of the pension entitlement earned during the period of the relationship to be allocated between spouses.
This can be useful for tax planning because it may shift some income from the higher-income spouse to the lower-income spouse, potentially reducing the household's overall tax burden. It does not mean each spouse automatically receives the higher or lower benefit. It also does not mean each spouse is restricted only to their own amount in every case. Therefore, the correct treatment is that spouses can share a portion of the total pension amount.

NEW QUESTION: 86
What is a typical characteristic of managed fee-based accounts?
A. They provide services to the client only on investment management.
B. The fees are fixed and non-negotiable.
C. The manager is a licensed portfolio manager with trading authority over the account.
D. The fees for registered accounts are tax-deductible.
Answer: C (LEAVE A REPLY)
A managed fee-based account is normally structured so that a licensed portfolio manager has discretionary trading authority over the client's account. This means the manager can make investment decisions according to the client's investment policy statement, mandate, objectives, and risk profile without asking for approval before every transaction. Option A is too narrow because fee-based accounts may include portfolio construction, monitoring, reporting, rebalancing, and advisory services, not only investment management. Option B is incorrect because fee schedules can vary and may be negotiable depending on account size and services provided. Option D is incorrect because fees charged inside registered accounts are generally not tax-deductible. The defining feature is discretionary management by a qualified portfolio manager.

NEW QUESTION: 87
Which ratio, when showing a decreasing trend, suggests declining operating efficiency?
A. Price-earnings
B. Debt/equity
C. Return on common equity

D. Dividend payout
Answer: (SHOW ANSWER)

NEW QUESTION: 88
How does beta help assess the risk of a mutual fund?
A. Monitors trading volumes.
B. Measures comparative performance.
C. Compares management expense ratios.
D. Relates its returns to the underlying markets.
Answer: (SHOW ANSWER)

NEW QUESTION: 89
According to the life-cycle hypothesis, what is the single most important determinant of a client's asset allocation, regardless of stage?
A. Market expectations.
B. Anticipating remaining life expectancy.
C. Current financial burdens.
D. Psychological willingness to bear risk.
Answer: (SHOW ANSWER)

NEW QUESTION: 90
Which fee is paid to mutual fund sales representatives by the mutual fund manager?
A. Redemption.
B. Trailer.
C. Operating.
D. Management.
Answer: (SHOW ANSWER)

NEW QUESTION: 91
An advisor to explain the benefits of labour sponsored funds (LSVCC) to some of his clients.
With which client should the advisor have this discussion?

Client 1	The client is in their prime earning years. They are looking to add risk in their portfolio and is comfortable with investments with prolonged lockup periods. Tax benefits in the form of federal tax credits would certainly be a plus.
Client 2	The client is in their early earning years. While there's an appetite for more risk, the client cares a great deal about liquidity.
Client 3	The client is seeking investments that can provide offsetting tax credits for their income. The client is generally willing to take on risk and is willing to tolerate lower liquidity. The client is insistent that the tax credits can be carried forward.
Client 4	The client has a fairly stable income, but has indicated a willingness to add risk to their portfolio. While tolerant of lower liquidity, the client is particularly sensitive to high fees.

A. Client 2
B. Client 4
C. Client 1
D. Client 3
Answer: (SHOW ANSWER)
Labour Sponsored Venture Capital Corporations (LSVCCs), or labour-sponsored funds, are high-risk investments designed to stimulate job creation and economic growth. They provide tax benefits in the form of federal and, in some cases, provincial tax credits, making them attractive to investors in higher income brackets who are comfortable with the following:
* Increased portfolio risk
* Reduced liquidity due to long lockup periods
* High potential tax incentives
Analysis of Clients:
* Client 1 :
* In their prime earning years and comfortable with higher risk and long lockup periods.
* Interested in tax benefits in the form of federal tax credits.
* Matches the profile of an ideal candidate for LSVCCs.
* Correct answer: C
* Client 2 :
* In early earning years and prioritizes liquidity over other factors.
* LSVCCs are unsuitable due to their lack of liquidity (e.g., lockup periods).
* Incorrect
* Client 3 :
* Focused on investments with offsetting tax credits but insists on tax credits being carried forward.
* LSVCC tax credits cannot typically be carried forward, making them unsuitable.
* Incorrect
* Client 4 :
* Stable income but sensitive to high fees.
* LSVCCs generally have high management fees, making them unsuitable.
* Incorrect
References to Canadian Securities Course Exam 2 Study Materials:
* Volume 2, Chapter 22 - Labour Sponsored Venture Capital Corporations
* Discusses LSVCCs, their tax advantages, high-risk nature, and reduced liquidity.
* Volume 2, Chapter 24 - Canadian Taxation
* Explains federal and provincial tax credits applicable to LSVCCs and their suitability for higher-income clients.

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NEW QUESTION: 92
What correlation would an investor need in order to eliminate the variability in the total returns between two stocks?
A. +0.5.
B. -1.0.
C. 0.0.
D. +1.0.
Answer: (SHOW ANSWER)
Correlation measures how two securities move in relation to each other. A correlation of +1.0 means the two stocks move perfectly together, so diversification provides no reduction in variability. A correlation of 0.0 means there is no consistent relationship, which reduces some portfolio risk but does not eliminate variability. A correlation of +0.5 still shows a positive relationship, so risk reduction is limited. A correlation of -1.0 means the two securities move perfectly opposite to each other. In theory, if two assets have perfectly negative correlation and are properly weighted, one asset's gain can offset the other asset's loss, eliminating variability in total returns. Therefore, -1.0 is the correct answer.

NEW QUESTION: 93
What is the requirement regarding the discretionary authority in managed accounts?
A. The IA can implement the transaction upon approval from the client, or by any person on a client's behalf.
B. The discretionary authority must be given by the client in writing and accepted by the IA verbally.
C. The IA must use a model portfolio due to the short-term nature of these types of accounts.
D. The discretionary authority must specify the client's investment objectives in the trading authorization.
Answer: (SHOW ANSWER)
A managed account gives a properly authorized portfolio manager discretionary authority to make investment decisions without obtaining client approval for each trade. Because this authority is broad, it must be clearly documented and tied to the client's investment policy, objectives, risk tolerance, time horizon, and constraints. The trading authorization must specify the client's investment objectives so the manager's discretion remains controlled and suitable. Option A describes approval-based trading, not true discretion. Option B is wrong because discretionary

authority cannot rely on verbal acceptance; proper written authorization and acceptance are required. Option C is incorrect because managed accounts are not defined by model portfolios or short-term use. The key requirement is documented authority aligned with the client's objectives.

NEW QUESTION: 94
What is typically discussed during the establishment of the client-advisor relationship step?
A. What services will the advisor provide.
B. The current financial and personal status.
C. The client's investment goals.
D. By what means does the client prefer to communicate with the advisor.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 95
An investor has the following separate stock transactions:

Transactions	Stock Prices ($)	Commissions Paid ($)
Buys 1,000 shares	15.00	90.00
Buys 500 shares	17.50	80.00

What is the investor ' s overall adjusted cost base per share? (Round two decimal points.)
A. $15.83
B. $15.95
C. $16.38
D. $15.72
Answer: (SHOW ANSWER)

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