CHARTERED INSTITUTE FOR SECURITIES & INVESTMENT

LEVEL 3
CERTIFICATE IN INVESTMENT OPERATIONS

INTRODUCTION TO SECURITIES AND INVESTMENT (INTERNATIONAL) (VERSION 19)

TIME ALLOWED: 1 HOUR

SAMPLE PAPER

No copying of any part of this paper is permitted without the prior written authority of the Chartered Institute for Securities & Investment

© Chartered Institute for Securities & Investment

How to use this sample paper

These 50 questions should be answered in an hour in the real exam, so make sure you time yourself accurately.

Record your answer for each question by circling your selected answer.

When you have finished the test, you may check your answers against the **Answer Sheet** at the back of this paper.

The exam is scored as follows:

46-50	Pass with Merit
35-45	Pass
0-34	Fail

For those questions you answered incorrectly, the answer sheet will show you the corresponding syllabus element, sub element and learning objective against which the questions were written, so you can identify any syllabus areas where you may need to revise further.

SAMPLE PAPER

1 Which service is normally accessible to personal customers as part of the financial services retail sector?

A Hedge funds

B Custodian banking

C Private equity services

D Execution-only stockbroking

2 What tends to happen as an economy grows?

A The balance of payments deteriorates

B Inflation falls

C Tax revenues fall

D Household income falls

SAMPLE PAPER

3 Your client is a shareholder of ABC ltd and has been advised that the company is in the process of being liquidated. Why would the client be concerned as to whether this is a solvent or insolvent liquidation?

A If the liquidation is insolvent, the client may be asked to contribute to any shortfall left to pay creditors once all the assets have been sold

B In either case, the client is obligated to cooperate with the official receiver and appointed liquidators for a year after the liquidation

C If the liquidation is solvent, the company's assets will be sold and, after creditors have been paid, any remaining share capital will be distributed to shareholders

D Only insolvent companies can be liquidated, which means it is highly unlikely that there will be any remaining share capital to distribute to shareholders

4 Which of the following is **true** of exchange-traded funds?

A Open-ended fund, shares purchased through the fund manager

B Closed-ended fund, shares purchased through the fund manager

C Open-ended fund, shares purchased through a stock exchange

D Closed-ended fund, shares purchased through a stock exchange

5 If an option trader thinks a share price will fall considerably, they should:

A buy a call

B write a call

C buy a put

D write a put

SAMPLE PAPER

6 Which of the following statements about an investment trust is **true**?

A It is an investment scheme whereby individuals buy shares through a trustee

B It is an investment scheme whereby individuals buy shares through a manager

C It is a trust managed for an individual investor

D It is a listed company which invests in the shares of other companies

7 What is insider dealing?

A A criminal activity involving placement and layering

B A civil offence which carries a very large fine

C A criminal offence involving the abuse of price-sensitive information

D A civil activity involving buying equities prior to their rise in value

8 Which of the following most accurately defines a rights issue?

A A cash distribution of profits to the shareholders of a company

B A free issue of equity to existing shareholders in proportion to their shareholdings

C An offer of new shares to existing shareholders by a company as a way of raising cash

D An offer of shares rather than a cash distribution of profits to the shareholders of a company

SAMPLE PAPER

9 In an order driven market:

A market makers display two way prices electronically

B market makers must display bid and offer prices

C prices must be displayed during the mandatory quote period

D orders from buyers and sellers are automatically matched

10 As a result of two recent derivative agreements, Paul agrees to pay £5,000 to James for Asset A in 3 months' time and Eric buys the right, but not the obligation, to purchase Asset B from Stuart in 6 months' time. Who is referred to as a 'holder'?

A Paul

B James

C Eric

D Stuart

11 Which of the following is **true** of the pricing of shares in investment trusts?

A The investment trust fund manager sets prices daily

B The investor's stockbroker decides the price paid at the time of execution

C Prices are set by market makers and depend on demand and supply

D The price is set at incorporation and does not change

SAMPLE PAPER

12 Which of the following is a Eurobond? A bond:

A issued by the government of a member state of the EU

B issued in any European currency other than sterling

C issued by a US company specifically for European investors

D issued in a currency other than the currency or market in which it is issued

13 Stock market indices form the basis of:

A tracker products

B warrant issues

C Treasury Bills

D active funds

14 The XETRA DAX index relates to stock market performance in which country?

A Italy

B Germany

C France

D Spain

SAMPLE PAPER

15 What type of bond is a gilt?

A Foreign company-issued

B UK government

C UK company-issued

D Foreign government

16 For which of the following reasons would governments issue bonds?

A To ensure a strong flow of cash throughout the economy

B To offer good investment returns to individuals when interest rates are low

C To finance their spending

D To ensure a high reserve of monies is held centrally

17 For what purpose is a decreasing term assurance policy often used?

A To protect a repayment mortgage

B To protect an interest-only mortgage

C To cover the risk of incurring private medical expenses

D To cover the risk of needing long term care

SAMPLE PAPER

18 A spot transaction in foreign exchange is one that settles:

A in two business days

B in five business days

C at a date to be agreed

D within two hours of confirmation

19 Firms that only offer restricted advice will:

A only advise on the top products in each sector

B limit advice to their most valued clients

C always charge less than independent advisers

D only give advice on their own products

20 Owners of ordinary shares can benefit by receiving:

A company announcements in advance of their general release

B dividends

C a fixed dividend each year

D profits from the company ahead of all other share classes

SAMPLE PAPER

21 An example of a mandatory corporate action with options would be a:

A bonus issue

B takeover

C rights issue

D cash dividend

22 A company has announced a 1 for 2 bonus issue. Its shares are currently trading at £6.00.

What is the theoretical ex-bonus price?

A £2.00

B £3.00

C £4.00

D £12.00

23 Holding shares in registered form requires:

A the investor's name being recorded on the share register

B a share certificate to be issued

C the holding to be deposited at Euroclear

D the stock to be immobilised

SAMPLE PAPER

24 The difference between passive and active fund management is that active fund management:

A results in portfolios that are generally less expensive to run

B requires fewer staff to manage the funds

C involves constructing a portfolio to track a recognised index

D seeks to outperform a benchmark

25 A private equity firm generally achieves its profit through capital gain on exit. This may involve:

A de-listing its shares from the exchange

B a special exemption from capital gains tax

C completing a company buy-out

D selling its shares back to the company

26 A final salary pension scheme will:

A provide a pension linked to the size of contributions

B always be a non-contributory scheme

C always provide a higher level of benefits than a personal pension

D provide a salary related to number of years service and salary

SAMPLE PAPER

27 Within Islamic finance the charging of interest is:

A riba

B gharar

C murabaha

D haram

28 Why does mortgage payment protection cover need to be reviewed on a regular basis?

A So that changes in income tax can be taken into account

B To offset the effect of inflation

C Protection is provided on a level basis, so doesn't reflect interest rate changes

D To take account of changes in the stock market

29 Price risk for the holder of a bond is likely to be caused by a:

A change in the rate of inflation

B fall in the FTSE 100

C fall in interest rates

D significant rise in interest rates

SAMPLE PAPER

30 The biggest advantage of holding cash is:

A that all cash deposits are guaranteed

B returns are always positive

C that interest rates are always fixed

D the liquidity it provides

31 Cryptocurrencies differ from fiat currencies because they are:

A a medium of exchange

B not backed by assets

C legal tender

D not issued by a central bank

32 Property prices are predominantly determined by:

A interaction in a centralised marketplace

B institutional investors

C complex legal considerations

D changes in demand

SAMPLE PAPER

33 The GBP / USD spot rate is 1.2500. UK rates are 4.0% and rates in the US are 3.0%.

What is the six-month forward rate?

A 1.2380

B 1.2439

C 1.2562

D 1.2621

34 On the OTC derivatives market, trades:

A are negotiated and traded privately

B are executed on an exchange

C have standardised features

D are guaranteed by the clearing house

35 Interest rate swaps are an:

A exchange traded product exchanging interest payments

B OTC product exchanging interest payments

C exchange traded product used to speculate on interest rates

D OTC product that exchanges cash flows from the start

SAMPLE PAPER

36 A difference between an unsecured loan and a secured loan is:

A a secured loan cannot be repaid early

B the secured loan is likely to be cheaper

C the unsecured loan is linked to the item purchased

D an unsecured loan cannot be repaid early

37 Mixed economies benefit from government intervention through the:

A planning and allocation of resources

B forced oversupply of essential products

C provision of a welfare system

D setting of prices for essential goods and services

38 Within the CISI's Code of Conduct, personal accountability requires members to:

A put their client's interests first

B avoid damaging the reputation of their organisation

C be alert to conflicts of interest

D continually strive for professional excellence

SAMPLE PAPER

39 The bond markets allow governments to:

A raise taxes in line with inflation

B borrow directly from investors

C profit from bond trading activities

D manage the balance of payments

40 The difference between an overdraft and an unsecured loan is that:

A an overdraft is secured on assets

B only an overdraft can be authorised

C the interest rate on an overdraft is usually much lower

D an overdraft can be unauthorised

41 In a market economy the interaction between consumers and businesses will lead to:

A stockpiles of unused goods

B the formation of a market-clearing price

C scarcity of sought after resources

D low prices, encouraging new forms of business

SAMPLE PAPER

42 What is the **prime** responsibility of the Bank of England's Monetary Policy Committee?

A Determining interest rates in accordance with inflation targets

B Intervening in the market to influence exchange rates

C Organising the amount of notes and coins in circulation

D Preparing economic statistics for the government

43 Compared to direct property investment, Real Estate Investment Trusts normally offer a reduced level of:

A liquidity risk

B institutional risk

C legal risk

D systemic risk

44 Which of the following instruments is principally designed to protect the holder against a fall in the market?

A A hedge fund

B A unit trust

C An ISA

D An index tracker fund

SAMPLE PAPER

45 What is the independent body that supervises the board of an OEIC called?

A The Financial Conduct Authority

B The Depositary

C The Notary

D The Trustee

46 What are the three recognised stages of money laundering?

A Positioning, Integration and Withdrawal

B Inception, Layering and Integration

C Placement, Layering and Integration

D Introduction, Integration and Withdrawal

47 ABC plc's shares are trading at $5.00. The company pays a dividend of $0.10, twice a year. There are 50,000 shares in issue. Inflation is currently 1% and interest rates are 5%. What is ABC plc's annual dividend yield?

A 1%

B 2%

C 3%

D 4%

SAMPLE PAPER

48 Which of the following types of bond would be classed as a hybrid security?

A Asset backed security

B Convertible bond

C Floating rate note

D Medium term note

49 How do company profits impact issuer risk?

A Companies with larger profits may be inclined to issue more shares

B A lack of profit could lead to the collapse of the company

C As profits rise the number of shares in issue rises

D A lack of profit may lead to a reduction in the number of shares in issue

50 If a trade takes place on a T+1 basis, this indicates that:

A cash must be paid by the next calendar day after the trade date

B stock must be delivered by the next business day after the trade date

C cash payment will take place one calendar day after stock delivery

D stock delivery will take place one business day after cash payment

SAMPLE PAPER

Introduction to Securities and Investment (International) (Version 19)

Question Number	Answer	Syllabus Reference
1	D	1.1.2
2	A	2.1.2
3	C	10.3.1
4	C	7.4.1
5	C	6.3.2
6	D	7.3.1
7	C	8.3.1
8	C	3.1.6
9	D	3.1.12
10	C	6.4.1
11	C	7.3.2
12	D	4.3.1
13	A	3.1.11
14	B	3.1.11
15	B	4.2.1
16	C	4.2.1
17	A	9.4.1
18	A	5.4.1
19	D	1.1.3
20	B	3.1.2
21	C	3.1.5
22	C	3.1.7
23	A	3.1.13
24	D	7.1.2
25	D	7.5.2
26	D	9.1.1
27	D	9.3.3
28	C	10.1.1
29	D	4.4.1
30	D	5.1.2
31	D	5.1.3
32	D	5.3.1
33	B	5.4.2
34	A	6.5.1
35	B	6.6.1
36	B	9.2.4
37	C	2.1.1
38	B	8.1.3
39	B	1.1.2
40	D	9.2.1

SAMPLE PAPER

41	**B**	**2.1.1**
42	**A**	**2.1.3**
43	**A**	**7.3.1**
44	**A**	**7.5.1**
45	**B**	**7.2.1**
46	**C**	**8.2.1**
47	**D**	**3.1.3**
48	**B**	**4.3.1**
49	**B**	**3.1.4**
50	**B**	**3.1.15**

SAMPLE PAPER