Exam : **Series 7**

Title : General Securities Representative Qualification Examination (GS)

Version : DEMO

1.Which of the following preferred issues is likely to fluctuate most in value?
A. cumulative preferred
B. callable preferred
C. convertible preferred
D. broker preferred
Answer: C
Explanation:
convertible preferred. Because of the conversion feature, convertibles are more closely linked to the price of the common stock. In addition, since the dividend rate on convertible preferred is usually lower than other preferred issues, the convertibles are more sensitive to interest rate fluctuations.

2.Which of the following rights does an ADR holder not have?
A. preemptive rights
B. the right to vote for your mother-in-law as a board member
C. the right to transfer ownership
D. the right to see financial statements
Answer: A
Explanation:
preemptive rights. Holders of ADRs do not have preemptive rights, although they have most other rights of shareholders, including the right to vote for board members-even a mother-in-law

3.A corporation makes a rights offering to raise $10 million of new capital by issuing one million shares of common stock. If it already has six million shares outstanding at the time of the offering.
How many rights will the corporation distribute to its shareholders?
A. one million
B. six million
C. ten million
D. sixteen million
Answer: B
Explanation:
six million. One right for each outstanding share is distributed.

4.A corporation makes a rights offering to raise $10 million of new capital by issuing one million shares of common stock. If it already has six million shares outstanding at the time of the offering.
What is the subscription price per share?
A. $4
B. $6
C. $7
D. $10
Answer: D
Explanation:
$10. There are one million shares divided into the $10 million of new capital.

5.A corporation makes a rights offering to raise $10 million of new capital by issuing one million shares of

common stock. If it already has six million shares outstanding at the time of the offering.
What subscription ratio is the corporation establishing for each new share?

A. 6 rights per share

B. 10 rights per share

C. 6 million rights per share

D. 10 million rights per share

Answer: A

Explanation:

6 rights per share. Each share receives a right and there are six million shares receiving rights to one million new shares. So six rights are required for one share.