

ACCREDITED ASSET MANAGEMENT SPECIALIST (AAMS) PRACTICE EXAM (SAMPLE) STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. Which one of these is NOT a type of bond strategy?**
 - A. Put-to-call
 - B. Income preserving
 - C. Zero-coupon
 - D. Bond laddering
- 2. What does the term "liability" refer to in finance?**
 - A. An asset that increases in value
 - B. A savings account with high interest
 - C. An obligation or debt owed to others
 - D. A financial strategy for growth
- 3. How can high credit ratings affect bonds?**
 - A. They increase default risk
 - B. They typically lower the interest rates
 - C. They make bonds less marketable
 - D. They enhance the risk premium
- 4. What is the role of diversification in asset allocation?**
 - A. To concentrate investments in one asset class
 - B. To blend various asset classes to reduce risk and enhance returns
 - C. To increase costs associated with managing the portfolio
 - D. To identify the best performing asset class
- 5. What does "market capitalization" refer to?**
 - A. The net profit of a company in a fiscal year
 - B. The total market value of a company's outstanding shares of stock
 - C. The overall investment potential of a company's assets
 - D. The sum of a company's debts and equity
- 6. Which statement accurately reflects what a higher risk investment should ideally yield?**
 - A. Lower returns to compensate for increased instability
 - B. Slightly higher returns than low-risk alternatives
 - C. Significantly lower risk for safer investments
 - D. Increased expected returns to account for added risk

- 7. What is a real estate investment trust (REIT)?**
- A. A company that invests solely in stocks
 - B. A cooperative structure for property ownership
 - C. A company that owns income-producing real estate
 - D. A government regulation of property investments
- 8. What is a long-term capital gain?**
- A. A profit from selling an asset held for less than one year
 - B. A profit from investments that incur high risk
 - C. A profit from the sale of an asset held for over one year
 - D. A profit derived from rental income
- 9. What financial product is purposefully aimed at providing stability to a business after a partner's death?**
- A. Key person insurance
 - B. Buy-sell agreement insurance
 - C. Disability insurance
 - D. Annuity policies
- 10. What type of risk is associated with interest rate fluctuations?**
- A. Credit risk
 - B. Market risk
 - C. Liquidity risk
 - D. Interest rate risk

Answers

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1. A
2. C
3. B
4. B
5. B
6. D
7. C
8. C
9. B
10. D

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Explanations

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1. Which one of these is NOT a type of bond strategy?

- A. Put-to-call
- B. Income preserving
- C. Zero-coupon
- D. Bond laddering

The correct answer identifies "Put-to-call" as not a type of bond strategy. This term typically relates to options rather than fixed-income securities. A put option gives the holder the right to sell a specified amount of an asset at a predetermined price before a certain date, while a call option allows purchasing. These concepts are more associated with stock and derivatives trading rather than managing bond investments. In contrast, the other choices represent established bond strategies. "Income preserving" involves methods focused on maintaining or enhancing income through careful selection and management of bonds. "Zero-coupon" bonds are a specific type of bond that is sold at a discount and does not pay periodic interest, appealing for their ability to provide a lump sum at maturity. "Bond laddering" is a strategy that involves purchasing bonds with varying maturities to manage interest rate risk and liquidity needs effectively. Each of these strategies serves specific investment goals, showcasing their relevance in the realm of bond investing.

2. What does the term "liability" refer to in finance?

- A. An asset that increases in value
- B. A savings account with high interest
- C. An obligation or debt owed to others
- D. A financial strategy for growth

The term "liability" in finance refers specifically to an obligation or debt owed to others. This encompasses various financial commitments that an individual or organization must fulfill in the future, which can include loans, mortgages, credit card debts, and any other financial obligations. Understanding liabilities is crucial in financial management as they directly impact an individual's or company's financial health, cash flow, and overall net worth. Liabilities often appear on a balance sheet, where they are distinguished from assets, which indicate what one owns. Recognizing liabilities helps in assessing risk and making informed decisions about budgeting, saving, and investing. Properly managing liabilities is essential to achieving financial stability and growth. The other options relate to different financial concepts: an asset that increases in value refers to growth-oriented investments; a high-interest savings account pertains to a method of saving rather than an obligation; and a financial strategy for growth focuses on planning for wealth accumulation, rather than managing debts or obligations.

3. How can high credit ratings affect bonds?

- A. They increase default risk
- B. They typically lower the interest rates
- C. They make bonds less marketable
- D. They enhance the risk premium

High credit ratings are key indicators of a bond issuer's financial stability and likelihood of repaying its debt obligations. When a bond has a high credit rating, it reflects a lower likelihood of default, which inherently reduces the perceived risk associated with investing in that bond. As a result of this reduced risk, investors tend to feel more confident in purchasing bonds with high credit ratings, which increases demand for those bonds. To attract this demand, issuers can offer bonds at lower interest rates compared to similar instruments with lower credit ratings. This phenomenon occurs because investors are willing to accept a lower return (in the form of interest) for the higher security that comes with a bond rated as high quality. Consequently, high credit ratings typically lead to lower interest rates for bonds, making this the correct choice in understanding how credit ratings impact the bond market.

4. What is the role of diversification in asset allocation?

- A. To concentrate investments in one asset class
- B. To blend various asset classes to reduce risk and enhance returns**
- C. To increase costs associated with managing the portfolio
- D. To identify the best performing asset class

Diversification plays a crucial role in asset allocation by blending various asset classes to reduce risk and enhance returns. The fundamental principle behind diversification is that different asset classes respond differently to market conditions. By investing across various classes—such as stocks, bonds, real estate, and commodities—an investor can mitigate the impact of poor performance from any single asset or asset class. This strategic mixing of assets helps to smooth out volatility in a portfolio's overall returns, as typically, when one asset class is underperforming, another may be thriving. Additionally, a diversified portfolio is better positioned to achieve long-term growth, as it captures the upside potential of the various assets while controlling for the downside risk. Thus, diversification is not just about reducing risk but also about optimizing the overall performance of the investment portfolio.

5. What does "market capitalization" refer to?

- A. The net profit of a company in a fiscal year
- B. The total market value of a company's outstanding shares of stock**
- C. The overall investment potential of a company's assets
- D. The sum of a company's debts and equity

Market capitalization refers to the total market value of a company's outstanding shares of stock. This is calculated by multiplying the current stock price by the total number of outstanding shares. It serves as a crucial indicator for investors to assess a company's size and market value, providing insight into its growth potential and risk profile. The value derived from market capitalization helps differentiate between small-cap, mid-cap, and large-cap companies, influencing investment strategies and portfolio diversification. This measure is key because it reflects the market's perception of a company's value rather than just its book value or earnings. Investors often use market capitalization as a basis for making decisions regarding buying, holding, or selling investments, indicating its importance within financial markets.

6. Which statement accurately reflects what a higher risk investment should ideally yield?

- A. Lower returns to compensate for increased instability
- B. Slightly higher returns than low-risk alternatives
- C. Significantly lower risk for safer investments
- D. Increased expected returns to account for added risk**

A higher risk investment is expected to yield increased expected returns to account for the additional risk. This principle is rooted in the risk-return tradeoff, which asserts that investors typically require a higher return as compensation for taking on greater risk. In financial markets, investments that carry higher risk—such as stocks or speculative assets—have the potential for significant fluctuations in value. To entice investors to accept this uncertainty, these investments generally offer the prospect of higher returns compared to lower-risk options, such as government bonds or savings accounts, which provide more stability but usually yield lower returns. This relationship is essential for investors to consider when constructing a diversified portfolio, as they balance the desire for growth (potentially achieved through higher-risk investments) with the need for capital preservation (often achieved through lower-risk assets).

7. What is a real estate investment trust (REIT)?

- A. A company that invests solely in stocks
- B. A cooperative structure for property ownership
- C. A company that owns income-producing real estate**
- D. A government regulation of property investments

A real estate investment trust (REIT) is a company that primarily owns, operates, or finances income-producing real estate. The key characteristic of a REIT is that it pools capital from numerous investors to purchase a diversified portfolio of real estate assets, generating revenue through leasing space and collecting rents on the properties it owns. This structure allows individual investors to earn a share of the income produced through real estate ownership without having to buy or manage property directly. REITs are also required to distribute at least 90% of their taxable income to shareholders in the form of dividends, making them an attractive investment for income-seeking investors. Additionally, because of their unique structure and regulatory requirements, REITs must follow specific rules outlined by the IRS to maintain their tax-advantaged status, which further distinguishes them from other investment vehicles. Other options do not accurately define a REIT: investing solely in stocks describes a different type of investment vehicle, while a cooperative structure for property ownership relates to a different model of property management. Lastly, a government regulation of property investments does not pertain to how REITs operate or their structure, making the correct understanding of what a REIT is essential for identifying its characteristics.

8. What is a long-term capital gain?

- A. A profit from selling an asset held for less than one year
- B. A profit from investments that incur high risk
- C. A profit from the sale of an asset held for over one year**
- D. A profit derived from rental income

A long-term capital gain is defined as a profit that arises from the sale of an asset that has been held for more than one year. This classification is important because long-term capital gains typically enjoy more favorable tax treatment compared to short-term capital gains, which are realized from assets held for one year or less. By encouraging long-term investment, the tax code aims to promote stability in the markets and incentivize investors to hold assets for extended periods. This differentiation in holding periods significantly affects an investor's tax liabilities, thereby influencing their investment strategies. Long-term capital gains are subject to lower tax rates than ordinary income, which can have practical implications for financial planning and investment approaches. The other options each describe different concepts that do not align with the definition of long-term capital gains. For instance, a profit from selling an asset held for less than one year corresponds to short-term capital gains, while profits associated with high-risk investments or rental income relate to different areas of finance and investment. Hence, when discussing the nature of long-term capital gains, option C accurately captures its essence in the context of investment and taxation.

9. What financial product is purposefully aimed at providing stability to a business after a partner's death?

- A. Key person insurance
- B. Buy-sell agreement insurance**
- C. Disability insurance
- D. Annuity policies

The financial product that is specifically designed to provide stability to a business following the death of a partner is buy-sell agreement insurance. This type of insurance supports a buy-sell agreement, where remaining partners can use the insurance proceeds to purchase the deceased partner's share of the business. This ensures that the business can operate smoothly without the potential complications that arise when a partner passes away, such as disputes with heirs or the risk of a business takeover. By having this insurance in place, the surviving partners are better positioned to maintain control and continuity of the business. This arrangement helps ensure that the business remains stable and that there is a clear path for transferring ownership, which can be crucial for both the financial health of the business and the interests of the deceased partner's family. In contrast, key person insurance is designed to protect a business from the financial loss incurred due to the death or disability of an essential employee, but it does not specifically facilitate the purchase of a deceased partner's interest. Disability insurance provides coverage in the event of a partner becoming disabled, and annuity policies primarily serve as retirement income solutions rather than addressing business ownership transitions after a partner's death.

10. What type of risk is associated with interest rate fluctuations?

- A. Credit risk
- B. Market risk
- C. Liquidity risk
- D. Interest rate risk**

Interest rate risk refers specifically to the potential for investment losses due to changes in interest rates. When interest rates rise, the value of fixed-income securities, such as bonds, typically falls. This inverse relationship is critical for investors to understand, as fluctuations in interest rates can significantly impact the performance of various asset classes. In contrast, credit risk pertains to the possibility that a borrower may default on their obligations, market risk involves the overall risk of loss in the financial markets, and liquidity risk relates to the difficulty of selling an asset without incurring a loss. These types of risks are influenced by factors other than interest rate changes, highlighting how interest rate risk specifically addresses the impact of interest rate movements on financial instruments. Thus, identifying interest rate risk as the correct answer emphasizes the importance of recognizing how interest rate changes can directly affect investment valuations.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://accreditedassetmgmt.examzify.com>

We wish you the very best on your exam journey. You've got this!

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