

Canadian Securities Course (CSC) Level 1 Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

This is a sample study guide. To access the full version with hundreds of 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. Don't worry about getting everything right, 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, and take breaks to retain information better.

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.

7. Use Other Tools

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!

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Questions

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1. How do you calculate IV?

- A. Price of underlying security - Strike Price**
- B. Strike price - Price of underlying security**
- C. Divide Strike Price by Price of underlying security**
- D. Add Strike Price and Price of underlying security**

2. What is the primary impact of increased foreign investments on Canadian interest rates?

- A. Decrease in Canadian interest rates**
- B. No effect on Canadian interest rates**
- C. Strengthening of the Canadian dollar and rise in interest rates**
- D. Weakening of the Canadian dollar and lowering of interest rates**

3. What is a Robo-Advisor?

- A. A financial software that predicts market trends**
- B. An individual who gives financial advice based on experience**
- C. Provides online investment management using algorithms**
- D. Manages physical assets such as real estate holdings**

4. What are the characteristics of Recovery?

- A. Decline in economic activity**
- B. Inflation falls, triggering bond rally**
- C. Firms increase production to meet new demands**
- D. Depth, Duration, Diffusion**

5. What does full, true, and plain disclosure refer to?

- A. Providing partial information**
- B. Omitting essential facts**
- C. Disclosure of all facts by those offering securities to the public**
- D. Keeping information confidential**

6. Why do companies issue preferred shares instead of common shares?

- A. Preferreds instead of common shares if the stock is falling or inactive.**
- B. Common shares if the stock is performing well.**
- C. Preferreds also do not dilute the stocks value as would issuing new common shares.**
- D. Common shares instead of preferred based on higher voting rights.**

7. What is the balance of payments?

- A. A statement of all monetary transactions between individuals, companies, and the government**
- B. A statement of a country's economic transactions with the rest of the world**
- C. A document outlining domestic expenditure and income**
- D. A contract between nations detailing trade agreements**

8. Are Exchange-traded Derivatives or OTC derivatives more likely to deliver the underlying assets?

- A. OTC Derivatives.**
- B. Energy Products.**
- C. Exchange-traded Derivatives.**
- D. Equities.**

9. What is the difference between a redeemable and a non-redeemable GIC?

- A. Redeemable GICs have higher interest rates than non-redeemable GICs**
- B. Non-redeemable GICs can't be redeemed before maturity**
- C. Interest rates on redeemable GICs are lower than non-redeemable because they can be cashed out before maturity.**
- D. All GICs have the same interest rates**

10. What is the purpose of secondary markets?

- A. Issuing new securities**
- B. Providing loans**
- C. Trading existing securities**
- D. Investing in startups**

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Answers

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

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Explanations

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1. How do you calculate IV?

- A. Price of underlying security - Strike Price**
- B. Strike price - Price of underlying security**
- C. Divide Strike Price by Price of underlying security**
- D. Add Strike Price and Price of underlying security**

The correct way to calculate IV (Intrinsic Value) is by subtracting the Price of the underlying security by the Strike Price. This calculation helps determine the inherent value of an option by considering how much it is "in-the-money" based on the current market price of the underlying security. Option A is incorrect as it subtracts the Strike Price from the Price of the underlying security, which would not provide the Intrinsic Value. Option C is incorrect as it suggests dividing the Strike Price by the Price of the underlying security, which is not the correct calculation for IV. Option D is incorrect as it recommends adding the Strike Price and Price of the underlying security, which is not the calculation used to determine IV.

2. What is the primary impact of increased foreign investments on Canadian interest rates?

- A. Decrease in Canadian interest rates**
- B. No effect on Canadian interest rates**
- C. Strengthening of the Canadian dollar and rise in interest rates**
- D. Weakening of the Canadian dollar and lowering of interest rates**

The primary impact of increased foreign investments on Canadian interest rates can be understood through the relationship between foreign capital inflow, currency value, and interest rates. When foreign investments into Canada increase, this influx of capital typically strengthens the Canadian dollar. A stronger Canadian dollar means that it can buy more of foreign currencies, making imports cheaper and reducing the overall cost of goods in Canada. As the value of the Canadian dollar appreciates, it can attract additional foreign investment and result in more funds being available within the domestic economy. Consequently, the demand for loans and credit may rise, pushing up interest rates since lenders may perceive a lower risk in lending due to increased confidence from foreign investments. Additionally, the Bank of Canada might adjust monetary policy in response to changes in currency strength and economic conditions, which can also lead to rising interest rates. In summary, increased foreign investment tends to strengthen the Canadian dollar and may lead to a rise in interest rates as the economy responds to the inflow of capital and the associated changes in demand for credit.

3. What is a Robo-Advisor?

- A. A financial software that predicts market trends**
- B. An individual who gives financial advice based on experience**
- C. Provides online investment management using algorithms**
- D. Manages physical assets such as real estate holdings**

A Robo-Advisor is an automated online platform that provides investment management services, primarily utilizing algorithms to assess a client's financial situation and investment goals. This technology-driven approach enables the platform to create and manage a diversified investment portfolio for clients, often at a lower cost compared to traditional financial advisors. The use of algorithms allows Robo-Advisors to analyze vast amounts of data quickly, tailor investment strategies for individual clients, and automatically reallocate assets to maintain a desired level of risk or to respond to market changes. By relying on data and technology, Robo-Advisors offer a user-friendly experience and can cater to a wider audience, particularly those seeking a straightforward, hands-off investment approach. In contrast, other options refer to different concepts: predicting market trends is more aligned with analysis and research rather than management, while an individual providing financial advice is a traditional financial advisor role. Managing physical assets, such as real estate, misses the digital and algorithmic focus of Robo-Advisors, which specifically deal with investments and asset allocation through online platforms.

4. What are the characteristics of Recovery?

- A. Decline in economic activity**
- B. Inflation falls, triggering bond rally**
- C. Firms increase production to meet new demands**
- D. Depth, Duration, Diffusion**

Recovery is a phase in the economic cycle where the economy is transitioning from a trough (low point) to expansion. One of the characteristics of recovery is that firms increase production to meet new demands. During this phase, there is an increase in economic activity, leading to a rise in demand for goods and services, prompting firms to increase their production levels to meet this new demand. This increase in production is indicative of the economy's recovery and growth. Options A and B are not characteristics of the recovery phase. Option A, decline in economic activity, would be more representative of a recessionary phase rather than a recovery. Option B, inflation falling and triggering a bond rally, might happen in a different phase of the economic cycle but is not specifically related to the recovery phase. Option D, Depth, Duration, and Diffusion, are not characteristics of recovery but rather factors used to describe a recession (Depth and Duration) or a recovery period (Diffusion).

5. What does full, true, and plain disclosure refer to?

- A. Providing partial information
- B. Omitting essential facts
- C. Disclosure of all facts by those offering securities to the public**
- D. Keeping information confidential

Full, true, and plain disclosure refers to the practice of disclosing all relevant information by those offering securities to the public. This principle is essential in maintaining transparency and ensuring that investors have all the necessary facts to make informed investment decisions. Providing partial information (Option A), omitting essential facts (Option B), and keeping information confidential (Option D) are not in line with the concept of full, true, and plain disclosure, making them incorrect choices.

6. Why do companies issue preferred shares instead of common shares?

- A. Preferreds instead of common shares if the stock is falling or inactive.**
- B. Common shares if the stock is performing well.
- C. Preferreds also do not dilute the stocks value as would issuing new common shares.
- D. Common shares instead of preferred based on higher voting rights.

Companies may choose to issue preferred shares instead of common shares when the common stock is falling or inactive. Preferred shares typically offer a fixed dividend payment, priority over common shareholders in the event of liquidation, and do not usually carry voting rights. By issuing preferred shares, companies can provide a more stable income stream to investors without diluting the voting rights of existing common shareholders. This can be a strategic way for companies to raise capital without impacting the control of existing shareholders, especially during periods of market volatility or when common shares are underperforming.

7. What is the balance of payments?

- A. A statement of all monetary transactions between individuals, companies, and the government
- B. A statement of a country's economic transactions with the rest of the world**
- C. A document outlining domestic expenditure and income
- D. A contract between nations detailing trade agreements

The balance of payments is specifically a comprehensive statement that summarizes all economic transactions between residents of a country and the rest of the world over a specific time period. This includes not just trade in goods and services, but also financial transactions like investments and remittances. It helps to assess how much a country spends versus how much it earns from foreign entities, thereby providing insights into its economic health and position in the global economy. The other options describe different financial concepts. The first option focuses on monetary transactions at various levels (individuals and companies) but doesn't encapsulate the international aspect that B does. The third choice pertains to a domestic financial overview, which does not account for international transactions. Finally, the fourth option speaks of trade agreements between nations, which is only a component of the broader balance of payments. Thus, the choice that best encompasses the definition of the balance of payments is the second one, which captures the essence of a country's economic interactions on a global scale.

8. Are Exchange-traded Derivatives or OTC derivatives more likely to deliver the underlying assets?

- A. OTC Derivatives.
- B. Energy Products.
- C. Exchange-traded Derivatives.**
- D. Equities.

Exchange-traded derivatives are more likely to deliver the underlying assets because they are standardized contracts that are traded on regulated exchanges. These exchanges have specific rules and requirements that govern the clearing and settlement process, which typically includes the actual delivery of the underlying asset upon expiration of the derivative contract. In contrast, over-the-counter (OTC) derivatives are often customized agreements between two parties and can include various terms regarding settlement that may involve cash settlements instead of physical delivery of the underlying asset. This flexibility can make OTC derivatives less likely to result in actual delivery of the underlying security or commodity. Additionally, exchange-traded derivatives generally have more liquidity and transparency due to being traded on public exchanges, which helps facilitate the physical delivery process as it is a part of the exchange's operational structure.

9. What is the difference between a redeemable and a non-redeemable GIC?

- A. Redeemable GICs have higher interest rates than non-redeemable GICs
- B. Non-redeemable GICs can't be redeemed before maturity
- C. Interest rates on redeemable GICs are lower than non-redeemable because they can be cashed out before maturity.**
- D. All GICs have the same interest rates

The correct answer is C. Interest rates on redeemable GICs are lower than non-redeemable because they can be cashed out before maturity. This is because redeemable GICs provide the option for investors to withdraw their funds before the set maturity date, which creates the potential for the financial institution to incur additional costs or risks. As a result, to compensate for this flexibility, redeemable GICs typically offer lower interest rates compared to non-redeemable GICs, where the investor must hold the investment until maturity to access the funds.

10. What is the purpose of secondary markets?

- A. Issuing new securities
- B. Providing loans
- C. Trading existing securities**
- D. Investing in startups

The purpose of secondary markets is to facilitate the trading of existing securities. Secondary markets provide investors with the opportunity to buy and sell securities that were previously issued in the primary market. These transactions do not involve the issuing company directly, but rather involve investors trading securities amongst themselves. This liquidity and ability to buy and sell existing securities freely make secondary markets important for investors to manage their portfolios and react to market conditions.

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://canadiansecuritieslevelone.examzify.com>

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

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