

Canadian Securities Course (CSC) Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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Questions

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- 1. What are cumulative dividends?**
 - A. Delayed floater preferred**
 - B. Convertible preferreds**
 - C. Retractable preferreds**
 - D. preferred dividends that accumulate from year to year until paid (in arrears)**
- 2. Describe Commercial Paper in the financial context.**
 - A. a protective provision providing that no subsequent mortgage bond issue may be secured by all or part of the company's assets.**
 - B. a short-term commercial draft sold at a discount.**
 - C. a type of savings product that pays a competitive rate of interest and that is guaranteed for one or more years.**
 - D. the investment for these GICs is evenly divided into multiple-term lengths.**
- 3. Where are trades conducted in a dealer market?**
 - A. On established stock exchanges**
 - B. Through government agencies**
 - C. On auction platforms**
 - D. Over-the-Counter (OTC)**
- 4. What is the main feature of retractable preferred shares?**
 - A. They provide a higher dividend yield than common shares**
 - B. They protect against interest rate increases**
 - C. They can be converted into common stock**
 - D. They can force the company to buy them back**
- 5. What characterizes Canada Savings Bonds (CSBs)?**
 - A. a protective provision written into the trust indenture of a company's debenture issue.**
 - B. a short-term corporate money market security.**
 - C. a type of savings product that pays a competitive rate of interest and that is guaranteed for one or more years.**
 - D. a short-term commercial draft sold at a discount.**

- 6. What is "Front running" in the world of trading?**
- A. Executing orders for clients promptly**
 - B. Buying stocks ahead of market trends**
 - C. Putting a broker's own account order ahead of a customer's order for profit**
 - D. Minimizing risk for clients**
- 7. What is an Escalating GIC known for in financial terms?**
- A. set up to retire a specific amount of bonds through purchases in the market, if they can be made at or below a stipulated price.**
 - B. a short-term commercial draft sold at a discount.**
 - C. the interest rate for these GICs increases over the term.**
 - D. the investment for these GICs is evenly divided into multiple-term lengths.**
- 8. What do authorized shares represent for a corporation according to the corporate charter?**
- A. Shares that have been bought back by the company**
 - B. Shares outstanding in the market at a given time**
 - C. The maximum number of shares a corporation can issue**
 - D. Shares purchased by authorized dealers**
- 9. What is the primary focus of a structured product?**
- A. Capital preservation**
 - B. Short-term investments**
 - C. High-risk ventures**
 - D. Real estate acquisitions**
- 10. What is the responsibility of the Office of the Superintendent of Financial Institutions (OSFI)?**
- A. To issue national currency and maintain Canada's monetary policy**
 - B. To regulate and supervise federal financial institutions in Canada**
 - C. To oversee foreign investment in Canada**
 - D. To manage Canada's retirement pension schemes**

Answers

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

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Explanations

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1. What are cumulative dividends?

- A. Delayed floater preferred
- B. Convertible preferreds
- C. Retractable preferreds
- D. preferred dividends that accumulate from year to year until paid (in arrears)**

Cumulative dividends refer to preferred dividends that accumulate from year to year until paid (in arrears). This means that if the company is unable to pay dividends in a certain year, the missed dividends will accumulate until they are able to make the payment in the future. A Delayed floater preferred, B: Convertible preferreds, and C: Retractable preferreds do not pertain to cumulative dividends, as they are different types of preferred stock with their own unique characteristics. It is important to understand the distinctions between these types of preferred stock in order to make informed investment decisions.

2. Describe Commercial Paper in the financial context.

- A. a protective provision providing that no subsequent mortgage bond issue may be secured by all or part of the company's assets.
- B. a short-term commercial draft sold at a discount.**
- C. a type of savings product that pays a competitive rate of interest and that is guaranteed for one or more years.
- D. the investment for these GICs is evenly divided into multiple-term lengths.

Commercial paper is a type of short-term promissory note issued by companies to borrow money from investors. It is typically sold at a discount and has a maturity of less than 270 days. This option is correct because it accurately reflects the definition of commercial paper. Option A is incorrect as it describes a provision for mortgage bond issues and not commercial paper. Option C is incorrect as it describes a type of savings product with a guaranteed interest rate, which is different from commercial paper. Option D is incorrect as it describes a type of investment called Guaranteed Investment Certificates (GICs), which also differs from commercial paper.

3. Where are trades conducted in a dealer market?

- A. On established stock exchanges
- B. Through government agencies
- C. On auction platforms
- D. Over-the-Counter (OTC)**

Trades in a dealer market are conducted over-the-counter (OTC), meaning they are not sold on established stock exchanges or through government agencies. Auction platforms may also be used in a dealer market, but they are not the primary location for trades to occur. Therefore, options A and B are incorrect. Additionally, while both OTC and auction platforms involve trades between parties, it is important to note that OTC trading occurs directly between two parties, whereas auction platforms involve multiple parties bidding on a particular item. Therefore, option C is also incorrect as it is not a direct answer to the question.

4. What is the main feature of retractable preferred shares?

- A. They provide a higher dividend yield than common shares**
- B. They protect against interest rate increases**
- C. They can be converted into common stock**
- D. They can force the company to buy them back**

A - While it is true that preferred shares often offer higher dividend yields than common shares, this is not a defining feature of retractable preferred shares. Other types of preferred shares can also provide higher dividends than common shares. B - Retractable preferred shares do not protect against interest rate increases. This feature is often associated with adjustable-rate preferred shares. C - The ability to convert into common stock is a feature of convertible preferred shares, but not necessarily retractable preferred shares. D - This is the correct answer. Retractable preferred shares give the shareholder the right to force the company to buy back their shares at a predetermined price, providing a form of protection and exit strategy for investors. This is the main feature that sets retractable preferred shares apart from other types of preferred shares.

5. What characterizes Canada Savings Bonds (CSBs)?

- A. a protective provision written into the trust indenture of a company's debenture issue.**
- B. a short-term corporate money market security.**
- C. a type of savings product that pays a competitive rate of interest and that is guaranteed for one or more years.**
- D. a short-term commercial draft sold at a discount.**

Canada Savings Bonds (CSBs) are a type of savings product offered by the Canadian government. Option A, a protective provision for debenture issues, is referring to a different financial instrument. Option B, a short-term corporate money market security, is also referring to a different type of investment. Option D, a short-term commercial draft, is also not the correct answer as CSBs are not sold at a discount. Therefore, the most accurate characterization of CSBs is that they are a type of savings product that guarantees a competitive rate of interest for one or more years. This means that individuals can confidently save their money in CSBs and earn a guaranteed return.

6. What is "Front running" in the world of trading?

- A. Executing orders for clients promptly**
- B. Buying stocks ahead of market trends**
- C. Putting a broker's own account order ahead of a customer's order for profit**
- D. Minimizing risk for clients**

Front running in the world of trading refers to the unethical practice of a broker or trader buying or selling securities before executing a larger client order for their own profit. This is done by placing their own orders ahead of the client's, taking advantage of the expected market movement caused by the client's order. This action is considered illegal and is a form of insider trading. Options A, B, and D do not accurately describe front running and are therefore incorrect. Option A refers to prompt execution of client orders, option B refers to buying stocks based on market trends, and option D refers to minimizing risk for clients. None of these options address the unethical aspect of front running and its direct impact on a client's order.

7. What is an Escalating GIC known for in financial terms?

- A. set up to retire a specific amount of bonds through purchases in the market, if they can be made at or below a stipulated price.**
- B. a short-term commercial draft sold at a discount.**
- C. the interest rate for these GICs increases over the term.**
- D. the investment for these GICs is evenly divided into multiple-term lengths.**

An escalating GIC, or Guaranteed Investment Certificate, is a type of financial product where an investor deposits a certain amount of money and earns a fixed interest rate over a set period of time. The unique feature of an escalating GIC is that the interest rate increases over the term, meaning the investor earns more and more interest as time goes on. This sets it apart from the other options where the focus is on specific bond purchases, short-term drafts, and evenly divided investments. These other options do not have the increasing interest rate feature that makes an escalating GIC a desirable financial tool.

8. What do authorized shares represent for a corporation according to the corporate charter?

- A. Shares that have been bought back by the company**
- B. Shares outstanding in the market at a given time**
- C. The maximum number of shares a corporation can issue**
- D. Shares purchased by authorized dealers**

Authorized shares represent the maximum number of shares that a corporation is allowed to issue according to its corporate charter. Option A is incorrect because shares bought back by the company would be considered treasury stock, not authorized shares. Option B is incorrect because it refers to the current number of shares in the market, not the maximum allowed. Option D is incorrect because it refers to the purchase of shares by authorized dealers, not the maximum number of shares the corporation can issue.

9. What is the primary focus of a structured product?

- A. Capital preservation**
- B. Short-term investments**
- C. High-risk ventures**
- D. Real estate acquisitions**

A structured product is primarily focused on capital preservation, which refers to protecting an investor's initial capital investment by minimizing the risk of losing money. This goal is different from short-term investments, as structured products are designed for longer-term investments rather than quick gains or loss mitigation. While some structured products may involve high-risk ventures or real estate acquisitions, the main objective remains to preserve capital.

10. What is the responsibility of the Office of the Superintendent of Financial Institutions (OSFI)?

- A. To issue national currency and maintain Canada's monetary policy**
- B. To regulate and supervise federal financial institutions in Canada**
- C. To oversee foreign investment in Canada**
- D. To manage Canada's retirement pension schemes**

The Office of the Superintendent of Financial Institutions (OSFI) plays a crucial role in maintaining the stability and integrity of the Canadian financial system by regulating and supervising federal financial institutions. This responsibility includes banks, insurance companies, and trust companies, ensuring they operate safely and soundly, adhere to relevant laws and regulations, and manage their risks effectively. Through its oversight, OSFI helps to protect depositors, policyholders, and pension plan members, contributing to the overall stability of the financial system and public confidence in financial institutions. This regulatory role is essential for sustaining consumer trust and safeguarding the economy against financial systemic risks. The other options present duties that do not fall under OSFI's purview. For example, issuing national currency and maintaining monetary policy is the responsibility of the Bank of Canada. Oversight of foreign investment in Canada is managed by the Investment Canada Act and related regulatory bodies, while managing retirement pension schemes involves specified pension regulators and not OSFI directly.