

# Canadian Securities Course (CSC) Practice Exam (Sample)

## Study Guide



**Everything you need from our exam experts!**

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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. 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. What is a financial statement?**

- A. A record of all transactions made by an individual**
- B. A document that summarizes legal obligations of a company**
- C. A formal record of the financial activities and position of an entity**
- D. A summary of market indices and trends**

**3. What document does a dealer send to the client when a transaction is made?**

- A. Two main types of derivatives**
- B. Buy-in**
- C. Confirmation**
- D. Foreign-pay preferreds**

**4. What do lagging economic indicators do in relation to the economy?**

- A. Lead the economy**
- B. Change at the same time as the market**
- C. Change after the economy**
- D. Cannot be determined**

**5. What is the main characteristic of LT Equity Anticipation options?**

- A. Short-term validity**
- B. Identical risk/reward profile to regular options**
- C. Unable to profit**
- D. Restricted to 5 months**

**6. What are T-bills in the Canadian securities market?**

- A. a short-term commercial draft sold at a discount.**
- B. a type of savings product that pays a competitive rate of interest and that is guaranteed for one or more years.**
- C. a protective provision providing that no subsequent mortgage bond issue may be secured by all or part of the company's assets.**
- D. Government of Canada bonds that mature in 3-month, 6-month, or 12-month maturities.**

**7. Which office within financial firms is typically responsible for marketing and sales activities?**

- A. Middle office**
- B. Back office**
- C. Front office**
- D. Trust company**

**8. What does the current yield of a bond represent?**

- A. The bond's price at issuance**
- B. The yield at maturity**
- C. The annual dollar amount of interest**
- D. The duration of the bond**

**9. What is the main role of the Canadian Deposit Insurance Corporation (CDIC)?**

- A. To insure investment portfolios**
- B. To protect depositors in case of bank insolvency**
- C. To manage public pensions**
- D. To track stock market performance**

**10. What is a margin account?**

- A. An account that allows for options trading only**
- B. An account where no borrowing is permitted**
- C. An account that lets investors borrow money to buy securities**
- D. An account that is used for tax-deferred investments**

## **Answers**

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

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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. What is a financial statement?

- A. A record of all transactions made by an individual
- B. A document that summarizes legal obligations of a company
- C. A formal record of the financial activities and position of an entity**
- D. A summary of market indices and trends

A financial statement serves as a formal record that outlines the financial activities and position of an entity, whether it be an individual, a business, or another organization. It typically includes key components such as the balance sheet, income statement, and cash flow statement. These documents provide vital information about an entity's assets, liabilities, revenues, and expenses, allowing stakeholders to assess its financial health, performance over a specific period, and its liquidity. This definition aligns with the purpose of financial statements, which is to deliver a structured portrayal of financial performance that informs decision-making by investors, management, and other stakeholders. Comprehensive understanding of financial statements is crucial, as they are widely used for analysis, reporting, and regulatory purposes, thus equipping users with the necessary data to gauge financial stability and operational results. In contrast, while records of transactions, legal obligations, and summaries of market indices can be informative, they do not capture the full essence of what constitutes a financial statement. Transaction records focus on individual activities without summarization, legal obligations pertain specifically to corporate responsibilities within the legal context, and market indices summarize broader economic trends rather than detailing the financial status of a specific entity.

### 3. What document does a dealer send to the client when a transaction is made?

- A. Two main types of derivatives**
- B. Buy-in**
- C. Confirmation**
- D. Foreign-pay preferreds**

A Two main types of derivatives refers to a type of financial instrument, and has no relation to a document sent by a dealer to a client. B: Buy-in refers to the process of a broker purchasing a security for a client if the original seller fails to deliver. This does not involve a document sent by the dealer to the client. D: Foreign-pay preferreds are a type of investment, and do not relate to a document sent by a dealer to a client. Confirmation is the document that a dealer sends to a client after a transaction is made. This document serves as a record of the transaction and includes details such as the security, quantity, price, and settlement date. It is important for the client to review and keep this document for their records.

### 4. What do lagging economic indicators do in relation to the economy?

- A. Lead the economy**
- B. Change at the same time as the market**
- C. Change after the economy**
- D. Cannot be determined**

Economic indicators are measurements or statistics that provide insight into the health of the economy. Lagging indicators are variables that change after the economy has already experienced a change. These indicators are useful to understand the impacts and effects of changes in the economy. Option A, leading the economy, refers to leading indicators which anticipate future changes in the economy. Option B, changing at the same time, does not accurately describe what lagging indicators do. And option D, cannot be determined, is incorrect because the definition of lagging indicators provides a clear explanation.

### 5. What is the main characteristic of LT Equity Anticipation options?

- A. Short-term validity**
- B. Identical risk/reward profile to regular options**
- C. Unable to profit**
- D. Restricted to 5 months**

LT Equity Anticipation options inherently have an identical risk/reward profile to regular options. This means that they have the same potential for both gains and losses as regular options. Option A and D are incorrect because they refer to specific limitations or timeliness of LT Equity Anticipation options, which are not defining characteristics. Option C is incorrect because LT Equity Anticipation options, like all options, have the potential for profits depending on the market conditions and the chosen strategy.

## 6. What are T-bills in the Canadian securities market?

- A. a short-term commercial draft sold at a discount.
- B. a type of savings product that pays a competitive rate of interest and that is guaranteed for one or more years.
- C. a protective provision providing that no subsequent mortgage bond issue may be secured by all or part of the company's assets.
- D. Government of Canada bonds that mature in 3-month, 6-month, or 12-month maturities.**

T-bills, also known as Treasury Bills, are short-term government bonds in the Canadian securities market. Option A is incorrect because it describes a commercial draft, which is a type of debt instrument used in commercial transactions. Option B is incorrect because it describes a savings product, which is not a type of bond. Option C is incorrect because it describes a protective provision for corporate bonds, which is not related to T-bills issued by the Canadian government. Therefore, the correct answer is D, as it accurately describes what T-bills are and is specifically related to the Canadian securities market.

## 7. Which office within financial firms is typically responsible for marketing and sales activities?

- A. Middle office
- B. Back office
- C. Front office**
- D. Trust company

The front office within financial firms is typically responsible for marketing and sales activities. This department focuses on directly generating revenue for the firm through client acquisition and sales of financial products or services. The middle office often handles risk management and product development, while the back office handles administrative tasks such as record keeping and compliance. A trust company is a type of financial institution that manages trusts on behalf of clients, but it is not typically responsible for marketing and sales activities.

## 8. What does the current yield of a bond represent?

- A. The bond's price at issuance
- B. The yield at maturity
- C. The annual dollar amount of interest**
- D. The duration of the bond

The current yield of a bond represents the annual dollar amount of interest that the bond will pay based on its current price. This is different from the yield at maturity, which is the total return an investor will receive if they hold the bond until it reaches maturity. The bond's price at issuance and the duration of the bond are not directly related to its current yield, as the bond's price can fluctuate and the duration is a measure of the bond's sensitivity to interest rate changes. Therefore, option C is the most accurate representation of the current yield of a bond.

## 9. What is the main role of the Canadian Deposit Insurance Corporation (CDIC)?

- A. To insure investment portfolios
- B. To protect depositors in case of bank insolvency**
- C. To manage public pensions
- D. To track stock market performance

The Canadian Deposit Insurance Corporation (CDIC) primarily serves to protect depositors in the event of a bank insolvency. This means that if a member financial institution fails, the CDIC ensures that depositors do not lose their savings up to a certain limit. The protection is crucial in maintaining public confidence in the financial system, as it assures individuals that their deposits are safe. CDIC coverage applies to various types of deposits, including savings accounts, chequing accounts, and term deposits, within the limits set by the corporation. This role is vital for financial stability, as it mitigates the risk of bank runs during times of economic distress when depositors might panic and withdraw their funds en masse. While options related to managing public pensions, tracking stock market performance, or insuring investment portfolios cover important aspects of financial services, they do not reflect the specific mandate of the CDIC, which is clearly focused on deposit protection.

## 10. What is a margin account?

- A. An account that allows for options trading only
- B. An account where no borrowing is permitted
- C. An account that lets investors borrow money to buy securities**
- D. An account that is used for tax-deferred investments

A margin account is designed to give investors the ability to borrow funds from their brokerage firm to purchase securities. This borrowing increases the investor's purchasing power, enabling them to invest more than they could with just their own capital. The securities purchased act as collateral for the loan. This type of account is essential for investors who wish to leverage their investments, as it allows them to amplify potential returns on their investments, though it also increases risk. Options indicating that the account is limited to specific types of trading, such as options trading only, do not capture the broader functionality of a margin account. Similarly, the notion that no borrowing is permitted directly contradicts the very definition of a margin account, which is predicated on the ability to borrow against the value of securities. The reference to tax-deferred investments relates more to accounts like RRSPs or TFSA accounts rather than margin accounts, which are primarily focused on facilitating borrowing for investment purposes.

# 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](mailto:hello@examzify.com).**

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

**<https://canadiancsc.examzify.com>**

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

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