CISI INTRODUCTION TO SECURITIES AND INVESTMENT 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

1. **What is the primary objective of the Financial Policy Committee?**
   - A. Setting monetary policy
   - B. Overseeing payment systems
   - C. Regulating retail investment products
   - D. Maintaining financial stability by removing systemic risk

2. **Which statement best distinguishes Treasury bills from commercial paper?**
   - A. T-bills are long-term; CP short-term
   - B. T-bills are government debt; CP is unsecured corporate debt
   - C. CP is secured by assets; T-bills are secured
   - D. T-bills pay coupons; CP is zero-coupon

3. **Which risk arises from changes in exchange rates affecting returns on foreign-denominated bonds?**
   - A. Inflation risk.
   - B. Exchange rate risk.
   - C. Credit risk.
   - D. Liquidity risk.

4. **Which statement best contrasts ordinary shares with preference shares?**
   - A. Ordinary shares have no voting rights; preference shares have voting rights.
   - B. Ordinary shares are never redeemable; preference shares are always redeemable.
   - C. Ordinary shares have voting rights and carry residual risk; preference shares have fixed dividends and may be non-voting.
   - D. Ordinary shares always come with fixed dividends; preference shares have variable dividends.

5. **Who typically maintains the share register for registered shares?**
   - A. The company registrar or a specialist firm of registrars maintains the share register.
   - B. CREST maintains the share register.
   - C. The stock exchange maintains it.
   - D. The central counterparty.

6. Which option is NOT a function of a central bank?

A. Acting as banker to the Government
B. Setting the official short-term rate of interest
C. Regulating the domestic banking system
D. Issuing shares of companies in the market

7. Which term refers to the amount the government owes?

A. Public Sector Net Debt
B. PSNCR
C. Current Account
D. Trade Balance

8. PSNCR stands for which government cash measure?

A. Public Sector Net Cash Requirement
B. Public Sector Net Current Revenue
C. Public Sector Net Cash Reserve
D. Public Sector Net Capital Requirement

9. What is administration?

A. A process to immediately liquidate the company
B. A process to restore viability or realise assets or sell as going concern
C. A process to convert to charity
D. A process to increase dividends to shareholders

10. Which form involves ownership being recorded by a registrar and payments made directly to the owner of record?

A. Bearer share
B. Dematerialised
C. Registered form
D. Coupon-bearing

Answers

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

Explanations

1. What is the primary objective of the Financial Policy Committee?

A. Setting monetary policy

B. Overseeing payment systems

C. Regulating retail investment products

D. Maintaining financial stability by removing systemic risk

The question tests understanding of what the Financial Policy Committee is mainly responsible for. The FPC's central job is to safeguard financial stability by identifying and addressing systemic risks—those risks that could trigger widespread disruption to the financial system and, in turn, harm the economy. It uses macroprudential tools to remove or reduce these risks, such as guiding banks to hold appropriate capital and liquidity buffers or applying measures that curb build-ups of risk in the system. This focus on preventing cascading problems across the financial sector distinguishes it from other bodies. Monetary policy is the remit of the Monetary Policy Committee, not the FPC. Overseeing payment systems and operations falls to other bodies within the Bank of England or regulatory authorities, while regulating retail investment products is the domain of the FCA. So the best choice centers on maintaining financial stability by removing systemic risk.

2. Which statement best distinguishes Treasury bills from commercial paper?

A. T-bills are long-term; CP short-term

B. T-bills are government debt; CP is unsecured corporate debt

C. CP is secured by assets; T-bills are secured

D. T-bills pay coupons; CP is zero-coupon

Treasury bills and commercial paper are distinguished by who issues them and what backs the obligation. Treasury bills are government debt, issued by the government and backed by its credit; they are short-term, typically maturing within a year, and they do not pay periodic coupons but are sold at a discount to par. Commercial paper is short-term debt issued by corporations and, crucially, is unsecured—there is no collateral backing it, so the issuer's credit quality determines risk and pricing. This contrast—government debt versus unsecured corporate debt—best captures the fundamental difference, which is why this statement is the most accurate. The other options mix up maturity, collateral, or coupon payment features that aren't the defining distinction.

3. Which risk arises from changes in exchange rates affecting returns on foreign-denominated bonds?

A. Inflation risk.

B. Exchange rate risk.

C. Credit risk.

D. Liquidity risk.

When a bond is denominated in a foreign currency, the cash flows you receive (coupons and redemption) are in that currency, and their value in your home currency depends on exchange rates at the time you convert them. If the foreign currency strengthens against your home currency, your returns rise when measured in your home currency; if it weakens, your returns fall. This currency movement risk is the exchange rate risk. For example, a UK investor holding a dollar-denominated bond will see the pound value of the coupon payments and principal change with USD/GBP movements, regardless of how the bond performs in dollars. Inflation risk relates to purchasing power, credit risk to the issuer's ability to pay, and liquidity risk to how easily you can sell; none of these capture the impact of exchange rate changes on returns.

4. Which statement best contrasts ordinary shares with preference shares?

A. Ordinary shares have no voting rights; preference shares have voting rights.

B. Ordinary shares are never redeemable; preference shares are always redeemable.

C. Ordinary shares have voting rights and carry residual risk; preference shares have fixed dividends and may be non-voting.

D. Ordinary shares always come with fixed dividends; preference shares have variable dividends.

The key idea is how ordinary and preference shares differ in rights and income. Ordinary shareholders are owners who usually have voting rights at general meetings and face the residual risk of the company's performance, meaning their dividends aren't fixed and they're last to be paid if the company is wound up. Preference shareholders, on the other hand, typically receive a fixed dividend and have priority over ordinary shareholders for dividends and in liquidation, and they often do not have voting rights (though some preference shares can vote in certain circumstances). The statement that best contrasts these features is the one that links voting rights and residual risk with fixed dividends and possible lack of voting rights. The other options rely on absolutes or incorrect generalizations about redeemability or fixed dividends, so they don't fit the usual characteristics.

5. Who typically maintains the share register for registered shares?

A. The company registrar or a specialist firm of registrars maintains the share register.

B. CREST maintains the share register.

C. The stock exchange maintains it.

D. The central counterparty.

The main idea is who keeps the official record of who owns registered shares. For registered shares, that ownership record is the company's share register, kept by the issuer or by a specialist registrar acting on the issuer's behalf. The registrar updates the register when transfers occur, when shareholders change details, and to reflect current holdings so the company can send dividends and notices properly. CREST is a dematerialised settlement system used for electronic transfers, not the official share register. The stock exchange is a trading venue, and the central counterparty handles clearing and settlement of trades; neither maintains the official ownership register.

6. Which option is NOT a function of a central bank?

A. Acting as banker to the Government

B. Setting the official short-term rate of interest

C. Regulating the domestic banking system

D. Issuing shares of companies in the market

The central bank's main job is to manage the country's money and financial stability. It acts as the bank for the government, keeping its accounts and sometimes handling debt operations. It also sets and uses the official short-term interest rate to influence inflation and economic activity, and it supervises and regulates the banking system to keep payments safe and reliable. Issuing shares of companies in the market, however, is not something a central bank does. Equity issuance is a function of companies or capital markets, not of the central bank, which rather operates with currency issuance and monetary and financial regulatory tools.

7. Which term refers to the amount the government owes?

A. Public Sector Net Debt

B. PSNCR

C. Current Account

D. Trade Balance

Debt is a stock figure—the total amount owed at a point in time. The term that represents this for the government is Public Sector Net Debt, which shows the cumulative liabilities of the public sector to lenders. This is why it's the best answer. PSNCR, by contrast, is a flow measure—the net amount the government borrows in a financial year to cover its deficit. The current account and trade balance are parts of the balance of payments, describing flows of goods, services, and income, not the government's overall debt. So the term that refers to the amount the government owes is Public Sector Net Debt.

8. PSNCR stands for which government cash measure?

A. Public Sector Net Cash Requirement

B. Public Sector Net Current Revenue

C. Public Sector Net Cash Reserve

D. Public Sector Net Capital Requirement

Public Sector Net Cash Requirement is the cash-based measure of the government's financing needs for the year. It shows how much net cash the public sector must raise from the markets to cover its spending, after considering all cash inflows and outflows for that year. It's a cash-flow figure, so it reflects actual receipts and payments rather than non-cash accounting adjustments. When spending exceeds cash receipts, the PSNCR is positive, meaning borrowing is needed; if receipts exceed payments, the PSNCR can be negative, indicating a net cash surplus. The other terms don't describe this cash-balance measure used for financing needs.

9. What is administration?

A. A process to immediately liquidate the company

B. A process to restore viability or realise assets or sell as going concern

C. A process to convert to charity

D. A process to increase dividends to shareholders

Administration is an insolvency process designed to give a distressed company a chance to survive or to achieve the best possible result for its creditors. A licensed administrator takes control and a moratorium on creditor actions is put in place, giving time to propose a plan. The aim is to rescue the company as a going concern, perhaps through restructuring or sale to new investors. If rescue isn't feasible, the process can still realise assets or arrange a sale that maximises value for creditors, rather than an immediate liquidation. It isn't about winding up to donate to charity or about simply increasing dividends to shareholders.

10. Which form involves ownership being recorded by a registrar and payments made directly to the owner of record?

A. Bearer share

B. Dematerialised

C. Registered form

D. Coupon-bearing

This question tests how ownership of shares is recorded and who receives payments. In registered form, the company uses a registrar to keep a dedicated share register that records the name and details of the owner. Dividends and other payments are sent to the owner of record—the person named in the register—regardless of who may physically hold a certificate. Bearer shares work the opposite way: ownership is evidenced by possession of the certificate, and payments go to whoever holds it. Dematerialised shares are held and tracked electronically, but the explicit feature described—ownership recorded by a registrar and payments made to the registered owner—is most closely associated with the registered form. Coupon-bearing relates to bearer securities with physical coupons and is not about registrar-recorded ownership.

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://cisiintrotosecandinvestment.examzify.com

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