

# FBLA New Securities and Investments Practice Exam (Sample)

## Study Guide



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

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# Table of Contents

<b>Copyright</b> .....	<b>1</b>
<b>Table of Contents</b> .....	<b>2</b>
<b>Introduction</b> .....	<b>3</b>
<b>How to Use This Guide</b> .....	<b>4</b>
<b>Questions</b> .....	<b>5</b>
<b>Answers</b> .....	<b>8</b>
<b>Explanations</b> .....	<b>10</b>
<b>Next Steps</b> .....	<b>16</b>

# 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. Which type of stock is characterized by its tendency to rise and fall in correlation with the economy?**
  - A. Cyclical stock**
  - B. Defensive stock**
  - C. Value stock**
  - D. Income stock**
- 2. What does Liquidity Risk pertain to when discussing securities?**
  - A. The chance of losing principal on investments**
  - B. The difficulty of selling a security in the market**
  - C. The risk of low dividend payments**
  - D. The potential for decreased interest rates**
- 3. What is a standard variable rate?**
  - A. A mortgage rate that is fixed for the life of the loan**
  - B. A variable rate that can change based on the provider's discretion**
  - C. A rate unaffected by any economic factors**
  - D. A type of mortgage that is only available for commercial properties**
- 4. What is a registration statement?**
  - A. A document for internal review**
  - B. A legal document disclosing material information about a security**
  - C. A summary of monthly financial performance**
  - D. A report on market trends**
- 5. Which act was designed to control speculation and established the FDIC?**
  - A. Dodd-Frank Act**
  - B. Glass-Steagall Act**
  - C. National Banking Act**
  - D. Federal Reserve Act**

- 6. Who is the person creating the trust known as?**
- A. Trustee**
  - B. Beneficiary**
  - C. Grantor**
  - D. Settler**
- 7. What term describes the reduction of a loan balance through payments made over time?**
- A. Amortization**
  - B. Depreciation**
  - C. Application**
  - D. Interest Adjustment**
- 8. What does an excise tax typically target?**
- A. Personal property**
  - B. Luxury items and specific goods**
  - C. General sales**
  - D. Employment income**
- 9. Growth stocks are characterized by what expectation regarding future earnings?**
- A. Stable earnings**
  - B. Higher future earnings**
  - C. Consistent dividends**
  - D. Low market volatility**
- 10. Who is referred to as the buyer of an option contract?**
- A. Holder**
  - B. Writer**
  - C. Seller**
  - D. Broker**



## **Answers**

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

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## **Explanations**

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**1. Which type of stock is characterized by its tendency to rise and fall in correlation with the economy?**

**A. Cyclical stock**

**B. Defensive stock**

**C. Value stock**

**D. Income stock**

Cyclical stocks are closely tied to the economic cycle, meaning their performance is directly influenced by the overall state of the economy. During periods of economic growth, these stocks typically see price increases as companies in sectors such as automotive, construction, and travel experience higher demand. Conversely, when the economy is in a downturn or recession, these stocks usually decline in value because consumer spending decreases, affecting the companies' revenues and profits. In contrast, defensive stocks tend to remain stable or perform better during economic downturns, as they represent companies that provide essential goods and services, such as utilities or consumer staples. Value stocks are those that are considered undervalued relative to their fundamentals, and their price movements can vary independently of economic cycles. Income stocks, often characterized by high dividend payouts, may not fluctuate as much with the economy because their stability often attracts investors seeking regular income regardless of economic conditions. Thus, the nature of cyclical stocks makes them uniquely sensitive to the economic landscape, making them the correct answer for the described characteristics in the question.

**2. What does Liquidity Risk pertain to when discussing securities?**

**A. The chance of losing principal on investments**

**B. The difficulty of selling a security in the market**

**C. The risk of low dividend payments**

**D. The potential for decreased interest rates**

Liquidity risk refers to the potential difficulty an investor might face when trying to sell a security in the market without significantly affecting its price. It is a crucial concept in the realm of securities and investments because it directly impacts how easily an investor can convert their assets into cash. When a market has high liquidity, it means that there are enough buyers and sellers that securities can be bought and sold quickly at stable prices. Conversely, if a security possesses low liquidity, it may not be easy to find a buyer, which can lead to delays in selling the asset or requiring the seller to lower the price significantly to make the sale happen. Understanding liquidity risk is essential for investors as it informs their decisions about which securities to purchase, particularly if they may need to access their capital quickly. Factors such as trading volume, the market depth of a security, and the overall market environment can all influence liquidity, making it a key consideration in investment strategy.

### 3. What is a standard variable rate?

- A. A mortgage rate that is fixed for the life of the loan
- B. A variable rate that can change based on the provider's discretion**
- C. A rate unaffected by any economic factors
- D. A type of mortgage that is only available for commercial properties

A standard variable rate refers to a type of interest rate that can fluctuate based on the lender's discretion and broader market conditions. This means that the interest rate may change periodically, typically in response to changes in the base interest rate set by central banks or due to changes in the lender's own pricing strategies. In many cases, when central banks adjust their interest rates to influence the economy, lenders with a standard variable rate can increase or decrease their rates accordingly to remain competitive or to reflect changes in their costs. Therefore, option B correctly identifies that a standard variable rate is not fixed and can be altered by the provider based on various factors, including market trends. This flexibility can work for or against borrowers, as their monthly payments can rise or fall over the life of the loan depending on these rate adjustments.

### 4. What is a registration statement?

- A. A document for internal review
- B. A legal document disclosing material information about a security**
- C. A summary of monthly financial performance
- D. A report on market trends

A registration statement is a legal document that provides essential information about a security being offered for sale to the public. It is a fundamental requirement under securities regulations, specifically the Securities Act of 1933 in the United States. The purpose of this document is to disclose all material information that investors need to make informed decisions about purchasing the security. This includes details about the company, the type of security being offered, financial statements, management risks, and any other relevant data that could affect the investment's value. The registration statement also acts as a safeguard to ensure transparency in the securities market, allowing investors to assess both the benefits and risks associated with the investment. It is an integral part of the initial public offering (IPO) process and is filed with the Securities and Exchange Commission (SEC) before any securities can be sold to the public. The other choices do not accurately represent the definition of a registration statement. Internal review documents are typically for internal company use and do not serve the same purpose as registration statements. Monthly financial performance summaries are focused on a company's operational results, while reports on market trends analyze broader market dynamics rather than disclosing specific security information. Thus, the most accurate choice regarding the definition and function of a registration statement is that it is a

**5. Which act was designed to control speculation and established the FDIC?**

- A. Dodd-Frank Act**
- B. Glass-Steagall Act**
- C. National Banking Act**
- D. Federal Reserve Act**

The Glass-Steagall Act, enacted in 1933, was a significant piece of legislation aimed at restoring stability to the financial system during the Great Depression. One of its main objectives was to establish regulations to control speculation and prevent excessive risk-taking in the banking sector. To achieve this, the Glass-Steagall Act introduced measures that separated commercial banking from investment banking, thereby reducing the conflicts of interest and financial speculation that had contributed to the stock market crash of 1929. In addition to regulating banking practices, the Glass-Steagall Act also established the Federal Deposit Insurance Corporation (FDIC). The FDIC was created to provide deposit insurance to protect bank depositors' funds, thus enhancing public confidence in the banking system and reducing the likelihood of bank runs. This act represented a pivotal shift in the regulatory landscape of the financial industry, aiming to ensure greater stability and protection for consumers in the face of economic uncertainty.

**6. Who is the person creating the trust known as?**

- A. Trustee**
- B. Beneficiary**
- C. Grantor**
- D. Settler**

The individual creating the trust is referred to as the grantor. This person establishes the terms of the trust and decides how the assets within the trust are to be managed and distributed. The grantor plays a crucial role in defining the structure of the trust, including specifying the beneficiaries and the responsibilities of the trustee, who is tasked with managing the trust according to the grantor's instructions. This terminology is important in understanding trust law and the roles involved. While the trustee is responsible for administering the trust and the beneficiary is the individual who receives benefits from the trust, the grantor is the foundational figure who initiates the trust and sets its objectives. The term "settler" is often used interchangeably with grantor in some jurisdictions, but the specific term used can vary based on legal conventions.

**7. What term describes the reduction of a loan balance through payments made over time?**

**A. Amortization**

**B. Depreciation**

**C. Application**

**D. Interest Adjustment**

The term that describes the reduction of a loan balance through payments made over time is amortization. This process involves making regular payments that cover both the principal and interest over the life of the loan, ultimately leading to the complete repayment of the loan amount. Amortization is commonly used in the context of mortgages and other types of installment loans, where the borrower pays a set amount at regular intervals, gradually reducing the remaining balance until it reaches zero. The concept of amortization emphasizes how the loan's structure supports the borrower in managing debt effectively through predictable payment schedules. Understanding amortization is crucial for borrowers to assess their financial obligations and for lenders to formulate loan terms and conditions. In contrast, depreciation refers to the decrease in value of an asset over time, typically applicable to physical assets, rather than loans. Application simply indicates the act of applying something, lacking a specific financial context related to loan repayment. Interest adjustment generally pertains to changes in the interest rate rather than the repayment structure of the loan itself.

**8. What does an excise tax typically target?**

**A. Personal property**

**B. Luxury items and specific goods**

**C. General sales**

**D. Employment income**

An excise tax is a type of tax imposed specifically on the sale or use of particular goods and services. This includes luxury items, such as expensive cars or jewelry, as well as specific goods like gasoline, alcohol, and tobacco products. The primary purpose of an excise tax is often to generate revenue while also discouraging the consumption of certain goods deemed less desirable, either for health reasons or environmental concerns. By targeting specific items rather than broad categories like general sales or income, excise taxes can influence consumer behavior more directly, aligning fiscal policy with social objectives.

**9. Growth stocks are characterized by what expectation regarding future earnings?**

- A. Stable earnings**
- B. Higher future earnings**
- C. Consistent dividends**
- D. Low market volatility**

Growth stocks are recognized for the expectation of higher future earnings. This means that investors purchasing growth stocks anticipate significant increases in a company's earnings over time, often driven by innovations, expanding markets, or increased consumer demand. The outlook for these stocks is usually optimistic, as they are part of companies that are expected to outperform the market in terms of earnings growth, even if they do not currently pay dividends. While stable earnings might be a characteristic of certain value stocks, growth stocks typically do not prioritize consistent dividends or market stability; instead, they reinvest profits back into the business to fuel further growth. Hence, the primary appeal of growth stocks lies in their ability to deliver substantial returns through an increase in earnings rather than through dividends or low volatility.

**10. Who is referred to as the buyer of an option contract?**

- A. Holder**
- B. Writer**
- C. Seller**
- D. Broker**

In the context of options trading, the buyer of an option contract is referred to as the "holder." The holder has the right, but not the obligation, to buy (in the case of a call option) or sell (in the case of a put option) the underlying asset at a specified price, known as the strike price, before or on the expiration date of the option. This position allows the holder to benefit from potential price movements in the underlying asset. The holder pays a premium to acquire this right, which represents their investment in the option. The other roles in options trading include the writer, who is the seller of the option and incurs the obligation to fulfill the contract if the holder chooses to exercise the option; the seller is often synonymous with the writer in this context. A broker facilitates transactions between buyers and sellers but does not typically engage in the buying or selling of options contracts themselves. The distinct role of the holder is crucial because it emphasizes the advantage and flexibility afforded to those who purchase options, setting them apart from other market participants.



## 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://fbnewsecuritiesinvest.examzify.com>**

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