

FBLA NEW SECURITIES AND INVESTMENTS PRACTICE EXAM (SAMPLE)

STUDY GUIDE



Prepare with structure. Pass with confidence



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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. Which market is characterized by buying and selling occurring simultaneously, often termed as a "double auction"?**
 - A. Second market
 - B. Negotiated market
 - C. Auction market
 - D. First market
- 2. What is the role of an actuary within an insurance company?**
 - A. A person who sells insurance policies
 - B. An officer who calculates and states the risks and premiums
 - C. A claims adjuster who assesses damages
 - D. A legal advisor on insurance contracts
- 3. What does the Consumer Price Index (CPI) primarily measure?**
 - A. The rate of unemployment in the country
 - B. The level of inflation for consumer goods and services
 - C. The amount of savings in consumer accounts
 - D. The economic output of the manufacturing sector
- 4. What does a Certificate of Deposit incur if funds are withdrawn before the term expires?**
 - A. A tax penalty
 - B. A financial penalty
 - C. An interest loss
 - D. None of the above
- 5. What is the primary focus of an index-based ETF?**
 - A. To actively manage a portfolio of securities
 - B. To replicate the performance of a specific securities index
 - C. To invest in emerging market investments
 - D. To focus on short-term trading strategies

6. How is the value of a bond point defined?

- A. Equal to \$100
- B. Equal to \$1,000
- C. Equal to \$10
- D. Equal to \$50

7. What defines a revenue bond?

- A. A bond backed by the issuer's credit
- B. A bond backed by project-generated revenues
- C. A bond without interest payments
- D. A bond issued as a bearer bond

8. Which type of insurance provides payments for the rest of the policyholder's life and a lump sum death benefit for beneficiaries?

- A. Whole Life Insurance
- B. Universal Life Insurance
- C. Variable Life Insurance
- D. Term Life Insurance

9. What does a margin account allow you to do?

- A. Trade without commissions
- B. Borrow money to buy securities
- C. Invest in mutual funds
- D. Access short-selling options

10. What is an encumbrance in terms of property claims?

- A. A claim made by the property owner
- B. A claim on property not from the owner, typically for debt
- C. A claim specific to property damage ownership
- D. A claim related to property taxes

Answers

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

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Explanations

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1. Which market is characterized by buying and selling occurring simultaneously, often termed as a "double auction"?

- A. Second market
- B. Negotiated market
- C. Auction market**
- D. First market

The correct answer is that the market characterized by buying and selling occurring simultaneously, often termed as a "double auction," is the auction market. In an auction market, buyers place bids and sellers list asks at the same time, and trades are made when a buyer's bid matches a seller's ask. This dynamic creates a continuous flow of transactions based on the real-time interaction of supply and demand, allowing market participants to react quickly to price changes. This system is integral to creating liquidity and transparency in trading, as it facilitates price discovery and ensures that transactions occur based on current market conditions. The double auction mechanism is commonly observed in various financial markets, including stock exchanges, where numerous participants can submit bids and offers simultaneously, leading to a competitive trading environment.

2. What is the role of an actuary within an insurance company?

- A. A person who sells insurance policies
- B. An officer who calculates and states the risks and premiums**
- C. A claims adjuster who assesses damages
- D. A legal advisor on insurance contracts

The role of an actuary within an insurance company is primarily focused on assessing and managing risk through the use of mathematics, statistics, and financial theory. Actuaries are essential for calculating the likelihood of future events, such as policyholder claims, and determining the necessary premiums to cover those risks while ensuring the company's profitability and stability. Actuaries analyze data related to various factors, including demographics, health, and historical claims, to estimate the probability of different outcomes. This allows them to set premiums at levels that are adequate to cover expected claims and administrative costs while remaining competitive in the market. The work of actuaries also encompasses ensuring that the insurance products offered align with regulatory requirements and are sustainable over the long term. While selling insurance policies is an important aspect of insurance operations, it is primarily the role of insurance agents rather than actuaries. Similarly, claims adjusters are focused on assessing damages and validating claims rather than on the financial calculations that actuaries perform. Legal advisors play a crucial role in interpreting contracts and navigating legalities but do not engage in the statistical risk assessments that characterize an actuary's responsibilities.

3. What does the Consumer Price Index (CPI) primarily measure?

- A. The rate of unemployment in the country
- B. The level of inflation for consumer goods and services**
- C. The amount of savings in consumer accounts
- D. The economic output of the manufacturing sector

The Consumer Price Index (CPI) primarily measures the level of inflation for consumer goods and services. It reflects the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services, which includes items such as food, clothing, housing, and medical care. By tracking these price changes, the CPI provides valuable insight into the purchasing power of money and the cost of living. This measurement is crucial for economists and policymakers as it helps to assess economic conditions and inform decisions regarding interest rates, wages, and social security benefits. The other choices are related to different economic indicators: unemployment rates pertain to joblessness within the labor market, consumer savings focus on the liquidity and financial health of households, and manufacturing output relates to the total production and economic activity within the industrial sector. Each of these metrics serves a distinct purpose in economic analysis, but they do not encompass the primary focus of the CPI, which is strictly about inflation in consumer pricing.

4. What does a Certificate of Deposit incur if funds are withdrawn before the term expires?

- A. A tax penalty
- B. A financial penalty**
- C. An interest loss
- D. None of the above

When funds are withdrawn from a Certificate of Deposit (CD) before its maturity date, a financial penalty is typically incurred. This penalty is usually defined as a forfeiture of some or all of the interest that has been earned on the CD. The rationale behind this penalty is that CDs are time deposits that offer higher interest rates in exchange for leaving the money untouched for a specified term. Withdrawals before the term ends break this agreement, leading to penalties that serve as a deterrent against early withdrawal. The institution holding the CD also faces potential losses from having to reinvest the funds at a lower interest rate if a customer pulls out money prematurely. It's important to note that while withdrawing early can lead to a loss of interest earnings (which some might interpret as an interest loss), the more appropriate term in this context is a financial penalty, as it encompasses the explicit penalties set by the financial institution. In summary, the incurrence of a financial penalty is a standard practice that reinforces the commitment required when investing in a CD.

5. What is the primary focus of an index-based ETF?

- A. To actively manage a portfolio of securities
- B. To replicate the performance of a specific securities index**
- C. To invest in emerging market investments
- D. To focus on short-term trading strategies

An index-based ETF primarily aims to replicate the performance of a specific securities index. This means that it is designed to track the movements and price changes of a particular index, such as the S&P 500, by holding the same securities in the same proportions as those in the index. The investment strategy of index-based ETFs is rooted in passive management, allowing investors to gain exposure to a broad market or specific sector without the need for active management by investment professionals. By mirroring the index, these ETFs provide investors with a diversified portfolio that reflects the overall performance of the market segment or index they are targeting, which can often lead to lower fees compared to actively managed funds. This passive approach is beneficial for many investors because it typically results in lower turnover and reduced costs associated with buying and selling securities. Therefore, the focus on replicating the index allows investors to capture the overall market returns, making index-based ETFs an attractive investment option for those looking to invest in a cost-effective manner.

6. How is the value of a bond point defined?

- A. Equal to \$100
- B. Equal to \$1,000
- C. Equal to \$10**
- D. Equal to \$50

The value of a bond point is defined as equal to \$10. This terminology is commonly used in the bond market where the price of a bond is often quoted in points. Each point represents a set dollar amount; in this case, one point equates to \$10. For instance, if a bond is quoted at 95 points, it means the price is 95% of its face value. If the face value were \$1,000, the bond would sell for \$950. This way of quoting bond prices helps simplify trading and pricing in the bond market, making it easier for investors to understand the cost relative to its face value. Understanding this pricing system is crucial for investors when analyzing bond investments and market movements.

7. What defines a revenue bond?

- A. A bond backed by the issuer's credit
- B. A bond backed by project-generated revenues**
- C. A bond without interest payments
- D. A bond issued as a bearer bond

A revenue bond is specifically designed to be repaid from the income generated by a particular project or source of revenue, rather than from the general credit or taxing power of the issuer. This means that the funds necessary to service the bond's interest and principal repayments come directly from the revenues produced by the project for which the bond was issued, such as tolls from a highway, fees from a utility service, or revenues from a public facility like a stadium. Revenue bonds are often used in public finance to fund specific infrastructure projects that are expected to generate income over time, enabling the issuer to raise necessary capital without relying on general taxation or broad financial backing. This makes them attractive in situations where the project has a predictable revenue stream that can fund the bond payments. Other options identify characteristics of different types of bonds. A bond backed by the issuer's credit refers to general obligation bonds, which rely on the issuer's overall financial strength. A bond without interest payments suggests a zero-coupon bond, which is not applicable in this context. A bearer bond, while a form of security that does not have to be registered to a specific owner and is paid to the holder, does not inherently define a revenue bond either.

8. Which type of insurance provides payments for the rest of the policyholder's life and a lump sum death benefit for beneficiaries?

- A. Whole Life Insurance**
- B. Universal Life Insurance
- C. Variable Life Insurance
- D. Term Life Insurance

Whole life insurance is designed to provide lifelong coverage for the policyholder, which means that as long as premiums are paid, the insurance remains in effect throughout the policyholder's life. One of the key features of whole life insurance is that it not only offers a death benefit that is paid to beneficiaries upon the policyholder's death, but it also has a cash value component that accumulates over time. This cash value can be borrowed against or withdrawn, providing potential financial flexibility during the policyholder's lifetime. The death benefit, which is a lump sum paid to beneficiaries, gives assurance that they will receive financial support upon the policyholder's death. This combination of lifelong coverage and the cash value aspect distinguishes whole life insurance from other types of life insurance products, making it a popular choice for individuals looking for both permanent life coverage and an investment component.

9. What does a margin account allow you to do?

- A. Trade without commissions
- B. Borrow money to buy securities**
- C. Invest in mutual funds
- D. Access short-selling options

A margin account primarily allows investors to borrow money from their brokerage to purchase securities. This leverage can amplify potential returns on investments because investors can buy more securities than they could with just their own capital. The brokerage holds the securities in the margin account as collateral against the loan provided to the investor. This borrowing capability differentiates margin accounts from cash accounts, where investors can only use their own funds to purchase securities. It's important to understand that while margin accounts can increase profits, they also increase risk, as losses can also be magnified when using borrowed funds. The other options do not accurately reflect the main function of a margin account. For example, while margin accounts may offer advantages in trading strategies and short-selling, these elements are not their primary focus. The ability to trade without commissions is often associated with certain brokerage promotions but does not define how a margin account operates. Investing in mutual funds does not typically involve a margin account, as mutual funds are usually purchased through cash accounts.

10. What is an encumbrance in terms of property claims?

- A. A claim made by the property owner
- B. A claim on property not from the owner, typically for debt**
- C. A claim specific to property damage ownership
- D. A claim related to property taxes

An encumbrance is best understood as a claim on property that is not initiated by the owner, typically arising from debt obligations. This means that the property can be burdened with certain liabilities or restrictions, such as liens or mortgages, that may affect the owner's rights to fully use or dispose of the property. For example, if a homeowner takes out a mortgage to purchase their house, the lender has a legal claim (or encumbrance) on the property until the loan is paid off. This encumbrance can limit the homeowner's ability to sell the property or use it as collateral for further borrowing, as the lender's rights must be satisfied first. Other options like a claim made by the property owner or claims specific to property damage ownership do not accurately capture the essence of what an encumbrance is, as they focus on owner-related claims or specific damages rather than the external claims that impact the property. A claim related to property taxes does involve encumbrances, but it is a narrower view of the broader definition, as encumbrances can encompass various types of claims beyond just tax matters, including mortgages, mechanics' liens, and easements. Therefore, focusing on the concept of debt-related claims illustrates the essence of an encumbrance.

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://fbnewsecuritiesinvest.examzify.com>

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

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