FINRA INVESTMENT BANKING REPRESENTATIVE PRACTICE EXAM (SAMPLE)

STUDY GUIDE

SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE

https://finraseries79.examzify.com

Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

Table of Contents

SAMPLE

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.

SAMPLE

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!

SAMPLE

Questions

SAMPLE

1. **Why is a size premium added to the WACC for smaller companies?**
   A. To increase stock value
   B. To account for illiquidity risk
   C. To balance market competition
   D. To reduce tax liabilities

2. **During bankruptcy proceedings, which type of creditors have higher claim priority?**
   A. Secured creditors
   B. Unsecured creditors
   C. Stockholders
   D. Creditors with known compensation plans

3. **What is the primary purpose of an annual compliance meeting?**
   A. To assess employee performance
   B. To ensure compliance with laws and regulations
   C. To introduce new products
   D. To evaluate investment strategies

4. **What is the primary purpose of Regulation D?**
   A. To regulate stock options for executives
   B. To establish exemptions from registration for private placements
   C. To mandate annual disclosure of company information
   D. To oversee all public company offerings

5. **When must a managing underwriter notify the CFD of FINRA after SEC registration?**
   A. Within one calendar day
   B. Within one business day
   C. Within three business days
   D. At least one week before settlement

SAMPLE

6. What information must fiduciaries under FINRA Rule 2060 protect?

A. Confidential client lists
B. Ownership of an issuer's securities
C. Trade execution records
D. Market forecasts

7. What is the quotation method used for T-bills?

A. Fixed dollar price
B. Annuity factor
C. Annualized discount percentage
D. Percentage of par value

8. What types of communication are included in the definition of graphic communication?

A. Only emails and fax messages
B. Audiotapes, videotapes, and emails
C. Written reports and presentations
D. All forms of oral communication

9. Is the SEC filing of a recorded road show considered a free-writing prospectus?

A. Yes, it utilizes written communication
B. No, it is oral communication
C. Yes, it is treated as graphic communication
D. No, it is unrelated to SEC filings

10. Under what circumstances do loans require permission?

A. For loans to family members
B. For loans related to bank transactions
C. When made to individuals registered at the same firm
D. When for business relationships only

SAMPLE

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. Why is a size premium added to the WACC for smaller companies?

A. To increase stock value

B. To account for illiquidity risk

C. To balance market competition

D. To reduce tax liabilities

The addition of a size premium to the Weighted Average Cost of Capital (WACC) for smaller companies is primarily to account for illiquidity risk. Smaller companies typically have less liquid stocks compared to larger, more established firms. This means that their shares may not be traded as frequently, which often results in greater price volatility and a higher degree of risk for investors. Investors who purchase shares in smaller companies may require a higher return to compensate for this additional risk and uncertainty associated with illiquidity. Consequently, when calculating WACC, incorporating a size premium helps to reflect the higher expected returns that investors anticipate due to the increased risk of investing in smaller firms. This ensures that the WACC accurately captures the cost of capital for these businesses, making it a more realistic measure for investment decisions and valuations.

2. During bankruptcy proceedings, which type of creditors have higher claim priority?

A. Secured creditors

B. Unsecured creditors

C. Stockholders

D. Creditors with known compensation plans

Secured creditors have higher claim priority during bankruptcy proceedings because they have a legal right to specific assets or collateral that were pledged against the loans they provided. This means that in the event of a bankruptcy, when the company liquidates its assets to pay off debts, secured creditors are first in line to recover their investments, as they can claim the assets that are specifically tied to their loans. In contrast, unsecured creditors do not have any collateral backing their loans and are thus subordinate to secured creditors. Unsecured creditors may only receive payment after secured creditors' claims are satisfied, if there are any funds remaining. Stockholders, as equity holders, are last in line to receive anything from the company's assets in a bankruptcy scenario, making their position more precarious compared to creditors. Creditors with known compensation plans do not have a special priority status in bankruptcy, and their claims would typically fall into the same category as that of unsecured creditors. Therefore, the hierarchy established during bankruptcy proceedings clearly elevates the status of secured creditors above others.

SAMPLE

3. What is the primary purpose of an annual compliance meeting?

A. To assess employee performance

B. To ensure compliance with laws and regulations

C. To introduce new products

D. To evaluate investment strategies

The primary purpose of an annual compliance meeting is to ensure compliance with laws and regulations. This meeting serves as an essential platform for organizations to reinforce their commitment to adhering to industry standards, legal requirements, and internal policies. During this meeting, compliance officers typically review relevant regulations, highlight any changes in the regulatory environment, and provide training on policies that employees need to follow to minimize the risk of non-compliance. Additionally, these meetings often discuss best practices for maintaining compliance and may include updates on legal obligations that affect the organization's operations. By focusing on compliance, the meeting aims to foster a culture of accountability and awareness among employees, which is critical in the highly regulated finance and investment banking sectors. This proactive approach helps to mitigate risks and protect both the firm and its clients from potential legal issues.

4. What is the primary purpose of Regulation D?

A. To regulate stock options for executives

B. To establish exemptions from registration for private placements

C. To mandate annual disclosure of company information

D. To oversee all public company offerings

The primary purpose of Regulation D is to establish exemptions from registration for private placements. This regulation plays a crucial role in facilitating capital formation by allowing companies to raise funds without the extensive requirements that are typically associated with public offerings. Under Regulation D, companies can offer and sell securities without having to register them with the SEC, provided they meet certain conditions. This can significantly lower the cost and complexity involved in fundraising, as it allows smaller companies and startups to access capital from accredited investors and a limited number of non-accredited investors. The regulation outlines specific criteria that must be met to qualify for exemptions, including limits on the amount of money raised and the types of investors that can participate. This approach not only streamlines the fundraising process but also encourages investment in emerging businesses while still providing some investor protections. Other options discussed in the context of this question focus on different aspects of securities regulation, such as oversight of public offerings or mandates for annual disclosures, which do not directly align with the fundamental purpose of Regulation D.

SAMPLE

5. When must a managing underwriter notify the CFD of FINRA after SEC registration?

A. Within one calendar day

B. Within one business day

C. Within three business days

D. At least one week before settlement

The requirement for a managing underwriter to notify the Chief Financial Officer (CFO) of FINRA after SEC registration is within one business day. This timeline is critical as it ensures that the regulatory body is promptly informed about the offering, allowing for appropriate oversight and management of compliance matters. This notification is part of the overall process to ensure transparency and regulatory compliance in the underwriting process. By informing FINRA quickly, the managing underwriter contributes to maintaining the integrity of the market and ensuring that all participants are operating under established regulations and expectations. The other timeframes presented, such as within one calendar day or three business days, do not align with the specific regulatory requirement outlined by FINRA. Additionally, notifying FINRA at least one week before settlement is not relevant to the context of SEC registration notification, as the requirement specifically pertains to the time following SEC registration.

6. What information must fiduciaries under FINRA Rule 2060 protect?

A. Confidential client lists

B. Ownership of an issuer's securities

C. Trade execution records

D. Market forecasts

The correct choice pertains to the ownership of an issuer's securities, which fiduciaries must protect due to the sensitive nature of this information. Under FINRA Rule 2060, fiduciaries are individuals or entities that have a legal and ethical obligation to act in the best interest of their clients. This includes safeguarding any material information related to the clients' investments, particularly in regards to ownership stakes in securities. Ownership of securities is considered material non-public information; disclosing this type of information could lead to conflicts of interest or insider trading, which are illegal and unethical practices in the financial industry. Therefore, fiduciaries must maintain strict confidentiality over this information to uphold their obligations and protect their clients' interests. In contrast, while the other options—such as confidential client lists, trade execution records, and market forecasts—do contain critical data, they do not carry the same implications of proprietary ownership and direct fiduciary responsibility specifically outlined in this context of protecting client interests. This distinction highlights the importance of confidentiality around ownership of securities in a fiduciary role, setting it apart from other types of information in the realm of financial management.

SAMPLE

7. What is the quotation method used for T-bills?

A. Fixed dollar price

B. Annuity factor

C. Annualized discount percentage

D. Percentage of par value

The correct method for quoting Treasury bills (T-bills) is the annualized discount percentage. T-bills are sold at a discount to their face value, and the amount of the discount is expressed as a percentage of the face value, annualized to make it easier for investors to understand the yield. When T-bills are quoted, the discount is calculated based on the difference between the purchase price and the face value, with the calculation being standardized to reflect an annual yield despite the actual term of the bill being shorter than a year. This annualized discount percentage provides investors with a straightforward measure of the return they will earn when the T-bill matures. This method is particularly useful because T-bills are typically short-term instruments (maturities of one year or less), and presenting the yield in annualized terms allows for easier comparison with other investments that may have different structures or time frames. The other methods listed do not align with the standard practice for quoting T-bills, as they relate to different types of securities or calculation methodologies that do not apply to the discount pricing structure that defines T-bills.

8. What types of communication are included in the definition of graphic communication?

A. Only emails and fax messages

B. Audiotapes, videotapes, and emails

C. Written reports and presentations

D. All forms of oral communication

Graphic communication encompasses a variety of forms that utilize visual elements to convey information or ideas. In the context of the correct choice, audiotapes, videotapes, and emails represent a range of media that can effectively communicate messages through visual (in the case of videos) and auditory (in the case of audiotapes) means. Emails, while primarily text-based, often include graphics, charts, and other visual aids that enhance the communication of complex information. Audiotapes and videotapes can provide a richer context through visual storytelling and can demonstrate concepts or present ideas in a more engaging way than text alone. Understanding graphic communication in this broader sense includes recognizing how different media, particularly those that integrate visual and auditory elements, contribute to effective communication. This viewpoint acknowledges the evolving nature of communication in an increasingly digital world, where multimedia presentations and diverse formats are commonly used to convey intricate information.

SAMPLE

9. Is the SEC filing of a recorded road show considered a free-writing prospectus?

A. Yes, it utilizes written communication

B. No, it is oral communication

C. Yes, it is treated as graphic communication

D. No, it is unrelated to SEC filings

A recorded road show qualifies as a free-writing prospectus because it utilizes written communication that provides information or offers regarding a securities offering outside the confines of a traditional prospectus. A free-writing prospectus is defined by the SEC as any written communication that offers securities, and since a recorded road show often includes slides, charts, and other visual elements along with spoken commentary, it encompasses more than just oral elements. The key component here is that the recorded road show allows issuers to enhance their message through various written forms, making it a type of free-writing prospectus. It helps potential investors gather more information in a more digestible format, aligning with the SEC's intention behind allowing free-writing prospectuses to supplement the information available in official filings.

10. Under what circumstances do loans require permission?

A. For loans to family members

B. For loans related to bank transactions

C. When made to individuals registered at the same firm

D. When for business relationships only

The correct answer is that loans require permission when made to individuals registered at the same firm. This requirement is in place to avoid any potential conflicts of interest and to maintain the integrity of the firm's operations. When a registered representative lends money to another representative or employee within the same firm, there are implications related to ethical conduct, transparency, and the potential for coercion or favoritism. To mitigate these risks, firms typically mandate that employees disclose such loans and obtain prior approval from the firm. This policy helps ensure that all transactions are conducted fairly and in accordance with regulatory guidelines, ultimately protecting both the individuals involved and the firm as a whole. In contrast, loans to family members, loans related to bank transactions, and those for business relationships do not necessarily require the same level of scrutiny or permission under standard compliance protocols within investment firms. These circumstances do not present the same direct concerns regarding conflicts of interest as loans between registered individuals within the same firm.

SAMPLE

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://finraseries79.examzify.com

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

SAMPLE