

FINRA SERIES 86 RESEARCH ANALYST 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. What is a key factor that affects capital asset pricing?**
 - A. Profit margins
 - B. Beta
 - C. Dividend yield
 - D. Revenue growth
- 2. What does the term "market sentiment" refer to?**
 - A. The historical performance of a security
 - B. The overall attitude of investors towards a particular security or financial market
 - C. The volatility of a market based on external factors
 - D. The ratio of buyers to sellers in the market
- 3. What is the primary objective of equity research?**
 - A. To maintain stock market stability
 - B. To provide advice on investment opportunities
 - C. To facilitate securities trading
 - D. To analyze historical economic data
- 4. What is the adjusted EBITDA multiple for a company with a revenue of \$29.39 billion and EBITDA of \$7.93 billion if another company is willing to pay 11.50 times EBITDA and expects \$1.04 billion of synergies?**
 - A. 3.34
 - B. 6.178
 - C. 13.23
 - D. 10.16
- 5. What is the role of Regulation AC in research reports?**
 - A. It dictates the format of financial statements
 - B. It requires analysts to certify the accuracy of their research
 - C. It outlines trading restrictions for analysts
 - D. It mandates disclosures of insider trading

- 6. What is a stock buyback?**
- A. A method to increase company debt
 - B. When a company sells additional shares to raise capital
 - C. When a company repurchases its own shares to reduce the number of outstanding shares
 - D. An acquisition of another company
- 7. Which phase of the economic cycle typically leads to higher corporate earnings?**
- A. Contraction phase
 - B. Recession phase
 - C. Economic expansion
 - D. Stagnation phase
- 8. How many questions are on the Series 86 exam?**
- A. 75 questions
 - B. 100 questions
 - C. 125 questions
 - D. 150 questions
- 9. How is a company's total debt calculated?**
- A. By summing cash and cash equivalents
 - B. By summing short-term and long-term debt obligations
 - C. By calculating accounts payable and accrued liabilities
 - D. By assessing equity and retained earnings
- 10. What is considered a common valuation method used by research analysts?**
- A. Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)
 - B. Book Value Analysis
 - C. Market Capitalization
 - D. Discounted Cash Flow (DCF) analysis

Answers

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

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Explanations

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1. What is a key factor that affects capital asset pricing?

- A. Profit margins
- B. Beta**
- C. Dividend yield
- D. Revenue growth

The key factor affecting capital asset pricing is beta. Beta is a measure of a stock's volatility in relation to the overall market. It reflects the sensitivity of a stock's returns to changes in market returns, helping investors understand the systematic risk associated with that investment compared to the broader market. In the context of the Capital Asset Pricing Model (CAPM), beta is crucial because it determines the expected return on an asset based on its risk relative to market fluctuations. A higher beta indicates greater risk and, thus, a higher expected return, as investors need to be compensated for taking on additional risk. Conversely, a lower beta suggests less risk and, typically, a lower expected return. This relationship is foundational in asset pricing models, making beta a critical factor in assessing the risk of a capital asset. While profit margins, dividend yield, and revenue growth can influence an investment's attractiveness, they do not directly affect the systematic risk component that beta represents in the capital asset pricing framework.

2. What does the term "market sentiment" refer to?

- A. The historical performance of a security
- B. The overall attitude of investors towards a particular security or financial market**
- C. The volatility of a market based on external factors
- D. The ratio of buyers to sellers in the market

The term "market sentiment" refers to the overall attitude and mood of investors towards a particular security or financial market. It encapsulates how optimistic or pessimistic investors are about the future performance of a market or an asset. This sentiment can be influenced by a variety of factors including economic data, news events, earnings reports, and broader economic indicators, and it often has a significant impact on trading behavior and market movements. When market sentiment is positive, investors are more likely to buy securities, expecting prices to rise, while negative sentiment can lead to increased selling and downward pressure on prices. Understanding market sentiment is crucial for analysts and investors since it can provide insights into potential market trends or reversals. The other options do not accurately capture the essence of "market sentiment." The historical performance of a security measures past outcomes rather than current attitudes, while market volatility relates to price fluctuations rather than investor mood. Lastly, the ratio of buyers to sellers indicates market dynamics but doesn't reflect the overall feeling or outlook of investors about market trends or the economic landscape.

3. What is the primary objective of equity research?

- A. To maintain stock market stability
- B. To provide advice on investment opportunities**
- C. To facilitate securities trading
- D. To analyze historical economic data

The primary objective of equity research is to provide advice on investment opportunities. Equity research analysts conduct in-depth examinations of companies and their financials, industry conditions, and market trends to develop insights about the potential future performance of stocks. Their analyses result in recommendations to buy, hold, or sell a stock, helping investors make informed decisions regarding their investments. By focusing on providing assessments and recommendations based on thorough research, equity analysts aim to identify undervalued stocks or recognize potential risks. This advice is essential for various stakeholders, including institutional investors, portfolio managers, and individual investors, as it guides them in constructing and managing their investment portfolios effectively. Other options like maintaining stock market stability, facilitating securities trading, or simply analyzing historical economic data do not capture the essence of what equity research is fundamentally about—offering actionable insights to aid investors in capitalizing on market opportunities.

4. What is the adjusted EBITDA multiple for a company with a revenue of \$29.39 billion and EBITDA of \$7.93 billion if another company is willing to pay 11.50 times EBITDA and expects \$1.04 billion of synergies?

- A. 3.34
- B. 6.178
- C. 13.23
- D. 10.16**

To determine the adjusted EBITDA multiple for the company, you need to take into account the expected synergies that the acquiring company anticipates from the merger or acquisition. The formula to calculate the adjusted EBITDA multiple is as follows: 1. Start with the actual EBITDA of the company, which is \$7.93 billion. 2. Add the expected synergies to the EBITDA. In this scenario, the synergies are valued at \$1.04 billion. So, the adjusted EBITDA would be calculated as: $\text{Adjusted EBITDA} = \text{EBITDA} + \text{Synergies}$ $\text{Adjusted EBITDA} = \$7.93 \text{ billion} + \$1.04 \text{ billion} = \8.97 billion 3. Now, to find the adjusted EBITDA multiple based on what another company (the acquirer) is willing to pay, multiply the adjusted EBITDA by the EBITDA multiple that they are using, which is 11.50 times: $\text{Adjusted EBITDA Multiple} = \text{Price Paid} / \text{Adjusted EBITDA}$ If we assume the company is willing to pay 11.50 times the adjusted EBITDA: $\text{Implied Value} = \text{EBITDA Multiple} \times \text{Adjusted EBITDA}$ $\text{Implied Value} = 11.50 \times \$8.97 \text{ billion} = \$102.155 \text{ billion}$ (hypothetical enterprise value)

5. What is the role of Regulation AC in research reports?

- A. It dictates the format of financial statements
- B. It requires analysts to certify the accuracy of their research**
- C. It outlines trading restrictions for analysts
- D. It mandates disclosures of insider trading

Regulation AC (Analyst Certification) plays a vital role in ensuring the integrity and transparency of research reports provided by analysts. The primary requirement of Regulation AC is that analysts must certify the accuracy and completeness of their research reports and the analyses contained within them. This means that when an analyst issues a research report, they are affirming that their views reflect their true opinions, and they must acknowledge whether or not they have any conflicts of interest that could influence their analysis. This regulation was instituted to bolster the credibility of research and to protect investors by ensuring that the opinions offered in analyst reports are both truthful and backed by thorough analysis. This certification requirement brings a level of accountability to analysts, as it compels them to evaluate and disclose the quality of their work genuinely. While the other options mention important aspects of financial regulation, they do not pertain specifically to the role of Regulation AC in the context of research reports. Regulation AC does not dictate financial statement formats, create trading restrictions, or specifically mandate disclosures of insider trading, making the requirement for analysts to certify the accuracy of their research the correct focus in this context.

6. What is a stock buyback?

- A. A method to increase company debt
- B. When a company sells additional shares to raise capital
- C. When a company repurchases its own shares to reduce the number of outstanding shares**
- D. An acquisition of another company

A stock buyback refers to a situation where a company repurchases its own shares from the marketplace. This action results in a reduction of the number of outstanding shares available to investors. There are several reasons a company might engage in a buyback, including the intention to increase shareholder value, improve earnings per share (EPS) by reducing the denominator in the EPS calculation, or to use excess cash effectively. By decreasing the number of shares in circulation, the company can also have a positive impact on its stock price, assuming demand remains constant or increases. In the context of the other potential answers, they do not accurately capture the definition of a stock buyback. Increasing company debt, selling additional shares, or acquiring another company are distinct financial activities with different implications and objectives. A stock buyback is specifically focused on the repurchase of shares rather than these other financial maneuvers.

7. Which phase of the economic cycle typically leads to higher corporate earnings?

- A. Contraction phase
- B. Recession phase
- C. Economic expansion**
- D. Stagnation phase

The economic expansion phase is characterized by increasing levels of economic activity, including rising consumer demand, higher production levels, and increased investment by businesses. During this phase, companies often see growth in sales and profits as consumers and businesses alike are more willing to spend money. When the economy is expanding, firms may also benefit from economies of scale, allowing them to produce goods more efficiently, thus further enhancing their profitability. Higher corporate earnings during this phase can also attract more investment, allowing firms to innovate and expand further. This cycle of investment and growth tends to reinforce itself until it peaks, providing a strong overall environment for corporate earnings to flourish. In contrast, the other phases mentioned typically do not see this level of economic growth and corporate profitability.

8. How many questions are on the Series 86 exam?

- A. 75 questions
- B. 100 questions**
- C. 125 questions
- D. 150 questions

The Series 86 exam consists of 100 questions. This format is designed to assess a candidate's understanding and knowledge relevant to the responsibilities of a research analyst, including skills in analysis, interpretation, and analytical techniques. Each question in the exam is constructed to evaluate different areas of expertise, helping to ensure that aspirants possess a well-rounded foundational knowledge crucial for a career in research analysis. The question count is a standardized measure that reflects FINRA's approach to maintaining a rigorous and comprehensive examination process, ensuring that candidates are thoroughly evaluated across key topics necessary for success in the field.

9. How is a company's total debt calculated?

- A. By summing cash and cash equivalents
- B. By summing short-term and long-term debt obligations**
- C. By calculating accounts payable and accrued liabilities
- D. By assessing equity and retained earnings

A company's total debt is calculated by summing short-term and long-term debt obligations. This method accurately reflects the entirety of a company's financial obligations that require repayment over time. Short-term debt includes liabilities that are due within one year, such as bank loans and lines of credit. Long-term debt encompasses any liabilities that extend beyond one year, such as bonds payable and long-term loans. This comprehensive approach provides insight into the company's overall indebtedness, which is crucial for evaluating its financial leverage and risk profile. Understanding total debt is essential for financial analysts and investors, as it directly impacts a company's capital structure and can influence decisions regarding equity and financial planning. The other options do not represent a holistic or correct approach to calculating total debt. For instance, summing cash and cash equivalents focuses solely on liquidity rather than liabilities. Calculating accounts payable and accrued liabilities pertains to operational obligations rather than total debt. Lastly, assessing equity and retained earnings relates to ownership and profitability rather than a company's liabilities. Therefore, understanding the proper calculation of total debt is integral for effective financial analysis.

10. What is considered a common valuation method used by research analysts?

- A. Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)
- B. Book Value Analysis
- C. Market Capitalization
- D. Discounted Cash Flow (DCF) analysis**

Discounted Cash Flow (DCF) analysis is a widely utilized valuation method among research analysts due to its focus on the intrinsic value of an investment based on its expected future cash flows. This technique involves estimating the future cash flows that a company is expected to generate and discounting them back to their present value using a discount rate that reflects the risk of those cash flows. The DCF analysis allows analysts to incorporate various financial metrics and assumptions about growth rates, margins, and capital investments, providing a detailed picture of the potential value of an investment over time. This approach is particularly valuable as it adjusts for the time value of money, making it a comprehensive method for assessing a company's valuation based on its operational performance rather than just market conditions. While other methods such as EBITDA, Book Value analysis, and Market Capitalization are relevant and used in valuation, DCF stands out for its emphasis on cash flows and the present value calculation, making it a fundamental and detailed approach for research analysts.

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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://finraseries86researchanalyst.examzify.com>

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

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