

FP Canada Qualified Associate Financial Planner (QAFP) Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

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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. Joint Tenancy describes which outcome on the death of a co-owner?**
 - A. Full amount inherited by survivor (joint ownership)**
 - B. The deceased's portion goes to the deceased's will's beneficiaries**
 - C. The property is divided among all surviving co-owners**
 - D. The estate is divided among all co-owners**

- 2. Paid Up Additions in a life insurance policy are best described as?**
 - A. Pay for more coverage with Insurance Dividends (regardless of health)**
 - B. Increase the policy's cash value by borrowing against it**
 - C. Reduce the death benefit to lower premiums**
 - D. Provide a one-time policy loan**

- 3. What does the reducing survivor option in an annuity do?**
 - A. Pays the surviving spouse the full original amount**
 - B. Keeps payments level after death for the survivor**
 - C. Continues paying a reduced amount to the surviving spouse**
 - D. Converts payments to a lump sum for heirs**

- 4. Which of the following is a method to reduce the cost of life insurance?**
 - A. Restricting conversion features**
 - B. Extending premium payment period evenly**
 - C. Increasing the policy face value**
 - D. Adding riders to the policy**

- 5. Dividends' accumulation in a policy refers to which of the following?**
 - A. Dividends accumulate as part of the policy**
 - B. Dividends are paid out immediately on receipt**
 - C. Dividends reduce the death benefit**
 - D. Dividends must be reinvested in stock**

- 6. How much HST can a business collect and recover?**
- A. Can collect 13% HST from customers and recover the amount of HST they paid on business expenses.**
 - B. Can collect 13% HST and cannot recover any paid HST.**
 - C. Can collect 15% HST and recover some paid HST.**
 - D. Can collect 5% HST and fully recover.**
- 7. When do you have to pay tax instalments? When are they typically due?**
- A. When you owe more than \$3,000; 15th of each quarter.**
 - B. When you owe more than \$1,000; 1st of each quarter.**
 - C. When you owe more than \$5,000; end of each quarter.**
 - D. Instalments are optional and not time-bound.**
- 8. Life Annuities with Guaranteed Payout guarantee payments for a set period. Which statement best describes this product?**
- A. Guarantees payments for a set period.**
 - B. Pays until the annuitant dies.**
 - C. Increases payments annually.**
 - D. Payments end at death even if capital runs out.**
- 9. Under what condition is interest deductible?**
- A. If used for investment purposes.**
 - B. If used for personal consumption.**
 - C. If the loan is for a car purchase.**
 - D. If it is a mortgage on a primary residence.**
- 10. Which strategy involves purchasing two types of annuity contracts: immediate and deferred?**
- A. Split Annuity Strategy**
 - B. Structured Settlement Annuities**
 - C. Participating Annuity**
 - D. Indexed Annuity Payments**

Answers

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

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Explanations

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1. Joint Tenancy describes which outcome on the death of a co-owner?

A. Full amount inherited by survivor (joint ownership)

B. The deceased's portion goes to the deceased's will's beneficiaries

C. The property is divided among all surviving co-owners

D. The estate is divided among all co-owners

Right of survivorship is the key idea here: in a joint tenancy, when a co-owner dies, the deceased's interest automatically passes to the surviving co-owner(s). This means the survivor(s) end up with the whole property, not just a portion allocated by a will or through probate. The deceased's share does not become part of the estate to be distributed. This is what makes the outcome described as the full amount going to the surviving owner(s). If it were a tenancy in common, the deceased's portion would typically pass to their estate or beneficiaries, not to the survivors.

2. Paid Up Additions in a life insurance policy are best described as?

A. Pay for more coverage with Insurance Dividends (regardless of health)

B. Increase the policy's cash value by borrowing against it

C. Reduce the death benefit to lower premiums

D. Provide a one-time policy loan

Paid-Up Additions are additional life insurance purchased with policy dividends. They're paid-up, so no further premiums are due for that extra coverage, and the added protection increases both the death benefit and the policy's cash value over time. The key idea is that dividends fund new, smaller policies that sit inside the existing policy, expanding coverage without requiring new underwriting for the added amount (health status isn't a factor in triggering these dividend-funded additions). This is different from borrowing against the cash value (which involves policy loans), or reducing the death benefit to lower premiums, or providing a one-time loan.

3. What does the reducing survivor option in an annuity do?

A. Pays the surviving spouse the full original amount

B. Keeps payments level after death for the survivor

C. Continues paying a reduced amount to the surviving spouse

D. Converts payments to a lump sum for heirs

When an annuity offers survivor options, you're choosing how payments continue after one life ends. The reducing survivor option specifically keeps payments going to the surviving spouse, but at a smaller, reduced amount. This approach provides ongoing income for the survivor while acknowledging that the total payout is now spread over fewer life years, so the regular payments don't stay at the original level. It's different from continuing the full original payment to the survivor or converting payments to a lump sum for heirs, which aren't how this option works.

4. Which of the following is a method to reduce the cost of life insurance?

- A. Restricting conversion features**
- B. Extending premium payment period evenly**
- C. Increasing the policy face value**
- D. Adding riders to the policy**

Cost is driven by the features and type of the policy. A conversion feature lets you switch a term policy to permanent coverage without proving insurability, which adds future value but also increases the insurer's long-term risk and administration costs. Removing or restricting this feature lowers the policy's ongoing cost because you're reducing those extra obligations and potential premium increases down the line. Extending the premium-pay period evenly may lower the annual premium, but it doesn't reduce the overall amount paid for the policy; you'll typically pay more in total over time. Increasing the face amount raises the death benefit and the premium, not lowers it. Adding riders adds extra coverage and costs beyond the base policy. So restricting the conversion feature is the clear way to reduce cost.

5. Dividends' accumulation in a policy refers to which of the following?

- A. Dividends accumulate as part of the policy**
- B. Dividends are paid out immediately on receipt**
- C. Dividends reduce the death benefit**
- D. Dividends must be reinvested in stock**

Dividends' accumulation means leaving the dividend credits inside the policy so they grow there, increasing the policy's cash value (and potentially the death benefit) rather than being paid out to you immediately. In participating policies, when a dividend is declared, you can choose to have it accumulate within the policy, which lets it earn interest and compound over time. This is different from taking the dividend in cash or using it to reduce premiums or buy paid-up additions; the key idea is that the dividend stays inside the policy to build value. It doesn't reduce the death benefit, and dividends aren't required to be reinvested in stock.

6. How much HST can a business collect and recover?

- A. Can collect 13% HST from customers and recover the amount of HST they paid on business expenses.**
- B. Can collect 13% HST and cannot recover any paid HST.**
- C. Can collect 15% HST and recover some paid HST.**
- D. Can collect 5% HST and fully recover.**

HST is a value-added tax system where a registered business collects tax on its sales and recovers the tax it pays on inputs. The net amount remitted to the government equals HST collected from customers minus the HST paid on eligible business purchases (input tax credits). In Ontario, the rate is 13%, so the business can collect 13% from customers and recover the HST paid on ordinary business expenses. If the ITCs exceed the HST collected in a period, a refund or credit forward can occur. Some purchases may be exempt or zero-rated, which affects eligibility for ITCs.

7. When do you have to pay tax instalments? When are they typically due?

- A. When you owe more than \$3,000; 15th of each quarter.**
- B. When you owe more than \$1,000; 1st of each quarter.**
- C. When you owe more than \$5,000; end of each quarter.**
- D. Instalments are optional and not time-bound.**

The concept being tested is how tax instalments are triggered and when they're paid. For individuals, you generally must start making instalment payments when your net tax owing for the year is above a threshold and you meet the criteria to prepay rather than wait to file. The best answer reflects both parts: you owe more than the commonly used threshold of \$3,000, and the instalments are due on the 15th day of March, June, September, and December. These quarterly due dates spread the year's tax payments evenly, helping you avoid interest or penalties for underpayment. Other options don't fit because they either use the wrong threshold, the wrong due dates (1st of the quarter or end of quarter), or imply instalments aren't required when the threshold is met.

8. Life Annuities with Guaranteed Payout guarantee payments for a set period. Which statement best describes this product?

- A. Guarantees payments for a set period.**
- B. Pays until the annuitant dies.**
- C. Increases payments annually.**
- D. Payments end at death even if capital runs out.**

A life annuity with a guaranteed payout period is designed to provide income for life but with a safety net: a minimum number of payments are guaranteed even if the annuitant dies early. This makes the statement that it guarantees payments for a set period the best description. If death occurs before the end of the guaranteed period, payments continue to a beneficiary for the remaining years of that period. If the annuitant is alive at the end of the guaranteed period, payments continue for life. This combination is what differentiates it from a pure life-only annuity (which ends at death with no beneficiary guarantee), from one that simply increases payments, or from one that ends payments at death regardless of any period.

9. Under what condition is interest deductible?

- A. If used for investment purposes.**
- B. If used for personal consumption.**
- C. If the loan is for a car purchase.**
- D. If it is a mortgage on a primary residence.**

Interest is deductible only when the borrowed funds are used to earn investment income. This means the loan must finance investments that generate taxable income, not personal spending or non-investment purchases. If you borrow to invest and you have investment income to offset, you can deduct the interest against that income, up to the amount of the net investment income for the year. If there's little or no investment income, little or no deduction is allowed. Why the other scenarios don't fit: using borrowed money for personal consumption, such as buying a car for personal use, does not produce investment income and isn't eligible for an interest deduction. Similarly, the mortgage interest on a primary residence isn't deductible from personal taxes (in most personal tax contexts), though interest on loans for investments or rental properties can be deductible against the income those investments generate. Example: if you borrow to invest and that investment yields \$4,000 in net investment income, you can deduct up to \$4,000 of the interest paid for that year. If the loan costs \$6,000 in interest, only \$4,000 is deductible this year.

10. Which strategy involves purchasing two types of annuity contracts: immediate and deferred?

- A. Split Annuity Strategy**
- B. Structured Settlement Annuities**
- C. Participating Annuity**
- D. Indexed Annuity Payments**

This is the split annuity strategy. It combines two types of contracts to manage income timing: one that starts paying immediately and another that defers payments to a future date. An immediate annuity turns a lump sum into a guaranteed, regular income right away, which helps cover current expenses and reduces longevity risk. A deferred annuity allows money to grow on a tax-deferred basis and then begin payments later, providing funds for future needs. Using both together gives a stable income now while preserving growth and flexibility for later, which is why this approach fits the question. Structured settlement annuities are used to fund settlements with scheduled payments, not specifically to pair immediate and deferred contracts for retirement planning. Participating annuities involve dividends or surplus sharing from the insurer, which is a different feature. Indexed annuities tie crediting to an index's performance, but again do not describe mixing immediate and deferred contracts.

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://fpcanadaqafp.examzify.com>

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

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