

Future Business Leaders of America (FBLA) Securities and Investments Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

This is a sample study guide. To access the full version with hundreds of questions,

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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. Don't worry about getting everything right, 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, and take breaks to retain information better.

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.

7. Use Other Tools

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!

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Questions

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- 1. In monetary policy, what is the role of the Federal Open Market Committee (FOMC)?**
 - A. To set tax rates**
 - B. To implement changes in government spending**
 - C. To conduct open market operations**
 - D. To regulate the discount rate**

- 2. What market is referred to as the money market?**
 - A. The stock market with high volatility**
 - B. The market for long-term securities**
 - C. The short-term debt security market**
 - D. The market for real estate investments**

- 3. What is meant by margin trading?**
 - A. Buying stocks at full price**
 - B. Trading stocks exclusively in cash**
 - C. Borrowing funds from a broker to trade financial assets**
 - D. Investing only in government bonds**

- 4. What does 'ask' represent in trading terminology?**
 - A. The higher price at which a dealer is willing to sell**
 - B. The lower price a dealer is willing to accept**
 - C. The average price over the past week**
 - D. The price at which stocks are traded on the exchange**

- 5. What does partial surrender in life insurance refer to?**
 - A. Cashing in part of the cash value of a policy**
 - B. Giving up the policy completely for its value**
 - C. Transferring ownership of the policy**
 - D. Converting the policy into an annuity**

6. What is the significance of the P/E ratio in investment assessment?

- A. It shows the historical performance of a company**
- B. It helps investors assess a company's valuation relative to its earnings**
- C. It measures the market risk of a company's stock**
- D. It indicates the liquidity of an asset**

7. What is the business cycle primarily characterized by?

- A. Consistent economic growth without fluctuations**
- B. Progression of expansions and contractions in the economy**
- C. Stable interest rates and inflation levels**
- D. Minimal changes in consumer spending patterns**

8. What role does a registrar play concerning authorized shares?

- A. Issues new shares to investors**
- B. Audits the transfer agent for compliance**
- C. Handles dividend distribution**
- D. Reports financial performance**

9. What is the function of a mortgage-backed security?

- A. To provide loans for commercial businesses**
- B. To pool mortgages and provide investors with returns**
- C. To sell insurance on loans**
- D. To issue corporate bonds for funding**

10. What characteristic defines bearer bonds?

- A. They require strict registration**
- B. They pay principal to the registered holder**
- C. They are unregistered and pay principal to the bearer**
- D. They can only be traded through authorized brokers**

Answers

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

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Explanations

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1. In monetary policy, what is the role of the Federal Open Market Committee (FOMC)?

- A. To set tax rates**
- B. To implement changes in government spending**
- C. To conduct open market operations**
- D. To regulate the discount rate**

The Federal Open Market Committee (FOMC) plays a crucial role in the formulation and implementation of monetary policy, specifically through its responsibility for conducting open market operations. Open market operations involve the buying and selling of government securities in the open market to influence the supply of money in the economy. By purchasing securities, the FOMC injects money into the banking system, which can help lower interest rates and encourage borrowing and spending. Conversely, selling securities withdraws money from the system, which can help raise interest rates and slow down inflation. This mechanism is fundamental as it directly affects liquidity in the financial system, which in turn influences economic growth, employment, and inflation rates. The FOMC typically meets regularly to assess economic conditions and make decisions about these operations, which reflects its proactive role in steering the economy towards desired objectives such as stable prices and maximum sustainable employment.

2. What market is referred to as the money market?

- A. The stock market with high volatility**
- B. The market for long-term securities**
- C. The short-term debt security market**
- D. The market for real estate investments**

The correct choice refers to the money market, which specifically deals with the trading of short-term debt securities. These securities typically have maturities of one year or less and include instruments such as Treasury bills, commercial paper, and certificates of deposit. The money market is essential for financial institutions, corporations, and governments to manage short-term funding needs and liquidity. The characteristics of the money market involve low risk and high liquidity, making it an attractive place for investors looking for safer places to invest their money in the short term. Interest rates in this market are also generally lower compared to other markets, as these investments are considered to have minimal risk. In contrast, the other options describe different types of markets. The stock market, known for its high volatility, involves the buying and selling of equity securities and is not classified as a money market. The market for long-term securities encompasses bonds and stocks with longer maturities and does not fit the definition of a money market. Lastly, the market for real estate investments pertains to property transactions rather than short-term financial instruments, which is outside the scope of money market activities.

3. What is meant by margin trading?

- A. Buying stocks at full price**
- B. Trading stocks exclusively in cash**
- C. Borrowing funds from a broker to trade financial assets**
- D. Investing only in government bonds**

Margin trading refers to the practice of borrowing funds from a broker to purchase financial assets, such as stocks. This allows an investor to buy more shares than they could with just their own capital, amplifying both potential gains and potential losses. When investors engage in margin trading, they open a margin account, which typically requires them to deposit a certain percentage of the total purchase price of the assets, known as the initial margin requirement. The broker lends the remainder of the funds needed to complete the transaction. Utilizing margin can increase the buying power of an investor significantly. However, it's essential to recognize that while margin trading can enhance profits, it also comes with heightened risks, as losses can also be magnified. A decline in the value of borrowed securities can lead to a margin call, requiring the investor to deposit more funds or sell off assets to cover the borrowed amount. In contrast to this, buying stocks at full price means using one's own funds for the total purchase without any borrowing (which would make it impossible to act under the definition of margin trading). Trading stocks exclusively in cash implies that no leverage or borrowed funds are involved, thereby excluding any margin-related activities. Investing only in government bonds indicates a focus on fixed income instruments and avoids the concept.

4. What does 'ask' represent in trading terminology?

- A. The higher price at which a dealer is willing to sell**
- B. The lower price a dealer is willing to accept**
- C. The average price over the past week**
- D. The price at which stocks are traded on the exchange**

In trading terminology, 'ask' refers to the higher price at which a dealer or seller is willing to sell a security. This price represents the minimum amount that a seller is prepared to accept for their shares. When traders are looking to buy, the ask price essentially indicates the lowest price a seller is willing to accept, making it a crucial part of the bid-ask spread, which is the difference between the buying (bid) price and the selling (ask) price. This concept is essential for understanding market transactions, as it helps traders decide when to enter or exit a trade. Knowing the ask price allows buyers to gauge how much they will need to pay to purchase a stock or security at a given moment. In contrast, the other options do not accurately capture the meaning of 'ask' in the trading context. For instance, the lower price a dealer is willing to accept pertains to the bid price, while the average price over a week or the price at which stocks are traded on the exchange does not specifically define the 'ask' price. Understanding these distinctions is vital for anyone involved in trading or investing in the securities markets.

5. What does partial surrender in life insurance refer to?

- A. Cashing in part of the cash value of a policy**
- B. Giving up the policy completely for its value**
- C. Transferring ownership of the policy**
- D. Converting the policy into an annuity**

Partial surrender in life insurance refers to cashing in part of the cash value of a policy. Many life insurance policies, particularly whole life and universal life, accumulate cash value over time. The policyholder has the option to withdraw or "surrender" a portion of this accumulated cash value while keeping the policy active. This can provide the policyholder with liquidity for various needs, such as emergencies or significant expenses, without completely relinquishing the policy and its benefits. This option allows the policyholder to maintain coverage while accessing some of the cash value. The amount taken as a partial surrender will reduce the overall death benefit and may be subject to taxes depending on the gains taken from the cash value. This aspect of partial surrender distinguishes it from other options like giving up the policy entirely for its value, which would terminate all coverage and benefits, or transferring ownership, which would not involve accessing cash value. Converting a policy into an annuity also does not reflect the characteristics of partial surrender, as it involves a different type of financial product altogether.

6. What is the significance of the P/E ratio in investment assessment?

- A. It shows the historical performance of a company**
- B. It helps investors assess a company's valuation relative to its earnings**
- C. It measures the market risk of a company's stock**
- D. It indicates the liquidity of an asset**

The price-to-earnings (P/E) ratio is a crucial metric in investment assessment because it provides insight into how much investors are willing to pay for a company's earnings. Specifically, the P/E ratio is calculated by dividing the current share price by the earnings per share (EPS). This ratio allows investors to evaluate whether a stock is overvalued, undervalued, or fairly valued compared to its earnings. When investors look at the P/E ratio, they are essentially assessing how much they are paying for each dollar of a company's earnings. A high P/E ratio may suggest that the market expects future growth and is willing to pay a premium for that potential, while a low P/E ratio might indicate that the stock is undervalued or that the company is facing challenges. This valuation perspective is critical for making informed investment decisions, as it helps investors gauge the relative worth of a stock in comparison to others in the industry and to the market as a whole. Thus, the P/E ratio acts as a tool for comparison and helps facilitate investment choices.

7. What is the business cycle primarily characterized by?

- A. Consistent economic growth without fluctuations
- B. Progression of expansions and contractions in the economy**
- C. Stable interest rates and inflation levels
- D. Minimal changes in consumer spending patterns

The business cycle is primarily characterized by the progression of expansions and contractions in the economy. This concept reflects how economic activity fluctuates over time, moving between periods of expansion, where the economy grows and employment increases, and periods of contraction, where economic activity declines, often leading to recession. Understanding this cycle is crucial for businesses and investors as it impacts decisions regarding spending, investment, and employment. Expansion phases indicate a rising GDP, increased consumer confidence, and higher spending, while contraction represents a downturn, often associated with reduced consumer spending and investment. This dynamic nature of the economy is essential for policymakers and businesses to navigate opportunities and challenges effectively. Other options do not accurately depict the business cycle's nature. For instance, the idea of consistent economic growth without fluctuations does not reflect the inherent ups and downs observed in real-world economies. Stable interest rates and inflation levels or minimal changes in consumer spending patterns also fail to capture the essence of the business cycle, as these factors can vary significantly during different stages of economic expansion and contraction.

8. What role does a registrar play concerning authorized shares?

- A. Issues new shares to investors
- B. Audits the transfer agent for compliance**
- C. Handles dividend distribution
- D. Reports financial performance

The role of a registrar is crucial when it comes to managing a company's authorized shares. A registrar is primarily responsible for maintaining records of a corporation's shareholders and the shares they own. This includes verifying the issuance and ownership of shares, ensuring that the information is accurate and up to date. By auditing the transfer agent, the registrar ensures that all transactions involving shares are carried out in compliance with relevant regulations and the company's bylaws. This oversight helps to prevent errors or fraudulent activities that could affect the integrity of the share ownership records. Consequently, the registrar's role in auditing contributes to the overall governance and transparency of the company's securities. While other roles may involve aspects related to shares, such as issuing new shares, overseeing dividend distribution, or reporting financial performance, these do not capture the specific oversight and compliance-focused responsibilities that the registrar handles.

9. What is the function of a mortgage-backed security?

- A. To provide loans for commercial businesses
- B. To pool mortgages and provide investors with returns**
- C. To sell insurance on loans
- D. To issue corporate bonds for funding

The function of a mortgage-backed security (MBS) is to pool mortgages and provide investors with returns. MBS are created when a financial institution bundles together a number of mortgage loans and sells them as a single security to investors. This pooling process allows investors to receive monthly payments from the underlying mortgages, which often include both principal and interest. The returns on MBS are generally tied to the performance of the underlying mortgage loans, offering investors a way to gain exposure to the real estate market without directly owning the properties. In contrast, other options refer to different financial instruments or functions. Providing loans for commercial businesses does not relate to the specific structure of MBS. Selling insurance on loans pertains to mortgage insurance products, which protect lenders against defaults but do not involve the pooling aspect present in MBS. Issuing corporate bonds for funding involves borrowing directly from investors, which operates on a fundamentally different mechanism than the securitization of mortgages into MBS.

10. What characteristic defines bearer bonds?

- A. They require strict registration
- B. They pay principal to the registered holder
- C. They are unregistered and pay principal to the bearer**
- D. They can only be traded through authorized brokers

Bearer bonds are defined by their lack of registration, which means that ownership is not recorded in the books of the issuer. The defining characteristic of bearer bonds is that they pay principal and interest to whoever physically holds the bond. This means that whoever is in possession of the bond can claim the principal amount at maturity and is entitled to receive interest payments, making it a very straightforward transaction. The unregistered nature of these bonds allows for greater anonymity since the bondholder does not have to provide personal identification to claim the payments. This characteristic can also make them more susceptible to loss or theft, as possession is effectively ownership.

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://fbla-securitiesandinvestments.examzify.com>

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

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