

Future Business Leaders of America (FBLA) Securities and Investments 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

- 1. What aspect of the economy does fiscal policy primarily influence?**
 - A. Monetary supply**
 - B. Taxation and government spending**
 - C. Interest rates and inflation**
 - D. Trade agreements**
- 2. Which market is referred to as a "double auction" market where buying and selling occur simultaneously?**
 - A. First market**
 - B. Auction market**
 - C. Second market**
 - D. Over-the-counter market**
- 3. What is the primary difference between a traditional IRA and a Roth IRA?**
 - A. A traditional IRA allows for tax-free withdrawals; a Roth IRA does not**
 - B. A traditional IRA allows for tax-deductible contributions; a Roth IRA allows for tax-free withdrawals in retirement**
 - C. Both IRAs offer the same tax benefits**
 - D. A traditional IRA can only be established by individuals under 50; a Roth IRA can be established by anyone**
- 4. What is a primary characteristic of Series HH bonds?**
 - A. Issued at a discount**
 - B. Purchased at par**
 - C. Issued by municipalities**
 - D. Have variable interest rates**
- 5. What is the definition of a primary market transaction?**
 - A. A corporation's first sale of stock to public investors**
 - B. A market where stocks are traded among investors**
 - C. A type of secondary market transaction**
 - D. A place for buying already existing securities**

- 6. What is true about mutual funds?**
- A. They require no initial investment from investors**
 - B. They are subject to performance fees and sales charges**
 - C. They are exclusively traded on the primary market**
 - D. They provide guaranteed returns regardless of market conditions**
- 7. What is the purpose of financial ratios?**
- A. To determine market trends over time**
 - B. To evaluate a company's performance and financial situation**
 - C. To create new investment opportunities**
 - D. To predict future stock prices**
- 8. 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**
- 9. Tax-equivalent yield is useful for comparing what?**
- A. Taxable and tax-exempt investments**
 - B. Certain corporate bonds only**
 - C. Different investment strategies**
 - D. Investment durations only**
- 10. What document is required to be submitted to the SEC under the Securities Act of 1933?**
- A. A preliminary prospectus without a price**
 - B. A registration statement disclosing material information**
 - C. A summary of the company's business model**
 - D. A trading history report of the company's securities**

Answers

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

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Explanations

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1. What aspect of the economy does fiscal policy primarily influence?

- A. Monetary supply**
- B. Taxation and government spending**
- C. Interest rates and inflation**
- D. Trade agreements**

Fiscal policy primarily influences taxation and government spending, which are crucial tools used by the government to manage the economy. When the government adjusts its levels of spending and taxation, it can directly affect economic activity. For example, if the government increases spending, it injects more money into the economy, which can lead to higher demand for goods and services, ultimately boosting economic growth. Conversely, reducing taxes can leave consumers and businesses with more disposable income, further stimulating demand. This aspect of fiscal policy is particularly important during various economic cycles. In times of recession, the government may increase spending or cut taxes to encourage growth. In contrast, during periods of economic expansion, policymakers might choose to decrease spending or raise taxes to cool off an overheating economy and combat inflation. Understanding this principle is fundamental to grasping how governments use fiscal policy to steer the economy in desired directions. Other choices reflect different economic concepts, such as monetary policy, which deals with the money supply and interest rates managed by central banks, and trade agreements that focus on international commerce rather than internal economic management.

2. Which market is referred to as a "double auction" market where buying and selling occur simultaneously?

- A. First market**
- B. Auction market**
- C. Second market**
- D. Over-the-counter market**

The concept of a "double auction" market refers to a trading system where buyers and sellers submit their orders simultaneously, leading to an interaction where transactions are executed based on the bids and asks of participants within the market. In an auction market, such as those found on stock exchanges (for example, the New York Stock Exchange), buyers express how much they are willing to pay for a security while sellers indicate how much they are willing to accept. The exchange matched these orders in real time, allowing for the establishment of a market price based on the matching of supply and demand. The underlying principle of a double auction is that it facilitates price discovery, as the prices adjust based on the urgency and the willingness of participants to complete transactions, which adds to the liquidity of the market. This mechanism ensures that both buyers and sellers have the chance to influence prices simultaneously, enhancing transparency and efficiency in the trading process. While other market types, like the first market, second market, and over-the-counter market, do have characteristics of buying and selling, they do not primarily operate under the double auction model, where orders from all market participants are processed concurrently in order to match buyers and sellers directly.

3. What is the primary difference between a traditional IRA and a Roth IRA?
- A. A traditional IRA allows for tax-free withdrawals; a Roth IRA does not
 - B. A traditional IRA allows for tax-deductible contributions; a Roth IRA allows for tax-free withdrawals in retirement**
 - C. Both IRAs offer the same tax benefits
 - D. A traditional IRA can only be established by individuals under 50; a Roth IRA can be established by anyone

The primary difference between a traditional IRA and a Roth IRA lies in the tax treatment of contributions and withdrawals. A traditional IRA allows for tax-deductible contributions, meaning the amount you contribute can reduce your taxable income for the year in which you make the contribution. As a result, you defer taxes on both contributions and investment gains until you withdraw the funds in retirement, at which time those withdrawals are taxed as ordinary income. In contrast, a Roth IRA does not provide a tax deduction for contributions; however, the significant benefit is that withdrawals made in retirement are tax-free, provided certain conditions are met. This structure allows for tax-free growth and tax-free withdrawals, benefiting individuals who expect to be in a higher tax bracket in retirement because they will not owe taxes on those distributions. This distinction makes the answer emphasizing the tax-deductible nature of a traditional IRA contributions and the tax-free withdrawals associated with a Roth IRA the correct choice. Options highlighting incorrect interpretations, like misidentified tax characteristics or restrictions based on age, do not accurately reflect the fundamental differences between these retirement accounts.

4. What is a primary characteristic of Series HH bonds?
- A. Issued at a discount
 - B. Purchased at par**
 - C. Issued by municipalities
 - D. Have variable interest rates

Series HH bonds are unique in that they are purchased at par, meaning they are sold at their face value. This characteristic distinguishes them from certain other types of savings bonds that might be issued at a discount to their face value. When investors buy Series HH bonds, they pay the full face value upfront, which is typically a set denomination such as \$500 or \$1,000. Unlike bonds that are issued at a discount, Series HH bonds do not accumulate interest upfront and then reach maturity values higher than the initial purchase price. Instead, they provide fixed interest payments over their lifespan. Additionally, Series HH bonds are backed by the full faith and credit of the U.S. government, making them a reliable investment for those seeking to receive stable, periodic interest income. This focus on being purchased at par sets Series HH bonds apart from investment vehicles that offer returns based on fluctuating market conditions or those that leverage municipal financing for project funding.

5. What is the definition of a primary market transaction?

- A. A corporation's first sale of stock to public investors**
- B. A market where stocks are traded among investors**
- C. A type of secondary market transaction**
- D. A place for buying already existing securities**

A primary market transaction refers to the initial process through which securities, typically stocks or bonds, are sold directly by corporations to investors. This is where a corporation raises funds by issuing new equity or debt instruments, allowing it to obtain the financial resources needed for operations, expansion, or other activities. When a company goes public, it conducts an initial public offering (IPO) as part of a primary market transaction, making its stock available for the first time to public investors. This process is essential for businesses seeking to generate capital and is distinct from secondary market transactions, where existing securities are traded among investors without the involvement of the issuing company. Understanding this distinction is crucial, as it highlights the role of the primary market as the initial avenue for capital raising, separate from the trading activities that occur subsequently in the secondary market.

6. What is true about mutual funds?

- A. They require no initial investment from investors**
- B. They are subject to performance fees and sales charges**
- C. They are exclusively traded on the primary market**
- D. They provide guaranteed returns regardless of market conditions**

Mutual funds are investment vehicles that pool money from multiple investors to purchase a diversified portfolio of stocks, bonds, or other securities. When it comes to costs associated with mutual funds, many funds impose performance fees and sales charges, which can influence the overall return to the investor. Performance fees may be charged based on how well the fund performs relative to a benchmark, while sales charges, often referred to as "loads," are fees paid when shares are purchased or sold. Understanding these fees is crucial for investors, as they impact the net returns on their investments. It's important for investors to consider these costs relative to their investment goals and the potential for returns. In contrast, the other options do not accurately reflect the nature of mutual funds. While some mutual funds may offer low minimum initial investments, it is not true that they require no initial investment from any investor. Mutual funds are also traded primarily in the secondary market, and they do not guarantee returns, as their value can fluctuate based on market conditions. This illustrates the key characteristics of mutual funds and why performance fees and sales charges play an important role in their operations.

7. What is the purpose of financial ratios?

- A. To determine market trends over time
- B. To evaluate a company's performance and financial situation**
- C. To create new investment opportunities
- D. To predict future stock prices

The purpose of financial ratios primarily centers around evaluating a company's performance and financial situation. Financial ratios distill complex financial statements into simpler metrics that provide insights into a company's operational efficiency, profitability, liquidity, and solvency. By comparing these ratios over time or against industry benchmarks, stakeholders—including investors, analysts, and management—can assess how well the company is performing and identify strengths and weaknesses in its financial health. These ratios can indicate how effectively a company is managing its resources, generating profits, and meeting its short- and long-term obligations, which is crucial for making informed decisions regarding investments and corporate strategies. Understanding these performance metrics can lead to better strategic planning and operational adjustments that align with financial objectives. While the other options may touch upon important aspects of financial analysis and investment, they do not capture the primary aim of financial ratios. For instance, determining market trends involves analyzing broader market data and patterns rather than solely relying on internal financial ratios. Creating new investment opportunities may stem from a deeper analysis of a company's financial situation but is not the core purpose of financial ratios themselves. Similarly, predicting future stock prices is a complex endeavor influenced by various factors, including market sentiment and economic conditions, rather than just financial ratios. Thus, evaluating performance and financial condition is

8. 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.

9. Tax-equivalent yield is useful for comparing what?

A. Taxable and tax-exempt investments

B. Certain corporate bonds only

C. Different investment strategies

D. Investment durations only

Tax-equivalent yield is a valuable metric primarily used for comparing taxable investments with tax-exempt investments, such as municipal bonds. The importance of this comparison lies in the fact that different investments may generate different levels of returns, influenced by the tax implications associated with them. Tax-exempt securities, like municipal bonds, yield interest that is not subject to federal income tax, making their effective return potentially more attractive to investors in higher tax brackets. The tax-equivalent yield allows investors to convert the tax-exempt yield into an equivalent taxable yield, making it easier to assess whether a tax-exempt investment is more favorable than a taxable one. For example, if an investor is comparing a municipal bond with a yield of 3% to a corporate bond yielding 4%, the investor needs to consider their specific tax situation to accurately compare these returns. By calculating the tax-equivalent yield, the investor can determine what unknown taxable interest rate would provide them with the same after-tax income as the municipal bond does. This metric does not serve the purpose for comparing corporate bonds specifically, different investment strategies, or variations in investment durations, as these factors involve distinct considerations that are not directly related to the effects of taxation on yield.

10. What document is required to be submitted to the SEC under the Securities Act of 1933?

A. A preliminary prospectus without a price

B. A registration statement disclosing material information

C. A summary of the company's business model

D. A trading history report of the company's securities

The requirement to submit a registration statement disclosing material information under the Securities Act of 1933 is fundamental to ensuring transparency in the securities offerings. This regulation was established to protect investors by requiring companies to provide detailed information about their business, financial condition, and the risks associated with investing in their securities. A registration statement must contain comprehensive information, including the company's financial statements, management biographies, and the specific details of the securities being offered. This document allows potential investors to make informed decisions based on the complete and accurate depiction of the company's circumstances. By mandating the inclusion of material information, the Act also aims to prevent fraud and misrepresentation in the sale of securities, which is critical for maintaining trust within the capital markets. This requirement reinforces the importance of regulatory oversight in the investment process, ensuring that the information provided to investors is as complete and truthful as possible.

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://fbia-securitiesandinvestments.examzify.com>

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