Investing and Wealth Management Practice Test (Sample)

Study Guide

BY EXAMZIFY

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. **Which stock represents previously issued, outstanding shares that a company repurchased from shareholders?**
   - A. Treasury Stock
   - B. Issued Stock
   - C. Authorized Stock
   - D. Outstanding Stock

2. **Stock that has been authorized to be issued to the general public is known as which?**
   - A. Authorized Stock
   - B. Issued Stock
   - C. Treasury Stock
   - D. Outstanding Stock

3. **Which term refers to the annual fee assessed for owning a mutual fund or ETF?**
   - A. Expense Ratio
   - B. Net Asset Value (NAV)
   - C. Exchange Traded Fund (ETF)
   - D. Real Estate Investment Trust (REIT)

4. **Which term describes the strategy of distributing investments across various asset classes to manage risk?**
   - A. Asset Allocation
   - B. Diversification
   - C. Market (Systematic) Risk
   - D. Company (Non-Systematic) Risk

5. **Which fund pools the capital of a large number of investors and uses it to invest exclusively in short-term securities?**
   - A. Money Market Mutual Fund
   - B. Certificate of Deposit (CD)
   - C. Asset Allocation
   - D. Market (Systematic) Risk

6. **Which financial statement shows assets, liabilities, and owner's equity?**
   - **A. Income Statement**
   - **B. Balance Sheet**
   - **C. Cash Flow Statement**
   - **D. Statement of Changes in Equity**

7. **Which is a major stock exchange in the United States?**
   - **A. New York Stock Exchange**
   - **B. London Stock Exchange**
   - **C. Tokyo Stock Exchange**
   - **D. Shanghai Stock Exchange**

8. **Which corporate action increases the number of shares outstanding by dividing existing shares into more shares?**
   - **A. Stock Split**
   - **B. Dividend**
   - **C. Capital Gains**
   - **D. Ticker Symbol**

9. **A debt issued by a company in order to raise money is called what?**
   - **A. Corporate Bonds**
   - **B. Government Bonds**
   - **C. Municipal Bonds**
   - **D. Convertible Bonds**

10. **Which type of stock generally has priority in receiving dividends before common stockholders?**
    - **A. Preferred Stock**
    - **B. Common Stock**
    - **C. Ticker Symbol**
    - **D. Income Statement**

Answers

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

Explanations

1. Which stock represents previously issued, outstanding shares that a company repurchased from shareholders?

A. Treasury Stock

B. Issued Stock

C. Authorized Stock

D. Outstanding Stock

When a company buys back its own shares, those shares are moved into treasury and are no longer in the hands of investors. Treasury stock represents previously issued shares that were outstanding but have been repurchased by the company and are now held in the company's treasury. They don't have voting rights or receive dividends while in treasury and are shown as a reduction of equity. Issued stock refers to all shares the company has ever issued, regardless of whether they're still out in the market or have been bought back. Authorized stock is the maximum number of shares the company is allowed to issue as set in its charter. Outstanding stock means shares currently held by investors, not the company, so repurchased shares are not outstanding. Therefore, the correct term for shares repurchased by the company is treasury stock.

2. Stock that has been authorized to be issued to the general public is known as which?

A. Authorized Stock

B. Issued Stock

C. Treasury Stock

D. Outstanding Stock

Authorized stock is the maximum number of shares a corporation is allowed to issue as stated in its charter. This sets the ceiling for how many shares may be sold to the public or other investors. It isn't necessarily all issued at once—only the portion that has actually been sold becomes issued stock. Shares that have been issued but are currently held by investors (excluding any the company has bought back) are outstanding stock, while shares the company has repurchased and holds are treasury stock. So when a question asks for stock that has been authorized to be issued to the general public, the term that fits is authorized stock because it represents the upper limit approved for potential issuance. For example, if there are 1,000,000 shares authorized, 600,000 issued, and 40,000 held as treasury, outstanding shares would be 560,000.

3. Which term refers to the annual fee assessed for owning a mutual fund or ETF?

A. Expense Ratio

B. Net Asset Value (NAV)

C. Exchange Traded Fund (ETF)

D. Real Estate Investment Trust (REIT)

The annual fee you pay to own a mutual fund or ETF is called the expense ratio. It represents the fund’s operating expenses as a percentage of assets and is deducted from the fund’s returns each year. This cost covers the manager’s fee, administrative expenses, and other ongoing costs, and even small differences in expense ratios can compound over time to noticeably affect long-term performance. NAV is simply the price per share of the fund’s holdings, calculated daily, not a fee. An ETF is a type of fund that trades on an exchange, and a REIT is a real estate investment trust; neither is the recurring annual fee described by the expense ratio.

4. Which term describes the strategy of distributing investments across various asset classes to manage risk?

A. Asset Allocation

B. Diversification

C. Market (Systematic) Risk

D. Company (Non-Systematic) Risk

Distributing investments across different asset classes to manage risk is asset allocation. This approach sets the overall mix among broad categories like stocks, bonds, cash, and sometimes alternatives, with the goal of balancing potential return and risk based on your goals, time horizon, and risk tolerance. Diversification is related but different: it refers to spreading investments within and across asset classes to reduce the impact of any one investment's poor performance. Market (systematic) risk is the risk inherent to the entire market and cannot be eliminated by diversification alone, while company (non-systematic) risk is specific to a single company or industry and can be mitigated through diversification. So the term describing the strategy of distributing investments across asset classes to manage risk is asset allocation.

5. Which fund pools the capital of a large number of investors and uses it to invest exclusively in short-term securities?

A. Money Market Mutual Fund

B. Certificate of Deposit (CD)

C. Asset Allocation

D. Market (Systematic) Risk

Pooling capital from a large number of investors into a single fund and investing exclusively in short-term securities describes a money market mutual fund. These funds collect money from many investors and put it into high-quality, short-duration debt instruments such as Treasury bills, commercial paper, certificates of deposit, and repurchase agreements. The aim is to provide liquidity and preserve capital, so investors can access their money quickly while earning modest yields. This focus on safety, liquidity, and short maturities distinguishes money market funds from options like a certificate of deposit (which is a specific bank time deposit), asset allocation (which refers to how a portfolio distributes risk and return across asset classes), or market risk (a type of risk not a pooling vehicle).

6. Which financial statement shows assets, liabilities, and owner's equity?

A. Income Statement

B. Balance Sheet

C. Cash Flow Statement

D. Statement of Changes in Equity

The balance sheet shows a company's financial position at a specific date by listing assets, liabilities, and owner's equity in the accounting equation: Assets = Liabilities + Owner's Equity. This structure captures what the company owns, what it owes, and the residual interest of the owners. It's a snapshot, so you can see how much of the assets are funded by debt versus owners' investment. The other statements serve different purposes: the income statement covers performance over a period (revenues and expenses, ending with net income), the cash flow statement tracks cash movements over a period, and the statement of changes in equity shows how owners' equity changes over time. Because of its purpose and structure, the balance sheet is the one that presents assets, liabilities, and owner's equity together.

7. Which is a major stock exchange in the United States?

A. New York Stock Exchange

B. London Stock Exchange

C. Tokyo Stock Exchange

D. Shanghai Stock Exchange

Identifying where big stock markets operate by country is the key idea. The New York Stock Exchange is a major stock exchange in the United States, located on Wall Street in New York City. It ranks among the largest in the world by market capitalization and has long been a central hub for trading U.S. blue-chip stocks. The other exchanges listed—London, Tokyo, and Shanghai—are major markets, but they're in the United Kingdom, Japan, and China, respectively, not the United States. Another major U.S. exchange is Nasdaq, known for many technology companies. So, the major stock exchange in the United States is the New York Stock Exchange.

8. Which corporate action increases the number of shares outstanding by dividing existing shares into more shares?

A. Stock Split

B. Dividend

C. Capital Gains

D. Ticker Symbol

Stock splits change the number of shares by dividing each existing share into multiple shares. When a company splits, it issues more shares to shareholders in a set ratio, so the total shares outstanding increases while the price per share drops proportionally. The overall market value of the investment stays the same right after the split, just with more shares available. This is different from a dividend, which distributes cash or additional shares without the same proportional increase in outstanding shares, and from capital gains (price rise) or a ticker symbol (just the stock's trading code). The action that increases shares outstanding by dividing existing shares into more shares is a stock split.

9. A debt issued by a company in order to raise money is called what?

A. Corporate Bonds

B. Government Bonds

C. Municipal Bonds

D. Convertible Bonds

Debt issued by a company to raise money is called corporate bonds. Companies use these bonds to borrow funds for things like expansion or capital projects, promising to pay interest to bondholders and to return the principal at a set maturity date. This distinguishes them from government bonds, which are issued by a government, and municipal bonds, which are issued by states or municipalities. Convertible bonds are a type of corporate bond that can be converted into the issuer's stock, but the general term for a company's debt security is corporate bonds.

10. Which type of stock generally has priority in receiving dividends before common stockholders?

A. Preferred Stock

B. Common Stock

C. Ticker Symbol

D. Income Statement

Dividends are allocated according to the rights attached to each class of stock. Preferred stock generally has priority over common stock for dividend payments, often with a fixed dividend rate. This priority means the company must pay the fixed dividend to preferred shareholders before any dividends can be paid to common shareholders. Some preferreds are cumulative, so any missed payments accumulate and must be paid before common dividends. Common stock represents ownership with a residual claim and typically receives dividends only after preferreds, and may carry voting rights. The ticker symbol is just a stock's trading code, and the income statement is a financial report, not a type of stock.

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://investingwealthmgmt.examzify.com

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