

INVESTMENT ADVISER CERTIFIED COMPLIANCE PROFESSIONAL (IACCP) PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE

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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 required for prepayment of fees exceeding \$1,200 in six months or more?**
 - A. A summary of the services provided must be given
 - B. Clients must receive audited balance sheets
 - C. Clients can only make payments on a monthly basis
 - D. Fees must be disclosed to financial authorities
- 2. How do advisers typically assess the suitability of an investment for a client?**
 - A. By guessing the client's needs
 - B. By consulting with other firms
 - C. By evaluating the client's financial situation and objectives
 - D. By analyzing market trends exclusively
- 3. What is the role of the adviser in the Soft Dollar arrangement?**
 - A. To negotiate the best commission rates
 - B. To determine eligibility and good faith assessments of Soft Dollar usage
 - C. To transact exclusively through one broker
 - D. To manage client funds without any restrictions
- 4. What information does the "Financial Statement" section of Form ADV provide?**
 - A. Only the adviser's performance history
 - B. Disclosures about financial condition and fees
 - C. Details about client transaction histories
 - D. Auditor's evaluation of compliance
- 5. How often should investment advisers conduct internal compliance audits?**
 - A. Every two years
 - B. At least annually
 - C. Only when a client requests it
 - D. Every quarter

- 6. Under what circumstance is an adviser not required to obtain written consent prior to executing trades?**
- A. When multiple advisers are involved
 - B. When receiving no compensation except for advisory fees
 - C. When all clients are informed beforehand
 - D. When transactions involve external brokers
- 7. What is a "Form CRS" and its purpose?**
- A. A form for client transactions
 - B. A document detailing financial risks of investments
 - C. A Customer Relationship Summary providing essential information
 - D. A regulatory form for tax purposes
- 8. In the context of securities valuation, what is a necessary procedure that should be consistently applied?**
- A. Variation in methodologies based on client requests
 - B. Regular review and testing of valuations
 - C. Limiting oversight to senior management only
 - D. Usage of a single source for all pricing
- 9. What should a securities valuation disclosure to investors include?**
- A. Client's investment performance history
 - B. Transparency of the valuation process
 - C. Details of the advisory fee structure
 - D. Research reports for investment alternatives
- 10. When should the Brochure be initially delivered to clients?**
- A. Before entering into the advisory contract
 - B. After the advisory contract is signed
 - C. Once a year after the initial contract
 - D. Any time during the advisory period

Answers

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

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Explanations

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1. What is required for prepayment of fees exceeding \$1,200 in six months or more?

- A. A summary of the services provided must be given
- B. Clients must receive audited balance sheets**
- C. Clients can only make payments on a monthly basis
- D. Fees must be disclosed to financial authorities

For prepayment of fees exceeding \$1,200 for services to be provided in six months or more, it is mandated that clients receive audited balance sheets. This requirement serves to ensure transparency and protect clients by providing them with a clear and verified picture of the adviser's financial position and stability. Audited balance sheets give clients confidence that their prepayments are being managed responsibly, which is crucial considering the length of time between payment and service delivery. Receiving this financial information enables clients to make informed decisions about engaging with the adviser, as it showcases the adviser's financial health and assures them that their funds are not at risk of being mismanaged or lost. Thus, this requirement plays a significant role in fostering trust and accountability in the investment advisory relationship.

2. How do advisers typically assess the suitability of an investment for a client?

- A. By guessing the client's needs
- B. By consulting with other firms
- C. By evaluating the client's financial situation and objectives**
- D. By analyzing market trends exclusively

Advisers typically assess the suitability of an investment for a client by evaluating the client's financial situation and objectives. This process involves gathering detailed information about the client's income, expenses, risk tolerance, investment goals, and time horizon. By understanding these key factors, advisers can tailor their recommendations to align with the client's specific needs and preferences, ensuring that the investment strategy is appropriate and viable. Evaluating a client's financial situation helps advisers create a comprehensive picture of their capacity to invest, while understanding their objectives clarifies what the client hopes to achieve, such as retirement savings, wealth accumulation, or capital preservation. This client-centric approach is essential in providing personalized advice that leads to successful investment outcomes and fosters trust between the adviser and the client. Some options suggest less reliable methods for assessing suitability. Relying on guesswork would not take into consideration the unique financial landscape or goals of the client, which can lead to mismatched investment strategies. Consulting with other firms can provide additional insights but does not directly address the individual client's specific circumstances and should not be the primary method of assessment. Focusing solely on market trends overlooks the importance of tailoring investment choices to the unique context of the client's financial situation and objectives, which is crucial for responsible and effective investment advice.

3. What is the role of the adviser in the Soft Dollar arrangement?

- A. To negotiate the best commission rates
- B. To determine eligibility and good faith assessments of Soft Dollar usage**
- C. To transact exclusively through one broker
- D. To manage client funds without any restrictions

The role of the adviser in a Soft Dollar arrangement primarily involves determining eligibility and conducting good faith assessments regarding the usage of Soft Dollars. Soft Dollar arrangements refer to a practice where investment advisers receive research or services from brokers in exchange for directing client transactions to those brokers, rather than paying for those services with cash. In this context, it is essential for the adviser to evaluate whether the services received qualify as research or other permissible benefits under applicable regulations, and to ensure these benefits align with the best interests of the clients. This means conducting due diligence to confirm that any Soft Dollar benefits received genuinely contribute to the investment decision-making process and are not simply a way to reduce transaction costs. By fulfilling this role, the adviser maintains compliance with regulatory standards while seeking to enhance the value of the investment services provided to clients. Properly assessing the eligibility and use of Soft Dollars is crucial to ensure fiduciary responsibility and uphold ethical standards in client relations.

4. What information does the "Financial Statement" section of Form ADV provide?

- A. Only the adviser's performance history
- B. Disclosures about financial condition and fees**
- C. Details about client transaction histories
- D. Auditor's evaluation of compliance

The "Financial Statement" section of Form ADV is intended to give insights into the investment adviser's financial condition and any fees associated with its services. This section includes disclosures that help clients and prospective clients understand the financial stability of the adviser and the cost structures involved in their investment management services. Providing transparency about an adviser's financial condition is critical for clients to assess the potential risks and conflicts of interest that may arise. Fees are also outlined to ensure clients are well-informed about any costs they may incur, which is essential for making informed investment decisions. This emphasis on financial disclosures aligns with regulatory requirements, aiming to protect investors by promoting clarity and accountability in the advisory relationship. Understanding the adviser's financial standing and fee structure equips clients with the necessary information to evaluate whether the adviser meets their needs and poses an acceptable level of risk regarding financial practices.

5. How often should investment advisers conduct internal compliance audits?

- A. Every two years
- B. At least annually**
- C. Only when a client requests it
- D. Every quarter

Investment advisers should conduct internal compliance audits at least annually to ensure that they adhere to regulatory requirements and internal policies. Annual audits provide a systematic review of the compliance program, helping to identify potential issues or areas for improvement. This frequency aligns with the expectations set by regulators, who emphasize the importance of regular oversight and accountability within an advisory firm to safeguard client interests and promote ethical practices. Conducting audits annually allows the firm to stay proactive in its compliance efforts, adapting to any regulatory changes or shifts in business operations that may arise throughout the year. This regular review helps in strengthening the firm's risk management framework and can also serve as a vital step in preparing for regulatory examinations, thereby ensuring that the adviser maintains best practices in compliance and governance.

6. Under what circumstance is an adviser not required to obtain written consent prior to executing trades?

- A. When multiple advisers are involved
- B. When receiving no compensation except for advisory fees**
- C. When all clients are informed beforehand
- D. When transactions involve external brokers

An adviser is not required to obtain written consent prior to executing trades when receiving no compensation except for advisory fees. This situation typically indicates that the adviser does not have a financial interest in the transactions beyond the fees agreed upon for advisory services. In such cases, there is less risk of conflicts of interest, as compensation is not tied to the execution of trades or other variable incentives that could influence an adviser's trading decisions. When an adviser has clear guidelines in place showing that their only remuneration comes from advisory fees, it aligns the adviser's interests with those of the clients since the adviser is focused on providing advice that is in the client's best interest without the added pressure or potential conflicts associated with other types of compensation, such as commissions from executing trades. Therefore, the adviser can proceed with executing trades without the need for obtaining written consent, as there is a level of trust established based on the advisory relationship and compensation structure.

7. What is a "Form CRS" and its purpose?

- A. A form for client transactions
- B. A document detailing financial risks of investments
- C. A Customer Relationship Summary providing essential information**
- D. A regulatory form for tax purposes

Form CRS, or Customer Relationship Summary, is a critical document designed to provide clients with essential information about their investment advisers and the services they offer. This form is mandated by the Securities and Exchange Commission (SEC) as part of its regulatory framework aimed at enhancing transparency and client understanding in investment advisory relationships. The primary purpose of Form CRS is to help clients make informed decisions about their investment options by summarizing key aspects of a firm's services, including the types of services offered, the fees and costs associated with these services, potential conflicts of interest, and the firm's disciplinary history. By presenting this information in a clear and straightforward manner, Form CRS seeks to improve the quality of communication between investment advisers and their clients, allowing clients to better understand what to expect from their advisory relationship. This focus on transparency, client education, and informed decision-making distinguishes Form CRS from other forms or documents that may pertain to specific transactions, financial risks, or regulatory tax matters, which do not serve the same comprehensive purpose.

8. In the context of securities valuation, what is a necessary procedure that should be consistently applied?

- A. Variation in methodologies based on client requests
- B. Regular review and testing of valuations**
- C. Limiting oversight to senior management only
- D. Usage of a single source for all pricing

The correct response emphasizes the importance of regularly reviewing and testing valuations in securities valuation. This process is essential because the financial markets and economic conditions are dynamic, which can significantly affect the value of securities. By conducting regular reviews and tests, organizations ensure that their valuations remain accurate and reflect current market realities. Regular reviews and testing allow investment advisers to monitor their valuation methodologies and data inputs for accuracy and reliability, making necessary adjustments based on market conditions, changes in financial reporting standards, or the introduction of new regulations. This practice enhances the overall integrity of the investment process and helps avoid mispricing of investments, which could lead to significant financial losses or regulatory issues. In the realm of compliance, ensuring that valuations are consistently reviewed aligns with best practices and regulatory expectations. It demonstrates due diligence and a commitment to maintaining high standards in the investment advisory industry. Other options, while they might seem relevant in different contexts, do not uphold the same level of consistent quality and transparency necessary for effective securities valuation. For instance, varying methodologies based on client requests could lead to inconsistent valuations, while limiting oversight to senior management could reduce the effectiveness of compliance checks. Similarly, relying on a single source for pricing may ignore valuable market data, risking the accuracy of valuations.

9. What should a securities valuation disclosure to investors include?

- A. Client's investment performance history
- B. Transparency of the valuation process**
- C. Details of the advisory fee structure
- D. Research reports for investment alternatives

The correct choice emphasizes the importance of transparency in the valuation process when disclosing securities valuation to investors. Investors should be made aware of how the securities are valued, including the methodologies and assumptions used in the valuation process. This promotes trust and helps investors understand the rationale behind the valuation figures provided. Disclosing the transparency of the valuation process encourages informed decision-making, allowing investors to gauge the reliability and credibility of the valuations they are receiving. A clear explanation of the valuation techniques and criteria used reassures investors that the valuation is not arbitrary and is conducted in a systematic and consistent manner. In contrast, while a client's investment performance history, advisory fee structure, and research reports for investment alternatives can provide valuable information to investors, they do not specifically address the transparency and methodology behind the valuation of securities itself. Thus, they do not fulfill the essential criteria for a securities valuation disclosure, which necessitates clarity about how the valuations are derived.

10. When should the Brochure be initially delivered to clients?

- A. Before entering into the advisory contract**
- B. After the advisory contract is signed
- C. Once a year after the initial contract
- D. Any time during the advisory period

The correct response is that the Brochure should be initially delivered to clients before entering into the advisory contract. This timing is crucial because the Brochure serves as an important disclosure document that provides prospective clients with essential information about the advisory services being offered, including the firm's qualifications, fees, investment strategies, and potential conflicts of interest. Ensuring that clients receive this information prior to signing the advisory contract allows them to make informed decisions and consider whether the advisory relationship aligns with their financial needs and goals. Delivering the Brochure before the contract also fulfills regulatory requirements, ensuring compliance with the Securities and Exchange Commission (SEC) and the Investment Advisers Act. This helps to establish transparency in the advisory process and fosters trust between the adviser and the client from the very beginning of their relationship. In contrast, delivering the Brochure after the contract is signed or at any time during the advisory period does not align with the regulatory framework designed to protect clients and could potentially mislead them about the nature of the services they are agreeing to. Providing the Brochure once a year after the initial contract is also insufficient, as clients should be informed of relevant information prior to their commitment.

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://iaccpinvestmentadviser.examzify.com>

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

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