

INVESTMENT FUNDS IN CANADA (IFIC) PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

**VISIT US ONLINE FOR
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 type of preferred shares accumulate unpaid dividends and ensure they are paid before common shareholders receive dividends?**
 - A. Participating preferred shares
 - B. Convertible preferred shares
 - C. Cumulative preferred shares
 - D. Callable preferred shares
- 2. Which type of fund has the ability to buy back outstanding shares periodically?**
 - A. Closed end discretionary funds
 - B. Open end mutual funds
 - C. Exchange-Traded Funds (ETFs)
 - D. Money market funds
- 3. Which GIC offers interest rates linked to changes in other rates, such as the prime rate?**
 - A. Installment GICs
 - B. Index-Linked GICs
 - C. Commercial Paper
 - D. Bonds
- 4. What is a key difference between a Life Income Fund (LIF) and a Registered Income Fund (RIF)?**
 - A. LIF has no maximum withdrawal amount
 - B. RIF has a maximum withdrawal amount
 - C. LIF is designed for younger individuals
 - D. RIF's withdrawals are tax-free
- 5. Which measure indicates the degree to which individual equity securities or a portfolio of securities move in relation to the overall market?**
 - A. Alpha
 - B. Beta
 - C. Delta
 - D. Gamma

- 6. What concept is associated with the potential for risk and reward in trading strategies?**
- A. Liquidity
 - B. Drawdown
 - C. Leverage
 - D. Risk-return profile
- 7. Which withdrawal plan involves a request for a fixed dollar amount regardless of the fund's performance?**
- A. Withdrawal strategy
 - B. Fixed dollar withdrawal plan
 - C. Ratio Withdrawal Plan
 - D. Minimum distribution plan
- 8. Which financial statement summarizes a company's income and expenses over a specified period, usually one year?**
- A. Statement of financial position
 - B. Statement of comprehensive income
 - C. Cash flow statement
 - D. Retained earnings statement
- 9. What does a market review typically include?**
- A. A forecast of future economic trends
 - B. An explanation of recent performance and market conditions
 - C. A comparison of various funds
 - D. A regulatory financial statement
- 10. What does a margin account allow investors to do?**
- A. Buy securities on credit from a stock broker
 - B. Participate in futures contracts
 - C. Exchange stocks for dividends
 - D. Redeem shares at market value

Answers

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

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Explanations

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1. What type of preferred shares accumulate unpaid dividends and ensure they are paid before common shareholders receive dividends?

- A. Participating preferred shares
- B. Convertible preferred shares
- C. Cumulative preferred shares**
- D. Callable preferred shares

Cumulative preferred shares are designed to accumulate unpaid dividends that are owed to shareholders if the issuing company does not pay dividends in a given period. This feature means that if a company encounters financial difficulties and cannot pay dividends to any shareholders, the dividends owed to holders of cumulative preferred shares will build up or "accumulate." These must be paid out before any dividends can be distributed to common shareholders when the company is able to do so again. This characteristic of cumulative preferred shares ensures that holders have a level of protection, as they are entitled to receive all outstanding unpaid dividends before common shareholders receive any dividends. This makes them a preferred choice for investors who seek stable income through dividends, especially during times when a company may not consistently generate the required earnings to pay dividends regularly. In contrast, participating preferred shares allow shareholders to benefit from additional dividends after a certain threshold is reached, but they do not necessarily accumulate unpaid dividends. Convertible preferred shares can be converted into common shares at the option of the shareholder, but again, they do not track unpaid dividends like cumulative preferred shares. Callable preferred shares can be repurchased or "called" by the issuer at pre-defined prices, but they also do not accumulate unpaid dividends.

2. Which type of fund has the ability to buy back outstanding shares periodically?

- A. Closed end discretionary funds**
- B. Open end mutual funds
- C. Exchange-Traded Funds (ETFs)
- D. Money market funds

The correct answer concerning the ability to buy back outstanding shares periodically is closed-end discretionary funds. These funds operate within a fixed number of shares that are initially issued to investors when the fund is created. Unlike open-end mutual funds, which continuously issue and redeem shares at the net asset value (NAV), closed-end funds are traded on stock exchanges and may have their shares bought back by the fund itself under specific circumstances, typically through a tender offer or a buyback program. This ability to repurchase shares can provide liquidity for investors and may enhance the value of the remaining shares. Closed-end funds can also be subject to market premiums and discounts based on investor sentiment and market conditions, which is a feature that distinguishes them from other types of funds. Other types of funds mentioned do not have this specific capability. Open-end mutual funds continuously issue and redeem shares based on demand, which does not constitute buying back outstanding shares but rather adjusting the number of shares based on investor purchases and redemptions. Exchange-Traded Funds (ETFs) also work on a similar principle to open-end funds, as they issue and redeem shares on the market without the fund directly buying them back periodically. Money market funds primarily invest in short-term debt securities and offer liquidity by redeeming shares

3. Which GIC offers interest rates linked to changes in other rates, such as the prime rate?

- A. Installment GICs
- B. Index-Linked GICs**
- C. Commercial Paper
- D. Bonds

Index-linked GICs are specifically designed to offer interest rates that fluctuate based on changes in a specified index, which is frequently the prime rate or other market interest rates. This type of GIC provides investors with the potential for higher returns compared to traditional fixed-rate GICs, as the interest they earn can increase if the underlying index rises. Unlike installment GICs, which pay interest at regular intervals and typically have a fixed rate for the term, index-linked GICs are tied to the performance of a financial index. Commercial paper is a type of short-term debt instrument used by corporations to finance their immediate needs and does not involve interest rates tied to a GIC structure. Similarly, bonds generally offer fixed interest payments based on the terms set at issuance and are not linked to variable rates like the prime rate. Therefore, the unique feature of index-linked GICs, which ties their performance directly to changes in specific interest rates, makes them the correct answer.

4. What is a key difference between a Life Income Fund (LIF) and a Registered Income Fund (RIF)?

- A. LIF has no maximum withdrawal amount
- B. RIF has a maximum withdrawal amount**
- C. LIF is designed for younger individuals
- D. RIF's withdrawals are tax-free

The key difference that makes the choice about the Registered Income Fund (RIF) having a maximum withdrawal amount correct lies in the regulatory framework governing these types of funds. A RIF is structured in such a way that it requires holders to withdraw a minimum annual amount each year, but it also imposes limits on the maximum amount that can be withdrawn. This means that individuals using a RIF must adhere to certain withdrawal guidelines, which help ensure that funds last throughout retirement. This feature prevents account holders from depleting their retirement savings too quickly, promoting financial security over the long term. In contrast, a Life Income Fund (LIF) is typically used to receive funds from a pension plan and is designed to provide income for retirees. While LIFs also have minimum withdrawal requirements, they do not have a maximum limit on withdrawals; this allows users more flexibility in managing their funds. The absence of a maximum withdrawal limit in LIFs reflects their unique design, which is focused on providing income throughout retirement without the same restrictions that apply to RIFs. Thus, the inclusion of a maximum withdrawal limit in RIFs is a defining characteristic that distinguishes them from LIFs, making this choice the correct answer.

5. Which measure indicates the degree to which individual equity securities or a portfolio of securities move in relation to the overall market?

- A. Alpha
- B. Beta**
- C. Delta
- D. Gamma

The measure that indicates the degree to which individual equity securities or a portfolio of securities move in relation to the overall market is called Beta. Beta is a statistical measure that quantifies the sensitivity of an asset's returns to market returns. A beta of 1 indicates that the asset's price tends to move with the market; a beta greater than 1 means the asset is more volatile than the market, while a beta less than 1 signifies that the asset is less volatile. In the context of investment analysis, beta is an essential risk assessment tool that helps investors understand how the security or portfolio will likely react to fluctuations in the market. This is particularly useful in portfolio management, as investors can use beta to construct diversified portfolios that align with their risk tolerance and investment objectives. Other measures mentioned, like Alpha, Delta, and Gamma, serve different purposes in finance. Alpha measures the performance of an investment relative to a benchmark index, capturing returns that exceed market risk for a given asset. Delta relates to options pricing, measuring the sensitivity of an option's price with respect to the price of the underlying asset. Gamma, also in options trading, measures the rate of change in Delta for a change in the underlying asset's price. Understanding beta, however, is

6. What concept is associated with the potential for risk and reward in trading strategies?

- A. Liquidity
- B. Drawdown
- C. Leverage
- D. Risk-return profile**

The concept that illustrates the potential for risk and reward in trading strategies is the risk-return profile. This term describes the relationship between the amount of risk taken on an investment and the potential return that can be expected. In investing, typically, higher returns are associated with taking on greater risks, while lower risks generally correlate with lower returns. Understanding the risk-return profile is crucial for investors as it enables them to assess how much risk they are willing to tolerate in pursuit of potential rewards. Different investments may offer different risk-return profiles, and knowing these profiles helps investors make informed decisions that align with their financial goals, investment horizon, and risk tolerance. Liquidity refers to how easily an asset can be converted into cash, which can impact the ability to realize gains but does not directly express the relationship between risk and reward. Drawdown refers to the reduction of one's capital after a series of losing trades but does not capture the broader spectrum of potential returns related to risk. Leverage involves using borrowed funds to increase investment potential, which can amplify both returns and risks, but does not capture the entire context of risk-reward dynamics in the same way that the risk-return profile does.

7. Which withdrawal plan involves a request for a fixed dollar amount regardless of the fund's performance?

- A. Withdrawal strategy
- B. Fixed dollar withdrawal plan**
- C. Ratio Withdrawal Plan
- D. Minimum distribution plan

The fixed dollar withdrawal plan is a strategy where investors specify a predetermined dollar amount to be withdrawn from their investment funds at regular intervals, such as monthly or annually. This type of withdrawal plan is beneficial for individuals who desire a consistent cash flow, regardless of fluctuations in the market or the performance of the investments. By using this plan, investors can create reliable income streams to meet their financial needs, such as living expenses or other obligations. The approach does not take into account the performance of the underlying fund; instead, it focuses solely on the amount the investor wishes to receive. This might lead to different outcomes in the long run, such as depleting the investment more rapidly in a downturn, but for planning purposes, the predictability of fixed withdrawals can be appealing. In contrast, other withdrawal options typically hinge on performance metrics or ratios, making them variable and potentially less predictable. This is what distinguishes the fixed dollar withdrawal plan as a straightforward and predictable approach for those seeking to manage their funds with certainty.

8. Which financial statement summarizes a company's income and expenses over a specified period, usually one year?

- A. Statement of financial position
- B. Statement of comprehensive income**
- C. Cash flow statement
- D. Retained earnings statement

The statement that summarizes a company's income and expenses over a specified period, typically one year, is the statement of comprehensive income. This financial statement provides a detailed view of a company's profitability by listing all revenue sources and expenses incurred during that time frame. It ultimately shows the net income or loss for the period, which is key for stakeholders in evaluating the company's financial performance. This statement also includes other comprehensive income items that may not be part of net income, thereby offering a broader perspective on the company's overall financial health. By integrating net income with these additional components, stakeholders can gain insights into factors affecting equity that are not captured in the traditional income statement. The statement of financial position, on the other hand, provides a snapshot of the company's assets, liabilities, and equity at a specific point in time. The cash flow statement tracks the movement of cash in and out of the business, illustrating liquidity but not overall profitability. The retained earnings statement outlines changes in equity related to retained earnings but does not encapsulate the full scope of income and expenses over a period. Thus, the statement of comprehensive income is the correct choice for summarizing income and expenses.

9. What does a market review typically include?

- A. A forecast of future economic trends
- B. An explanation of recent performance and market conditions**
- C. A comparison of various funds
- D. A regulatory financial statement

A market review typically includes an explanation of recent performance and market conditions because it provides an analysis of how different market factors have influenced investment performance over a specific period. This includes looking at the trends in stock prices, interest rates, consumer behavior, and other economic indicators that play a crucial role in shaping the investment landscape. By focusing on recent performance, a market review helps investors understand what has happened in the market, identify patterns, and make informed decisions about their investment strategies. Forecasting future economic trends, comparing various funds, and providing regulatory financial statements are important aspects of investment analysis but do not fall under the typical components of a market review. These elements may be part of broader investment research or reports but are not specifically what a market review would contain.

10. What does a margin account allow investors to do?

- A. Buy securities on credit from a stock broker**
- B. Participate in futures contracts
- C. Exchange stocks for dividends
- D. Redeem shares at market value

A margin account is a special type of brokerage account that allows investors to borrow money from a brokerage firm to purchase securities. This borrowing enables investors to buy more securities than they would be able to with their available capital alone, essentially allowing them to leverage their investments. The securities bought on margin serve as collateral for the loan. By using a margin account, investors can take advantage of price movements in the securities market more aggressively; they can amplify potential returns since they are able to invest a larger amount than they could using only their cash. However, while this increases the potential for profit, it also heightens risk since losses can similarly be magnified. If the value of the securities declines, investors may face a margin call, requiring them to deposit more cash or sell securities to cover the loan. Options that pertain to participating in futures contracts, exchanging stocks for dividends, or redeeming shares at market value do not specifically relate to the unique benefits provided by margin accounts. These relate more to other financial instruments or actions taken in different types of accounts or investment situations. Thus, the correct choice accurately describes the primary function of a margin account in allowing investors to buy securities on credit.

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://investmentfundsific.examzify.com>

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

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