

KAPLAN ETHICS PRACTICE TEST (SAMPLE)

STUDY GUIDE



Prepare with structure. Pass with confidence



Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	16

SAMPLE

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

SAMPLE

- 1. What must Vijay Gill disclose when dealing with a potential client?**
 - A. Only the arrangement with Land Bank
 - B. Neither arrangement, as it's internal
 - C. Only the arrangement with Bloom Insurance
 - D. Both arrangements with Land Bank and Bloom
- 2. Which of the following does NOT constitute a violation under CFA Institute Standards?**
 - A. Inclusion of partial designations in marketing materials
 - B. Passing CFA exams without proper registration
 - C. Communicating the expectation to pass future CFA exams
 - D. Accurately reporting passing previous exam levels
- 3. On what basis can a member justify not voting every proxy?**
 - A. Cost-benefit analysis
 - B. Lack of time and resources
 - C. Client requests not to vote
 - D. Agency regulations limiting voting
- 4. What do brokerage commissions represent according to the CFA Institute Standards?**
 - A. Property of the brokers involved
 - B. A shared asset between advisors and clients
 - C. Property of the client for their benefit
 - D. A fee structure for the firm's services
- 5. What type of disclosures are required before making client recommendations?**
 - A. General information about the firm
 - B. Confidential personal client data
 - C. All pertinent information regarding fees, risks, and conflicts of interest
 - D. Only verbal agreements made during meetings

- 6. What did Dawson fail to do that constituted a violation of Standards of Professional Conduct?**
- A. Disclose his personal financial interests
 - B. Inform Ascott about his committee involvement
 - C. Report his client's securities holdings
 - D. Avoid conflicts of interest altogether
- 7. What is the primary purpose of the CFA Institute Code of Ethics?**
- A. To promote the integrity and professionalism of the investment profession
 - B. To ensure compliance with international financial regulations
 - C. To maximize profits for investment firms
 - D. To facilitate networking among investment professionals
- 8. What is the recommendation regarding third-party GIPS verification?**
- A. A firm must select a representative set of composites for third-party GIPS verification
 - B. Third-party verification is required for a firm to claim compliance with GIPS
 - C. Verification of GIPS compliance is mandatory
 - D. Verification of GIPS compliance is recommended, but not required
- 9. What is a requirement for maintaining membership in the CFA Institute?**
- A. Must pass all three levels of the exam continuously
 - B. Must adhere to the ethical and professional standards set by the CFA Institute
 - C. Must attend annual meetings and conferences
 - D. Must renew membership every five years regardless of active employment
- 10. Why is the principle of 'client first' essential in investment management?**
- A. It prioritizes the firm's profitability over client interests
 - B. It establishes a trust-based relationship and prioritizes clients' financial well-being
 - C. It ensures compliance with regulatory standards
 - D. It focuses on maximizing commissions for advisors

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. What must Vijay Gill disclose when dealing with a potential client?

- A. Only the arrangement with Land Bank
- B. Neither arrangement, as it's internal
- C. Only the arrangement with Bloom Insurance
- D. Both arrangements with Land Bank and Bloom**

In a situation where Vijay Gill is engaging with a potential client, it is essential that he discloses both arrangements with Land Bank and Bloom Insurance. This requirement is grounded in the principles of transparency and integrity that are core to ethical practices in the financial services industry. Disclosing both arrangements ensures that the potential client has a complete understanding of any potential conflicts of interest or relationships that may influence the advice being given. Additionally, this full disclosure fosters trust and allows the client to make informed decisions. It reflects a commitment to ethical standards and compliance with regulatory requirements, as clients have the right to know about all relevant affiliations and potential influences that could affect the services they receive. By opting for both arrangements, Vijay is adhering to the principle that all relevant information should be made known, thus promoting a fair and transparent working relationship.

2. Which of the following does NOT constitute a violation under CFA Institute Standards?

- A. Inclusion of partial designations in marketing materials
- B. Passing CFA exams without proper registration
- C. Communicating the expectation to pass future CFA exams**
- D. Accurately reporting passing previous exam levels

The correct choice reflects an action that does not violate CFA Institute Standards because communicating the expectation to pass future CFA exams does not misrepresent one's qualifications or accomplishments. This communication can be viewed as setting a goal or aspiration rather than making a misleading claim about already achieved credentials. In contrast, the other options involve actions that can lead to misrepresentation or breaches of ethical guidelines. For instance, including partial designations in marketing materials is misleading as it may imply qualifications that are not fully attained. Passing CFA exams without proper registration is a violation because it undermines the integrity of the certification process. Accurately reporting passing previous exam levels is a requirement for maintaining credibility and honesty according to the CFA Institute's ethical standards, making it critical for candidates to disclose this information properly.

3. On what basis can a member justify not voting every proxy?

- A. Cost-benefit analysis**
- B. Lack of time and resources
- C. Client requests not to vote
- D. Agency regulations limiting voting

When considering the issue of voting proxies, a member can justify not voting every proxy based on a cost-benefit analysis. This approach involves evaluating whether the benefits of voting a particular proxy outweigh the associated costs, which might include the time, resources, and potential impact on investment performance. For example, if a proxy issue is deemed to have little effect on the investment outcome or the shareholder value, a member may decide that it is more efficient and beneficial to focus efforts on more significant issues instead of casting votes on every proxy. This rationale aligns with the ethical responsibility to manage clients' assets effectively and responsibly.

4. What do brokerage commissions represent according to the CFA Institute Standards?

- A. Property of the brokers involved
- B. A shared asset between advisors and clients
- C. Property of the client for their benefit**
- D. A fee structure for the firm's services

Brokerage commissions, according to the CFA Institute Standards, are viewed as property of the client for their benefit. This perspective underscores the fiduciary duty that investment professionals have towards their clients, emphasizing that all funds, including commissions, are owned by the client. The client should benefit from these fees, and any arrangements regarding how commissions are handled should be transparent and in alignment with the client's best interests. This view highlights the importance of acting in good faith towards clients and underscores the ethical obligation of financial professionals to ensure that their clients are not disadvantaged by the way commissions are structured or compensated. Therefore, when commissions are generated from transactions executed on behalf of a client, they are considered part of the client's assets, reinforcing the need for clear communication and ethical management regarding how those commissions might be used or allocated.

5. What type of disclosures are required before making client recommendations?

- A. General information about the firm
- B. Confidential personal client data
- C. All pertinent information regarding fees, risks, and conflicts of interest**
- D. Only verbal agreements made during meetings

The requirement for disclosures before making client recommendations principally involves providing all pertinent information regarding fees, risks, and conflicts of interest. This is crucial because clients need to have a clear understanding of how these factors may impact their financial decisions and overall investment strategy. Being transparent about fees allows clients to comprehend the costs associated with financial products and services. Similarly, disclosing potential risks ensures clients are aware of what they might be taking on. Lastly, addressing conflicts of interest is vital to maintain trust and help clients make informed decisions without any hidden agendas. This type of comprehensive disclosure aligns with ethical standards and regulatory expectations aimed at protecting clients and promoting a transparent advisory process. Clients deserve to know how their interests align with those of the advisor and any potential challenges they may face in their financial journey.

6. What did Dawson fail to do that constituted a violation of Standards of Professional Conduct?

- A. Disclose his personal financial interests
- B. Inform Ascott about his committee involvement**
- C. Report his client's securities holdings
- D. Avoid conflicts of interest altogether

The correct answer highlights that Dawson violated Standards of Professional Conduct by failing to inform Ascott about his committee involvement. This situation typically underscores the importance of transparency and the necessity for professionals to disclose any relationships or activities that could potentially influence their decisions or create a conflict of interest. In many professional settings, especially in finance and investment, individuals are expected to maintain a clear line of communication regarding any affiliations that might affect their objectivity or the interests of their clients. By not informing Ascott about his committee involvement, Dawson missed an opportunity to ensure that all potential conflicts were fully disclosed, which is critical in maintaining trust and integrity in professional relationships. While the other options address important aspects of ethical conduct, such as the necessity to disclose financial interests or avoid conflicts, they are not the specific rationale for the violation in this context. Dawson's failure to disclose his committee involvement directly related to transparency with a client and ensuring that potential conflicts are known, thus making this the key violation.

7. What is the primary purpose of the CFA Institute Code of Ethics?

- A. To promote the integrity and professionalism of the investment profession**
- B. To ensure compliance with international financial regulations
- C. To maximize profits for investment firms
- D. To facilitate networking among investment professionals

The primary purpose of the CFA Institute Code of Ethics is to promote the integrity and professionalism of the investment profession. This code sets forth ethical principles that guide financial professionals in their conduct, ensuring that they act with honesty, fairness, and integrity in their interactions with clients, employers, and the broader community. By adhering to these principles, investment professionals enhance the overall trustworthiness and credibility of the industry. This foundational ethical framework not only protects the interests of clients but also helps to maintain the reputation of the profession as a whole. Upholding high ethical standards is essential for fostering public confidence in financial markets and ensuring that investment decisions are made with a commitment to ethics and professionalism. Other options imply a focus on compliance, profit maximization, or networking, which are not the primary missions of the Code. While adherence to regulations or networking might be aspects of being an investment professional, they do not encapsulate the overarching goal of promoting ethical practice within the industry.

8. What is the recommendation regarding third-party GIPS verification?

- A. A firm must select a representative set of composites for third-party GIPS verification
- B. Third-party verification is required for a firm to claim compliance with GIPS
- C. Verification of GIPS compliance is mandatory
- D. Verification of GIPS compliance is recommended, but not required**

The recommendation regarding third-party GIPS verification is that it is recommended but not required. This means that while obtaining a third-party verification can enhance the credibility of a firm's claim of compliance with the Global Investment Performance Standards (GIPS), it is not a necessary step to make such a claim. Firms often choose to undergo this verification to provide additional assurance to clients and stakeholders regarding their GIPS compliance, which can help improve trust and attract more business, but it is ultimately at the discretion of each firm. Other options may imply a requirement or an obligation for third-party verification, which is not aligned with the GIPS framework's intention. GIPS compliance focuses on fair representation and full disclosure of investment performance, and while verification can support this, it is not a mandatory step for compliance with the standards.

9. What is a requirement for maintaining membership in the CFA Institute?

- A. Must pass all three levels of the exam continuously
- B. Must adhere to the ethical and professional standards set by the CFA Institute**
- C. Must attend annual meetings and conferences
- D. Must renew membership every five years regardless of active employment

Maintaining membership in the CFA Institute fundamentally hinges on adhering to the ethical and professional standards set by the organization. This adherence ensures that members not only comply with the principles that uphold the integrity of the investment profession but also promote trust and professionalism within the industry. The CFA Institute emphasizes the importance of ethics as a cornerstone of its mission, which includes fostering a culture of integrity among finance professionals. While passing all three levels of the CFA exam is crucial for obtaining the designation, ongoing membership does not require continuous passing; rather, it focuses on the ethical commitment of members. Attendance at annual meetings and conferences, while beneficial for networking and professional development, is not a strict requirement for maintaining membership. Additionally, the requirement to renew membership every five years may apply to certain aspects of continued education, but it is not the primary criterion for membership. Thus, adherence to ethical standards remains the key requirement that aligns with the values and mission of the CFA Institute.

10. Why is the principle of 'client first' essential in investment management?

- A. It prioritizes the firm's profitability over client interests
- B. It establishes a trust-based relationship and prioritizes clients' financial well-being**
- C. It ensures compliance with regulatory standards
- D. It focuses on maximizing commissions for advisors

The principle of 'client first' is essential in investment management because it emphasizes the importance of building trust and establishing a strong relationship with clients. By prioritizing the financial well-being of clients, investment managers can create an environment where clients feel valued and understood. This principle resonates deeply in investment management, as professionals are entrusted with significant amounts of money and the responsibility of managing their clients' financial futures. When clients know that their best interests are at the forefront of an advisor's actions, it fosters a sense of security and satisfaction, encouraging long-term relationships. This trust is crucial for effective communication, transparency, and loyalty, all of which contribute to better investment outcomes for the clients. Moreover, a 'client first' approach aligns with ethical standards in the profession, where fiduciary duty mandates that advisors act in the best interests of their clients. While compliance with regulatory standards and profitability are important factors in the industry, they do not capture the essence of why prioritizing clients is fundamental. A focus on maximizing commissions also distracts from the core obligation to serve clients' interests first. Thus, putting clients' needs at the core of investment decisions not only leads to ethical practices but also enhances client satisfaction and trust in the long run.

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://kaplanethics.examzify.com>

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

SAMPLE