

Qualified Financial Adviser (QFA) Investments Exam 1 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

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- 1. A SAYE scheme must be approved by which authority?**
 - A. Department of Finance.**
 - B. Revenue Commissioners.**
 - C. Department of Enterprise and Employment.**
 - D. Central Bank.**

- 2. A MiFID firm has received an instruction from a retired client to buy a number of CFDs related to shares in a company listed on the Stock Exchange. Under MiFID regulations, the firm is required to:**
 - A. first ask the client about their knowledge and experience of investing in CFDs, before executing the order.**
 - B. arrange a meeting with the client to discuss the investment, prior to executing the order.**
 - C. decline to carry out the transaction if the adviser feels it is not appropriate to the client.**
 - D. decline to carry out the transaction, regardless of whether the investment is or is not appropriate to the client.**

- 3. In relation to Annual Equivalent Rate (AER) and Compound Annual Return (CAR) for deposit accounts, which statement is true?**
 - A. AER and CAR are exactly the same thing.**
 - B. AER is calculated before DIRT whereas CAR is calculated after DIRT.**
 - C. CAR is calculated before DIRT whereas AER is calculated after DIRT.**
 - D. AER allows for charges and deductions whereas CAR doesn't.**

- 4. What is the fourth step in the financial planning advisory process?**
 - A. Identifying financial needs.**
 - B. Factfinding.**
 - C. Devising a strategy to meet the consumer's needs.**
 - D. Make suitable recommendation.**

- 5. Companies pay Corporation Tax as follows. Which option is correct?**
- A. 12.5% on their trading profits and 25% on investment income and realised gains.**
 - B. 25% on their trading profits and 12.5% on investment income and realised gains.**
 - C. 12.5% on both their trading profits and on investment income and realised gains.**
 - D. 25% on both their trading profits and on investment income and realised gains.**
- 6. Patricia has invested in a bond issued by a company that is not listed on a stock exchange. Which of the following risks apply?**
- A. (i) Liquidity only.**
 - B. (i) and (iii) only.**
 - C. (ii) and (iii) only.**
 - D. (i), (ii) and (iii).**
- 7. Under the Consumer Protection Code, the advertisements can show simulated performance that is relevant to the performance of the bond. Which of the following is true?**
- A. Show simulated performance that is relevant to the performance of the bond.**
 - B. Show simulated performance only on a past period not exceeding three years.**
 - C. Only refer to simulated performance in a footnote of smaller size than the rest of the advertisement.**
 - D. Not refer to simulated performance in any way.**
- 8. Counterparty risk in relation to a life assurance Tracker Bond refers to which risk?**
- A. The tax which will be applied to the maturity proceeds will be higher than the applicable rate today.**
 - B. A third party may default on its obligations to the life company, causing a loss for the investor.**
 - C. Inflation will erode the real value of the return provided by the bond.**
 - D. The investor may die before maturity, causing a loss for the investor's dependants.**

9. Overdrafts are charged interest:

- A. Only when the overdraft limit has been exceeded**
- B. When used**
- C. If not used**
- D. Only when fully drawn**

10. On 18 October 2017, a 5% Treasury Bond maturing 18 October 2020 with €200 nominal was purchased at €206.50. Assuming no sale before maturity, the total amount received by maturity including all coupons and principal will be

- A. €200.00**
- B. €206.50**
- C. €230.00**
- D. €216.00**

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Answers

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

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Explanations

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1. A SAYE scheme must be approved by which authority?

- A. Department of Finance.**
- B. Revenue Commissioners.**
- C. Department of Enterprise and Employment.**
- D. Central Bank.**

In Ireland, a SAYE scheme must be approved by the Revenue Commissioners, the tax authority. They review the scheme's rules to ensure it meets the conditions for tax-advantaged treatment, such as how savings are gathered and how options can be exercised. Once Revenue approves the scheme, it can qualify for the intended tax relief for both the savings and any option gains. The other bodies listed play different roles (Central Bank regulates financial markets and institutions; Department of Finance handles policy and public finances; the others are not responsible for approving SAYE schemes), so they do not grant this approval.

2. A MiFID firm has received an instruction from a retired client to buy a number of CFDs related to shares in a company listed on the Stock Exchange. Under MiFID regulations, the firm is required to:

- A. first ask the client about their knowledge and experience of investing in CFDs, before executing the order.**
- B. arrange a meeting with the client to discuss the investment, prior to executing the order.**
- C. decline to carry out the transaction if the adviser feels it is not appropriate to the client.**
- D. decline to carry out the transaction, regardless of whether the investment is or is not appropriate to the client.**

MiFID obliges investment firms to check that a client has the necessary knowledge and experience to understand and bear the risks of complex or high-risk products, such as CFDs, before executing an order for them. This appropriateness assessment is done first, by asking the client about their familiarity with CFDs and their investment experience. If the client can demonstrate sufficient knowledge, the firm can proceed; if not, the firm should not execute the order (or should take steps to ensure understanding) because the product may not be appropriate for the client. This is why asking about knowledge and experience before executing is the correct requirement.

3. In relation to Annual Equivalent Rate (AER) and Compound Annual Return (CAR) for deposit accounts, which statement is true?

- A. AER and CAR are exactly the same thing.**
- B. AER is calculated before DIRT whereas CAR is calculated after DIRT.**
- C. CAR is calculated before DIRT whereas AER is calculated after DIRT.**
- D. AER allows for charges and deductions whereas CAR doesn't.**

The important idea here is that AER and CAR describe the same thing for a deposit account: the annualized return you effectively get when interest is compounded. When a savings product quotes an annual rate, both terms are just different names for the same calculation of how much you'd earn over a year if you leave the interest to compound. In this context, they're shown on a gross basis and before any tax or charges, so they end up the same number. That's why the statement is true: for deposit accounts, AER and CAR reflect the same compounding effect and are essentially interchangeable measures of the yearly return, ignoring tax and fees. The other options imply differences due to tax or deductions in how the rate is calculated, which isn't how these figures are typically presented for comparison.

4. What is the fourth step in the financial planning advisory process?

- A. Identifying financial needs.**
- B. Factfinding.**
- C. Devising a strategy to meet the consumer's needs.**
- D. Make suitable recommendation.**

Understanding the sequence of actions in a financial planning engagement is being tested here. After you identify the client's financial needs, gather detailed information (factfinding), and then develop a strategy to meet those needs, the next step is to present and make a suitable recommendation. This is the point at which analysis becomes actionable advice tailored to the client, translating the plan into concrete steps, instruments, and actions the client can approve and implement. The following phases—implementation and ongoing monitoring—come after the recommendation, so describing the fourth step as making a suitable recommendation correctly places it just after identifying needs, factfinding, and devising a strategy.

5. Companies pay Corporation Tax as follows. Which option is correct?

- A. 12.5% on their trading profits and 25% on investment income and realised gains.**
- B. 25% on their trading profits and 12.5% on investment income and realised gains.**
- C. 12.5% on both their trading profits and on investment income and realised gains.**
- D. 25% on both their trading profits and on investment income and realised gains.**

In this structure, corporate tax is split by income type. Trading profits are taxed at the lower rate of 12.5%, while investment income and realised gains are taxed at the higher rate of 25%. This means active business profits benefit from the lower rate, and passive income or capital gains face the higher rate. For example, trading profits of €1,000,000 would incur €125,000 of tax, whereas €1,000,000 of investment income or realised gains would incur €250,000. The other possibilities would either apply the same rate to all income or switch which type gets the lower rate, which doesn't align with how this tax system is structured.

6. Patricia has invested in a bond issued by a company that is not listed on a stock exchange. Which of the following risks apply?

- A. (i) Liquidity only.**
- B. (i) and (iii) only.**
- C. (ii) and (iii) only.**
- D. (i), (ii) and (iii).**

When a bond isn't listed on a stock exchange, you face multiple built-in risks. First, liquidity risk is higher because there's no active market with a centralized venue. It can be harder to sell quickly, and you may have to accept a lower price to find a buyer. Second, valuation or marketability risk arises because there's no transparent, easily observable market price. You rely on limited quotes or the issuer's information, which can lead to uncertain or wide bid-ask spreads. Third, credit risk remains, since the issuer could still default or miss payments regardless of whether the bond is listed. So all three risks—liquidity, valuation/marketability, and credit risk—apply.

7. Under the Consumer Protection Code, the advertisements can show simulated performance that is relevant to the performance of the bond. Which of the following is true?

- A. Show simulated performance that is relevant to the performance of the bond.**
- B. Show simulated performance only on a past period not exceeding three years.**
- C. Only refer to simulated performance in a footnote of smaller size than the rest of the advertisement.**
- D. Not refer to simulated performance in any way.**

Simulated performance may be shown in bond advertisements as long as it is relevant to how the bond could perform and is clearly labeled as simulated. This helps investors understand potential outcomes without promising actual results. The key point is relevance to the bond's features and transparency that the data are illustrative, not guaranteed. The other options introduce requirements that aren't the main rule here: there isn't a blanket three-year limit for simulated periods, nor is it restricted to footnotes alone, and it isn't forbidden to reference simulated performance at all.

8. Counterparty risk in relation to a life assurance Tracker Bond refers to which risk?

- A. The tax which will be applied to the maturity proceeds will be higher than the applicable rate today.**
- B. A third party may default on its obligations to the life company, causing a loss for the investor.**
- C. Inflation will erode the real value of the return provided by the bond.**
- D. The investor may die before maturity, causing a loss for the investor's dependants.**

Counterparty risk is the danger that the other party in a financial arrangement won't meet its obligations. In a life assurance Tracker Bond, the promised payoff or protection often relies on payments or guarantees provided by a third party (a counterparty such as a guarantor or a financial institution). If that counterparty defaults or cannot fulfill its obligations to the life company, the life company may not be able to pass on the expected return to the investor, leading to a loss. Taxes, inflation, and mortality are different kinds of risk and don't describe the risk that a counterparty will fail to deliver.

9. Overdrafts are charged interest:

- A. Only when the overdraft limit has been exceeded**
- B. When used**
- C. If not used**
- D. Only when fully drawn**

Interest on an overdraft is charged on the amount you actually owe at any time—the negative balance you have drawn—not on the credit limit itself. When you use the overdraft, the balance is overdrawn, and interest accrues on that overdrawn amount (typically daily and charged monthly) at an often higher rate than other borrowing. If you don't use the overdraft, there's no interest because you haven't borrowed anything. Exceeding the limit can bring extra fees, but the basic interest is tied to how much you've drawn, not to having fully drawn the facility. So the statement that overdrafts are charged interest when used best reflects how this form of credit works.

10. On 18 October 2017, a 5% Treasury Bond maturing 18 October 2020 with €200 nominal was purchased at €206.50. Assuming no sale before maturity, the total amount received by maturity including all coupons and principal will be

- A. €200.00**
- B. €206.50**
- C. €230.00**
- D. €216.00**

The total amount you receive by maturity comes from two parts: the coupon payments you get during the life of the bond and the repayment of the face value at maturity. A 5% coupon on a €200 par means €10 per year in coupons (whether paid annually or semi-annually, the total each year is €10). Over three years (from 18 Oct 2017 to 18 Oct 2020) you collect $€10 \times 3 = €30$ in coupons. At maturity you also get the €200 face value back. So the total cash received if you hold to maturity is $€30 + €200 = €230$. The purchase price (€206.50) affects your yield but not the nominal total received at maturity.

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://qfainvestments1.examzify.com>

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

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