

# Qualified Financial Adviser (QFA) Investments Exam 2 Practice Test (Sample)

## Study Guide



**Everything you need from our exam experts!**

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# Table of Contents

|                                    |           |
|------------------------------------|-----------|
| <b>Copyright</b> .....             | <b>1</b>  |
| <b>Table of Contents</b> .....     | <b>2</b>  |
| <b>Introduction</b> .....          | <b>3</b>  |
| <b>How to Use This Guide</b> ..... | <b>4</b>  |
| <b>Questions</b> .....             | <b>5</b>  |
| <b>Answers</b> .....               | <b>9</b>  |
| <b>Explanations</b> .....          | <b>11</b> |
| <b>Next Steps</b> .....            | <b>16</b> |

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

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- 1. The benefit in kind (BIK) for a company car is liable to which taxes?**
  - A. Income tax.**
  - B. PRSI.**
  - C. USC.**
  - D. Income tax, PRSI and USC.**
  
- 2. Gross National Product (GNP) differs from Gross Domestic Product (GDP) in that GNP includes the value of goods and services produced by a country's residents outside the country.**
  - A. It includes only domestic production**
  - B. It excludes production by residents abroad**
  - C. It includes production by residents abroad**
  - D. It excludes domestic production**
  
- 3. Which advertising material is NOT subject to CPC advertising requirements for a life assurance company?**
  - A. Product brochures.**
  - B. Flyers aimed at consumers.**
  - C. Sponsorship material.**
  - D. Radio advertisements**
  
- 4. The price-earnings ratio is calculated as which of the following?**
  - A. A Market capitalisation divided by net income.**
  - B. B Price per share divided by earnings per share.**
  - C. C Earnings per share divided by price per share.**
  - D. D Dividends per share divided by earnings per share.**
  
- 5. Which of the following statements is true about the 2020 personal tax credit for a married couple?**
  - A. €650**
  - B. €1,650**
  - C. €3,300**
  - D. €4,950**

- 6. Which category best describes the instrument that includes Credit Union share accounts among the options below?**
- A. Bank term deposits**
  - B. Credit Union share accounts**
  - C. Government bonds**
  - D. Annuities**
- 7. A closed-end investment fund has which of the following characteristics?**
- A. (i) always buy back investors' shares at net asset value**
  - B. (ii) is not open to new investors**
  - C. (iii) has a variable number of shares**
  - D. (i), (ii) and (iii)**
- 8. A company's dividend for this year will cost €1.5m. Its profits before taxes are €3.8m and after taxes €3.3m. What is the company's current dividend cover?**
- A. A 1.5**
  - B. B 2.2**
  - C. C 2.53**
  - D. D 3.3**
- 9. Which of the following would NOT be considered an example of an alternative investment class?**
- A. Gold.**
  - B. Private equity.**
  - C. Commodities.**
  - D. Government bonds.**

**10. Irish REIT restrictions include which combination of requirements?**

- A. At least 75% of income derives from property rental and at least 75% of assets relate to property rental.**
- B. At least 75% of income derives from property rental and it must wind up after seven years.**
- C. At least 75% of assets relate to property rental business and it must wind up after seven years.**
- D. At least 75% of income derives from property rental; At least 75% of assets relate to property rental; It must wind up after seven years.**

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## Answers

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

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## **Explanations**

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**1. The benefit in kind (BIK) for a company car is liable to which taxes?**

**A. Income tax.**

**B. PRSI.**

**C. USC.**

**D. Income tax, PRSI and USC.**

A company car is a benefit in kind, so the value of that benefit is treated as part of the employee's pay. Because it increases the employee's assessable income, it is taxed through the income tax system (PAYE). It also raises the amount of earnings subject to PRSI, so PRSI is due on the BIK value. Additionally, USC is calculated on total gross income, including any benefits in kind, so USC applies to the BIK as well. In short, the benefit in kind from a company car is liable to income tax, PRSI, and USC.

**2. Gross National Product (GNP) differs from Gross Domestic Product (GDP) in that GNP includes the value of goods and services produced by a country's residents outside the country.**

**A. It includes only domestic production**

**B. It excludes production by residents abroad**

**C. It includes production by residents abroad**

**D. It excludes domestic production**

The main idea is that GNP tracks what residents own and earn, wherever they produce, while GDP tracks where production occurs. GNP adds the value of goods and services produced by a country's residents outside the country and subtracts income earned by foreigners domestically. Because of this residency focus, GNP includes production by residents abroad. For example, U.S. residents running a factory in another country contribute to U.S. GNP, even though that output isn't counted in U.S. GDP. The other statements misstate the scope: GDP covers domestic production, while GNP emphasizes residents' production regardless of location.

**3. Which advertising material is NOT subject to CPC advertising requirements for a life assurance company?**

- A. Product brochures.
- B. Flyers aimed at consumers.
- C. Sponsorship material.**
- D. Radio advertisements

Advertising rules for life assurance focus on ensuring consumers receive clear, accurate information when a policy is being promoted. Materials that directly present product features, benefits, premiums, or policy terms—such as product brochures, consumer-facing flyers, and radio advertisements—fall under these CPC requirements because they influence a purchase decision and must be truthful and not misleading. Sponsorship material, however, is about branding and association with an event or cause and does not typically spell out policy details or offer quotes or terms. Because it isn't directly promoting a specific policy to buy, it isn't subject to the CPC advertising requirements in the same way. If sponsorship content ever includes direct product claims, it would fall under other regulatory rules, but for the CPC framework, sponsorship material is the exempt type.

**4. The price-earnings ratio is calculated as which of the following?**

- A. A Market capitalisation divided by net income.
- B. B Price per share divided by earnings per share.**
- C. C Earnings per share divided by price per share.
- D. D Dividends per share divided by earnings per share.

The price-earnings ratio shows how much investors are willing to pay for each dollar of a company's earnings. It is calculated by dividing the price per share by the earnings per share, giving a per-share valuation metric that lets you compare how richly stocks are priced relative to the earnings they generate. So, price per share divided by earnings per share is the correct formulation. The other expressions mix in different concepts: earnings per share over price per share is the inverse of P/E, dividends per share over earnings per share is the payout ratio, and market capitalization over net income is an aggregate form that, while related, is not the standard per-share P/E expression.

**5. Which of the following statements is true about the 2020 personal tax credit for a married couple?**

- A. €650
- B. €1,650
- C. €3,300**
- D. €4,950

In 2020, the personal tax credit for a married couple is a single amount that reduces the couple's overall tax bill, not a per-person credit. This amount is €3,300, which effectively combines what would be two separate single-person credits into one for the household. It lowers the tax payable on the couple's combined income. For example, if the total tax before credits is €4,000, applying the €3,300 credit would reduce the payable tax to €700. The credit is fixed for the year and applies to the couple's joint liability.

**6. Which category best describes the instrument that includes Credit Union share accounts among the options below?**

- A. Bank term deposits
- B. Credit Union share accounts**
- C. Government bonds
- D. Annuities

Credit union share accounts are a form of deposit account offered by credit unions. They represent members' ownership in the credit union and function similarly to savings accounts, providing liquidity and government-backed insurance up to the applicable limit. This category is the one that actually encompasses the instrument in question because it describes savings/deposit accounts specifically housed within credit unions. The other options refer to different kinds of financial instruments: bank term deposits are fixed-term bank deposits, government bonds are debt securities issued by a government, and annuities are insurance products with a defined payout structure.

**7. A closed-end investment fund has which of the following characteristics?**

- A. (i) always buy back investors' shares at net asset value
- B. (ii) is not open to new investors**
- C. (iii) has a variable number of shares
- D. (i), (ii) and (iii)

Closed-end funds raise capital through a one-time initial offering and then keep a fixed number of shares outstanding, trading them on the open market. They don't continuously issue new shares or redeem existing ones in response to investor demand. That means they are not open to new investors in the sense of ongoing fund redemptions and issuances. The number of shares remaining outstanding is fixed, so having a variable share count is not a defining trait. Although the market price can differ from the fund's net asset value, there's no guarantee of a buyback at NAV. So the statement that best describes a closed-end fund is that it is not open to new investors after the initial offering.

**8. A company's dividend for this year will cost €1.5m. Its profits before taxes are €3.8m and after taxes €3.3m. What is the company's current dividend cover?**

- A. A 1.5
- B. B 2.2**
- C. C 2.53
- D. D 3.3

Dividend cover shows how many times the current dividend can be paid from after-tax profits. It's calculated by dividing profits after tax by the dividend. Here, after-tax profits are €3.3m and the dividend is €1.5m.  $3.3 \div 1.5 = 2.2$ . So the dividend can be covered 2.2 times by earnings. This uses after-tax earnings because taxes reduce distributable profits; the pre-tax figure isn't used in this calculation. A cover around 2.2 suggests the dividend is well supported by earnings, with some cushion for retained earnings or growth.

**9. Which of the following would NOT be considered an example of an alternative investment class?**

- A. Gold.**
- B. Private equity.**
- C. Commodities.**
- D. Government bonds.**

Alternative investments are assets that lie outside the traditional categories of stocks and bonds and are pursued to diversify risk and access different return drivers. Government bonds are a traditional fixed-income instrument, typically included as a core part of a standard portfolio's bond sleeve and not considered an alternative. In contrast, gold and commodities are usually grouped with alternative investments because their prices are driven by different factors such as inflation, currency movements, or supply-demand dynamics, and private equity is a long-hold, less liquid opportunity also categorized as an alternative. Therefore, government bonds would not be considered an alternative investment class.

**10. Irish REIT restrictions include which combination of requirements?**

- A. At least 75% of income derives from property rental and at least 75% of assets relate to property rental.**
- B. At least 75% of income derives from property rental and it must wind up after seven years.**
- C. At least 75% of assets relate to property rental business and it must wind up after seven years.**
- D. At least 75% of income derives from property rental; At least 75% of assets relate to property rental; It must wind up after seven years.**

To qualify as an Irish REIT, the business must be real estate-focused in both what it earns and what it owns. The rules require two thresholds to be met: at least 75% of gross income must come from property rental, and at least 75% of the assets must relate to property rental. This two-part test ensures the entity operates primarily as a real estate investment vehicle. The idea of winding up after seven years isn't part of the Irish REIT restrictions, so a requirement to dissolve after seven years isn't correct. In practice, REIT status is ongoing as long as the qualifying income and asset tests (and other regime conditions, like the distribution rule) are satisfied. For extra context, REITs must distribute a substantial portion of property income to investors, further supporting their tax-advantaged status.

## 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](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://qfainvestments2.examzify.com>**

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

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