# Series 65 Practice Exam (Sample)

## Study Guide

BY EXAMZIFY

**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

1. **Stock funds categories: which range defines Small Cap funds?**
   - A. $300 million to $2 billion.
   - B. $2 billion to $10 billion.
   - C. $10 billion and above.
   - D. $50 billion and above.

2. **What lifetime feature do variable annuities provide?**
   - A. Capital gains protection
   - B. Lifetime income to cover longevity risk
   - C. Refund of all contributions upon death
   - D. Immediate liquidity

3. **Distributions to beneficiaries are taxed as what?**
   - A. Tax-free
   - B. Capital gains
   - C. Ordinary income
   - D. Favorable rates

4. **Nonissuer transactions by pledges are categorized as exempt transactions under USA.**
   - A. Exempt
   - B. Not exempt
   - C. Subject to registration
   - D. Not described

5. **General Obligation Bonds differ from Revenue Bonds in that GO Bonds are secured by which source?**
   - A. The taxing power of the issuer
   - B. The revenue generated by a project
   - C. Both A and B
   - D. Neither A nor B

**6. What does a breakpoint in mutual funds relate to?**

- **A. The investment amount required to qualify for a lower sales charge**
- **B. The minimum initial investment**
- **C. The maximum annual sales charge**
- **D. The redemption fee amount**

**7. For a bond issued at a premium, the order of yields from highest to lowest is:**

- **A. Coupon > Current Yield > YTM > YTC**
- **B. YTM > YTC > Current Yield > Coupon**
- **C. Current Yield > Coupon > YTM > YTC**
- **D. YTC > YTM > Coupon > Current Yield**

**8. A debt instrument guaranteed by an entity other than the issuer is called:**

- **A. Debenture**
- **B. Guaranteed Bond**
- **C. Mortgage Bond**
- **D. Revenue Bond**

**9. Which signatures are required on the registration statement for an IPO?**

- **A. CEO, CFO, and majority of the board of directors**
- **B. CFO and auditor**
- **C. CEO only**
- **D. Chairman and secretary**

**10. A Convertible Bond is**

- **A. a bond that can be exchanged, at the owner's option, for a specified number of shares of the corporation's common stock**
- **B. a bond that guarantees a fixed rate of return until maturity**
- **C. a bond that is backed by government guarantees**
- **D. a bond that pays dividends to shareholders**

# Answers

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

# Explanations

## 1. Stock funds categories: which range defines Small Cap funds?

**A. $300 million to $2 billion.**

**B. $2 billion to $10 billion.**

**C. $10 billion and above.**

**D. $50 billion and above.**

**Stock fund categories are sometimes defined by the fund's own size, measured by assets under management. In this framework, small-cap funds are the smaller end of the asset-size spectrum, typically with assets from a few hundred million up to about two billion dollars. This size allows the fund to focus on smaller, less liquid companies that offer higher growth potential but come with greater risk. As a fund grows beyond a couple of billion, it becomes harder to maintain a true small-cap focus, and portfolios tend to skew toward larger, more liquid companies, fitting into mid-cap or large-cap categories. So the range of roughly $300 million to $2 billion best fits the small-cap category.**

## 2. What lifetime feature do variable annuities provide?

**A. Capital gains protection**

**B. Lifetime income to cover longevity risk**

**C. Refund of all contributions upon death**

**D. Immediate liquidity**

**The main idea here is providing protection against longevity risk through a guaranteed lifetime income. A variable annuity can grow tax-deferred and, when set up with an annuitization option or a rider such as a guaranteed lifetime withdrawal benefit, promises payments for as long as the retiree lives. This ensures a steady stream of income even if the account balance would otherwise run out, addressing the fear of outliving savings. Capital gains protection isn't a typical feature of variable annuities; the value of the underlying investments can go up or down, and there isn't a guaranteed shield against market-based gains. Refund of all contributions upon death is not the same as lifetime income; some contracts offer a death benefit or return-of-premium features, but those relate to death benefits rather than providing income for life. Immediate liquidity is not characteristic either, since withdrawals outside the lifetime-income feature often involve surrender charges and penalties and aren't guaranteed to be available right away. So the lifetime income to cover longevity risk is the best description of this feature.**

## 3. Distributions to beneficiaries are taxed as what?

**A. Tax-free**

**B. Capital gains**

**C. Ordinary income**

**D. Favorable rates**

**Distributions from a trust to a beneficiary are taxed to the beneficiary as ordinary income to the extent the trust has distributable net income. The trust's income that is distributed is passed through to the beneficiary and taxed at ordinary income rates, preserving the character of the income. While distributions that actually represent capital gains can be taxed at capital gains rates if they arise from the trust's capital gains, the general rule emphasized here is that distributions are ordinary income.**

## 4. Nonissuer transactions by pledges are categorized as exempt transactions under USA.

A. Exempt

B. Not exempt

C. Subject to registration

D. Not described

**When securities are pledged as collateral, the sale by the pledgee is treated as a nonissuer transaction. Under the Uniform Securities Act, such nonissuer transactions by pledgees are exempt from registration because the seller is not the issuer and the purpose is to liquidate collateral, not to raise new capital. This exemption facilitates financing by allowing lenders to recover what's owed without going through the registration process, as long as the sale complies with any applicable conditions. So this statement is correct: nonissuer transactions by pledges are exempt under the USA. The other options would imply registration or description that doesn't apply to this collateral-related scenario.**

## 5. General Obligation Bonds differ from Revenue Bonds in that GO Bonds are secured by which source?

A. The taxing power of the issuer

B. The revenue generated by a project

C. Both A and B

D. Neither A nor B

**General Obligation bonds are secured by the issuer's taxing power—the full faith and credit pledge that the issuer can raise taxes to meet debt service. This contrasts with Revenue bonds, which are backed by the specific revenues generated by a project (tolls, fees, leases, etc.). Because GO bonds rely on tax receipts rather than project income, the backing comes from the issuer's ability to levy taxes (within legal limits) to ensure debt service. That's why the source of security for GO bonds is the taxing power. (Note: in some cases bonds can be structured as double-barreled and include additional security, but the standard distinction is tax-based backing for GO bonds.)**

## 6. What does a breakpoint in mutual funds relate to?

A. The investment amount required to qualify for a lower sales charge

B. The minimum initial investment

C. The maximum annual sales charge

D. The redemption fee amount

**Breakpoints are thresholds for front-end sales charges on mutual funds. They relate to the amount you invest because as your investment crosses specific levels, the sales charge is reduced. The idea is to reward larger purchases with a lower percentage load. For example, a fund might charge a higher front-end load on smaller investments and offer a lower load once you reach a breakpoint level, or threshold, such as moving from $50,000 to $100,000. This concept is about qualifying for a lower sales charge based on how much you invest, not about minimum initial investment, redemption fees, or the maximum annual charge.**

7. **For a bond issued at a premium, the order of yields from highest to lowest is:**

   A. Coupon > Current Yield > YTM > YTC

   B. YTM > YTC > Current Yield > Coupon

   C. Current Yield > Coupon > YTM > YTC

   D. YTC > YTM > Coupon > Current Yield

**When a bond sells at a premium, the fixed coupon payment remains in the same dollar amount, so the coupon rate stands out as the highest yield measure. The current yield, which is the annual coupon divided by the market price, falls below the coupon because the price is above par, pulling the yield down. Yield to Maturity takes into account not only the coupon payments but also the fact you paid more than par and will only receive par at maturity. That premium is gradually amortized over the life of the bond, which reduces the overall return compared with the coupon alone, so YTM is lower than the current yield for a premium bond. If the bond is callable, yield to call reflects the return assuming the issuer redeems the bond at the call price at the earliest call date. With a premium bond, the call price is often at par or near par, which can erase much of the premium and result in an even smaller return than YTM. Therefore, yield to call tends to be the lowest. Putting it together, the typical order from highest to lowest is: coupon, then current yield, then yield to maturity, and finally yield to call.**

8. **A debt instrument guaranteed by an entity other than the issuer is called:**

   A. Debenture

   B. Guaranteed Bond

   C. Mortgage Bond

   D. Revenue Bond

**Credit is enhanced when a third party guarantees the debt, promising to pay principal and interest if the issuer cannot. That structure describes a guaranteed bond, where the guarantee comes from an entity other than the issuer. A debenture is an unsecured loan backed only by the issuer's credit. A mortgage bond is secured by a specific asset, typically real estate. A revenue bond is paid from the income of a particular project or facility, not from a guarantor's promise. So the instrument protected by another party's guarantee is the guaranteed bond.**

## 9. Which signatures are required on the registration statement for an IPO?

**A. CEO, CFO, and majority of the board of directors**

**B. CFO and auditor**

**C. CEO only**

**D. Chairman and secretary**

**This question tests who must sign the Form S-1 registration statement for an IPO. The signing requirement reflects accountability for the information in the filing: the chief executive officer, the chief financial officer, and a majority of the issuer's board of directors must sign. This pairing ensures both management accountability for financial statements and governance oversight from the board. The auditor's signature isn't required on the registration statement itself; the auditor is involved by providing the financial statements and the opinion, and by consenting to use the report, but that signature is not part of the Form S-1's signatories. Signing by only the CFO or only the CEO would omit either leadership responsibility or board oversight. Signing by the chairman and secretary isn't the specified combination for the Form S-1. So, the required signatures are the CEO, the CFO, and a majority of the board of directors.**

## 10. A Convertible Bond is

**A. a bond that can be exchanged, at the owner's option, for a specified number of shares of the corporation's common stock**

**B. a bond that guarantees a fixed rate of return until maturity**

**C. a bond that is backed by government guarantees**

**D. a bond that pays dividends to shareholders**

**Convertible bonds are debt securities that include an embedded option allowing the holder to convert the bond into a predetermined number of shares of the issuer's common stock. This option is at the owner's discretion and known by terms such as the conversion ratio or conversion price. The appeal is blending a fixed-income investment with potential upside in the issuer's equity: if the stock price rises above the conversion value, converting can enhance total return; if not, the investor continues to receive interest and eventual principal repayment. The conversion feature generally means the coupon on a convertible bond is lower than on a comparable nonconvertible bond, reflecting the value of the option. The remaining statements describe other features not inherent to convertibles—a fixed-rate bond return, government backing, or dividends to shareholders—none of which capture the convertible bond's defining element: the option to convert to stock.**

# 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://series65.examzify.com**

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