

# SIE (Securities Industry Essentials) Practice Exam (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. What is the bid-ask spread for ABC equity security based on the current NBBO of \$50.09 - \$50.12?**
  - A. \$.03**
  - B. \$.02**
  - C. \$.04**
  - D. \$.01**
- 2. What does Keynesian economic theory primarily deal with?**
  - A. Controlling the economy through budget/government spending and taxation policies**
  - B. Regulating the stock market and its associated financial instruments**
  - C. Managing national defense and security measures**
  - D. Overseeing the operations of private sector companies**
- 3. When reviewing the definitions of broker-dealers and investment advisers, one would find that:**
  - A. Broker-dealers are primarily compensated through commissions, while investment advisers are primarily compensated through fees based on assets under management**
  - B. Broker-dealers execute trades on behalf of their clients, while investment advisers provide advice and manage investments**
  - C. Broker-dealers must register with the SEC if they trade nationally or across state lines, while investment advisers must register depending on the amount of assets they manage**
  - D. All of these**
- 4. What is the essential difference between a primary distribution and a secondary distribution?**
  - A. The volume of shares traded**
  - B. The type of securities exchanged**
  - C. A primary distribution involves a sale of newly issued shares by the issuer, while a secondary distribution involves the sale of already issued and outstanding shares**
  - D. The geographical market in which they are sold**

**5. Which of the following are NOT considered money market securities?**

- A. ADRs**
- B. Commercial paper**
- C. Certificates of deposit**
- D. Treasury bills**

**6. Under FINRA rules, which of the following activities by a registered representative requires written notification to her firm?**

- A. Driving part time for a transportation network company on weekends**
- B. Selling homemade crafts online**
- C. Participating in a community theater play**
- D. Volunteering at a local charity**

**7. Depreciation write-offs represent which of the following?**

- A. A method to enhance company profits**
- B. An IRS mandated percentage allowable annual non-cash charge against revenues**
- C. A legal way to defer income taxes**
- D. A strategy to increase asset value**

**8. A recent high school principal retiree is receiving money monthly from his pension. At the earliest, when will he need to make a withdrawal from his deferred compensation account and report it as taxable income?**

- A. When he turns 65**
- B. When he turns 70.5**
- C. When he turns 72**
- D. There is no specified age**

**9. Which of the following actions violates FINRA rules regarding outside business activities?**

- A. Participating in community service**
- B. Receiving compensation from another entity without notifying the employing BD**
- C. Investing in personal real estate**
- D. Taking a second job with employer consent**

**10. A company announces a tender offer to its shareholders with the intent to buy a maximum of 1 million shares of its outstanding stock at \$10 per share and sets no minimum number of shares to be purchased. How many of the investor's shares will the company purchase if only 900,000 shares have been tendered?**

- A. 1,000**
- B. 900**
- C. None**
- D. It cannot be determined from the information provided**

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## **Answers**

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

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## **Explanations**

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**1. What is the bid-ask spread for ABC equity security based on the current NBBO of \$50.09 - \$50.12?**

- A. \$03**
- B. \$.02**
- C. \$.04**
- D. \$.01**

The bid-ask spread is the difference between the highest price a buyer is willing to pay (bid) and the lowest price a seller is willing to accept (ask) for a security. In this scenario, the bid-ask spread is calculated by subtracting the bid price (\$50.09) from the ask price (\$50.12), resulting in a spread of \$.03. The other options may seem close, but they do not accurately reflect the given NBBO. Option B is incorrect as it only considers the difference between the bid and ask price, not the actual spread. Option C is too high as it adds the spread to the higher bid price. Option D is too low as it subtracts the spread from the lower ask price.

**2. What does Keynesian economic theory primarily deal with?**

- A. Controlling the economy through budget/government spending and taxation policies**
- B. Regulating the stock market and its associated financial instruments**
- C. Managing national defense and security measures**
- D. Overseeing the operations of private sector companies**

Keynesian economic theory primarily deals with using government spending and taxation policies to control and stabilize the economy. This theory is focused on the role of the government in managing economic fluctuations and promoting overall economic stability. Option B, regulating the stock market, is a part of a different economic theory known as supply-side economics. Option C, managing national defense and security measures, is a function of government but not directly related to economic policy. Option D, overseeing private sector companies, is a function of regulatory agencies and does not pertain to economic theory. Hence, option A is the most accurate and relevant answer.

**3. When reviewing the definitions of broker-dealers and investment advisers, one would find that:**

- A. Broker-dealers are primarily compensated through commissions, while investment advisers are primarily compensated through fees based on assets under management**
- B. Broker-dealers execute trades on behalf of their clients, while investment advisers provide advice and manage investments**
- C. Broker-dealers must register with the SEC if they trade nationally or across state lines, while investment advisers must register depending on the amount of assets they manage**
- D. All of these**

Both A and B are partially correct but do not fully encompass the definitions of broker-dealers and investment advisers. While broker-dealers are primarily compensated through commissions, they also must execute trades on behalf of their clients. On the other hand, investment advisers not only provide advice and manage investments, but they may also be compensated through fees based on assets under management. Option C is incorrect because both broker-dealers and investment advisers are required to register with the SEC, regardless of whether they trade nationally or across state lines or depending on the amount of assets they manage. Therefore, option D is the best choice as it includes all the correct statements about these two types of financial professionals.

**4. What is the essential difference between a primary distribution and a secondary distribution?**

- A. The volume of shares traded**
- B. The type of securities exchanged**
- C. A primary distribution involves a sale of newly issued shares by the issuer, while a secondary distribution involves the sale of already issued and outstanding shares**
- D. The geographical market in which they are sold**

A primary distribution involves a sale of newly issued shares by the issuer, while a secondary distribution involves the sale of already issued and outstanding shares. This is the essential difference between the two types of distributions. Options A and D are incorrect because they do not accurately describe the difference between primary and secondary distributions. Option B may seem like a plausible answer, but it does not fully capture the key distinction between the two types of distributions.

**5. Which of the following are NOT considered money market securities?**

- A. ADRs**
- B. Commercial paper**
- C. Certificates of deposit**
- D. Treasury bills**

Non-American Depository Receipts (ADRs) are off-exchange traded securities that represent ownership in non-US companies. They are not considered money market securities because they do not have a maturity date like the other options (B, C, and D). Commercial paper, certificates of deposit, and treasury bills all have a maturity date, which is a key characteristic of money market securities. Additionally, ADRs are not as highly liquid as the other three options, which further explains why they are not considered money market securities. Therefore, the other options (B, C, and D) are incorrect because they are all considered money market securities.

**6. Under FINRA rules, which of the following activities by a registered representative requires written notification to her firm?**

- A. Driving part time for a transportation network company on weekends**
- B. Selling homemade crafts online**
- C. Participating in a community theater play**
- D. Volunteering at a local charity**

A registered representative is an individual who is licensed to sell securities on behalf of a brokerage firm. According to FINRA rules, registered representatives are required to provide written notification to their firm if they engage in any outside business activities. These activities could potentially create conflicts of interest or impact the representative's ability to fulfill their duties to the firm and their clients. Option A, driving for a transportation network company, would fall under this category as it involves generating income outside of the registered representative's primary job. Options B, C, and D do not involve generating additional income or potential conflicts of interest, therefore they would not require written notification to the firm.

**7. Depreciation write-offs represent which of the following?**

- A. A method to enhance company profits**
- B. An IRS mandated percentage allowable annual non-cash charge against revenues**
- C. A legal way to defer income taxes**
- D. A strategy to increase asset value**

Depreciation write-offs are a non-cash charge against revenues that businesses can use to account for the decrease in value of their assets over time. This is an accounting method that allows companies to spread out the cost of an asset over its useful life rather than deducting the entire cost in one year. Options A, C, and D are incorrect as they do not accurately describe depreciation write-offs. Depreciation write-offs do not enhance company profits, but rather reduce taxable income. They are not a legal way to defer income taxes, but rather a way to accurately reflect the decrease in value of assets over time. They also do not directly increase asset value, but rather account for the decrease in value over time.

**8. A recent high school principal retiree is receiving money monthly from his pension. At the earliest, when will he need to make a withdrawal from his deferred compensation account and report it as taxable income?**

- A. When he turns 65**
- B. When he turns 70.5**
- C. When he turns 72**
- D. There is no specified age**

The reason why options A, B, and D are incorrect is because they do not match up with the current laws regarding required minimum distributions (RMDs) from deferred compensation accounts. As of 2021, the age for taking RMDs from a deferred compensation account is 72, not 65, 70.5, or any other age. Additionally, the fact that the individual is retired and receiving monthly pension payments does not exempt them from having to take RMDs from their deferred compensation account. Therefore, option C is the correct answer as it aligns with the current laws and regulations.

**9. Which of the following actions violates FINRA rules regarding outside business activities?**

- A. Participating in community service**
- B. Receiving compensation from another entity without notifying the employing BD**
- C. Investing in personal real estate**
- D. Taking a second job with employer consent**

Receiving compensation from another entity without notifying the employing broker-dealer (BD) is a clear violation of FINRA rules regarding outside business activities. FINRA mandates that registered representatives must disclose any outside business activities, especially those that involve receiving compensation. This requirement is in place to ensure that there is no conflict of interest and that the broker-dealer can supervise and manage the activities of its registered individuals effectively. When a registered person fails to notify their employer about receiving compensation from another source, it undermines the rules intended to protect investors and maintain the integrity of the financial industry. Disclosure allows the employing firm to oversee such activities to ensure they do not interfere with the representative's obligations to their clients or the firm itself. Other actions, such as participating in community service, investing in personal real estate, and taking a second job with employer consent, do not inherently violate FINRA rules as long as they are conducted appropriately and disclosed when necessary. Community service is typically seen as a positive engagement with the community and does not involve compensation. Investing in real estate for personal gain is generally accepted, and holding a second job with the firm's consent is permissible, emphasizing the importance of communication and permission in outside business activities.

**10. A company announces a tender offer to its shareholders with the intent to buy a maximum of 1 million shares of its outstanding stock at \$10 per share and sets no minimum number of shares to be purchased. How many of the investor's shares will the company purchase if only 900,000 shares have been tendered?**

- A. 1,000**
- B. 900**
- C. None**
- D. It cannot be determined from the information provided**

In a tender offer scenario, when a company announces its plan to repurchase shares, it establishes both the maximum number of shares it intends to buy and the price at which it will buy them. In this case, the company aims to buy up to 1 million shares at a price of \$10 each and has not set a minimum number of shares that must be tendered. Given that only 900,000 shares have been tendered by investors, the company is required to purchase all of the tendered shares because they fall below the maximum number it has announced it would be willing to buy. The company has the obligation to fulfill its offer to buy shares at the stated price, as there are sufficient shares tendered within its maximum capacity. In this instance, since the number of shares tendered (900,000) is less than the maximum the company intends to buy (1 million), the company will purchase all the shares tendered, which is 900,000. This helps clarify the process of a tender offer: when shareholders express their willingness to sell shares below or up to the maximum, the company is obliged to purchase those shares at the offer price, ensuring shareholders can exit their investment at that stipulated rate. Therefore, the correct

# 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://sie.examzify.com>**

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

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