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PRACTICE QUESTIONS



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Exam : IFC

**Title : Investment Funds in
Canada (IFC) Exam**

Version : DEMO

1.Marc asks his new client for copies of his mortgage documents.

Which Know Your Client component is Marc researching?

- A. Investment knowledge
- B. Personal circumstances
- C. Financial circumstances
- D. Financial goals and objectives

Answer: C

Explanation:

Financial circumstances are a critical component of the Know Your Client (KYC) process, as they determine the client's ability to commit savings to investments and the level of risk they can assume. Mortgage documents provide insights into the client's debt and obligations, which are essential for assessing financial circumstances.

The feedback from the document states:

"Financial circumstances are an important consideration in judging the suitability of investments, because they determine the amount of savings clients can commit to investing and the level of risk they can assume. Marc's client's mortgage document will give Marc valuable insights into the level of debt and mortgage obligations his client has, helping in evaluating the client's financial circumstances."

Reference: Chapter 1 – The Role of the Mutual Fund Sales Representative Learning Domain: An Introduction to the Mutual Funds Marketplace

2.What term describes the range of possible future outcomes on the price of a security?

- A. Beta
- B. Risk
- C. Fluctuation
- D. Return

Answer: B

Explanation:

Risk refers to the potential volatility in returns or the range of possible future outcomes on the price of a security. This concept captures the uncertainty associated with a security's future value, a fundamental aspect of investment analysis.

The feedback from the document states:

"Risk is the potential volatility in returns or the range of possible future outcomes on the price of a security."

Reference: Chapter 1 – The Role of the Mutual Fund Sales Representative Learning Domain: An Introduction to the Mutual Funds Marketplace

3.A client has \$100,000 in savings, \$5,000 in bank accounts, and \$10,000 in loans. Calculate his net worth.

- A. \$115,000
- B. \$90,000
- C. \$105,000
- D. \$95,000

Answer: D

Explanation:

Net worth is calculated as total assets minus total liabilities. The client's assets are \$100,000 (savings) + \$5,000 (bank accounts) = \$105,000. The liabilities are \$10,000 (loans). Thus, net worth = \$105,000 - \$10,000 = \$95,000.

The feedback from the document confirms:

"Net worth is calculated as the value of all of the client's assets after subtracting outstanding loan and mortgage balances. In this example, the client has \$100,000 + \$5,000 = \$105,000 in assets, and \$10,000 in loans.

Therefore, his net worth is \$105,000 - \$10,000 = \$95,000."

Reference: Chapter 1 – The Role of the Mutual Fund Sales Representative Learning Domain: An Introduction to the Mutual Funds Marketplace

4.Which newspaper article would be likely to result in foreign capital moving out of a country?

- A. Corporate Taxes Reduced
- B. New Taxes on Foreign Direct Investment
- C. Government Re-elected for a Fourth Consecutive Term
- D. International Ranking of Domestic Level of Education Rises Significantly

Answer: B

Explanation:

New taxes on foreign direct investment increase the cost of investing in a country, making it less attractive for foreign capital and likely causing capital outflows. The feedback from the document explains:

"Capital moves in and out of a country based on a variety of risk factors. Increased trade barriers or increased taxes on foreign investments would typically reduce the attractiveness of a country for foreign investment. (a), (c), and (d) would all indicate positive trends in a risk factor analysis."

Reference: Chapter 2 – Overview of the Canadian Financial Marketplace Learning Domain: An Introduction to the Mutual Funds Marketplace

5.Which example demonstrates direct use of capital savings?

- A. Depositing funds in a Canadian bank account
- B. Building a new factory
- C. Purchasing a company's stocks
- D. Purchasing an investment fund

Answer: B

Explanation:

Direct use of capital savings involves investing in tangible projects or assets, such as constructing infrastructure or facilities. Building a new factory is a direct application of capital savings.

The feedback from the document states:

"Capital savings are used directly by, for example, a couple investing their savings in a home; a government investing in a new highway or hospital; or a domestic or foreign company paying start-up costs for a plant to produce a new product."

Reference: Chapter 2 – Overview of the Canadian Financial Marketplace Learning Domain: An Introduction to the Mutual Funds Marketplace