

## FREE SERIES 7 KEY FACTS

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- Listing the units of a limited partnership on an exchange gives them liquidity.
- Know the difference between a cash flow statement and a P&L regarding a limited partnership
- What is depreciation? (Wearing out of a capital asset - an expense on the P&L)
- Investors in unimproved land are looking for appreciation (limited partnership)
- The 4 main corporate characteristics that DPPs try to avoid are:

continuous life	limited liability
free transferability	centralized management
- Of these, centralized management is the hardest to avoid.
- Understand corporate financial statements, including the capitalization, how to figure the % of preferred stock in the capital structure, and how to calculate working capital.
- On a 3-for-2 stock split, how many new shares would be issued? (If you had 100 shares, 50 new shares would be issued, for a total of 150)
- Define treasury stock. (Issued, but repurchased by corporation - does not pay dividends or vote)
- Know how to calculate a mutual funds expense ratio. (Annual expenses/average annual assets)
- When mutual fund shares are exchanged for new shares within the same family of funds, what is the tax implication, if any? (Taxable in the year of exchange)
- Know the \$3,000 capital loss deduction rule and netting rules.
- Know how conversion of preferred stock and bonds into common stock works. (Conversion ratio and parity)
- Stockholders must approve what? Stock dividend? Cash dividend? Rights offering? Stock split? (Stock split is the answer)
- When preferred stock or bonds are called, what happens to market value? (Comes down to the call price)
- Know how to quote in basis points versus coupon rates.
- Does the U.S. government issue any callable securities? (Yes, some treasury bonds are callable)

- Which government security does NOT pay interest semiannually? (T-bills)
- What is a GNMA pass-through and how does it work? (Monthly pass-through of principal and interest)
- Which government agencies are actually private corporations? (FNMA & Freddie Mac)
- What is accretion on a muni bond? (Adjusting basis up on a discount bond over time)
- Is a muni exempt from federal tax when sold in the secondary market? (No, capital gain is taxable, only interest is federal tax-free)
- What does a beta factor of 1 mean? (Moves with the market exactly)
- Know the difference between technical analysis and fundamental analysis.
- What does market sentiment mean?
- Common stock is typically considered to be a hedge against inflation.
- In a deflationary economy, what will bond prices do? (As interest rates go down, bond prices increase)
- Understand the money supply: M1, M2, M3, etc.
- Understand joint accounts, tenants in common, joint tenants with right of survivorship.
- What does the R/R have to do when a client dies? (Cancel open orders, freeze account, note "deceased" on new account form, await legal docs)
- Understand suitability requirements and customers' objectives.
- What is a red herring? (Preliminary prospectus)
- What does the Securities Exchange Act of 1934 regulate? (SIMMERS PAN acronym)
 

S - SEC created	R - Registration of B/Ds
I - Insider trading	S - Short-sale rule
M - Margin	P - Proxies
M - Manipulation	A - Annual reports
E - Exchanges	N - Net capital rule
- Understand SEC Rule 144 and its implications. (Resale of restricted and insider stock)
- What is SEC Rule 147 regarding intrastate offerings?
- What is a nonexempt security? (One that has to be registered with the SEC)