

# QUESTIONS & ANSWERS

Kill your exam at first Attempt



**Financial**

**AFE**

*Accredited Financial iner (AFE)*

**Answer:** A

**QUESTION:** 270

The options for securities that insurance entities own and can deliver if the options are exercised by the option buyers are called:

- A. concealed transactions
- B. covered-call options
- C. financial servicing
- D. safekeeping

**Answer:** B

**QUESTION:** 271

Insurance entities usually write covered-call options because they consider the premium received for writing the options to be either:

- A. an economic hedge between a decline in market price and security
- B. a decrease in yield on the underlying risk security
- C. Both A & B
- D. Neither A nor B

**Answer:** D

**QUESTION:** 272

What encompasses investment income and gains and losses, as well as custody of investment and recordkeeping?

- A. Valuation data
- B. Verification note
- C. Transaction cycle
- D. Investment evaluation

**Answer:** C

**QUESTION:** 273

The evaluation and subsequent purchase or sale of investments is based on the judgment of the entity's investment and finance committees.

- A. True

B. False

**Answer:** A

**QUESTION:** 274

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date is called:

- A. face value
- B. fair value
- C. market value
- D. transaction value

**Answer:** B

**QUESTION:** 275

\_\_\_\_\_ is the price in a hypothetical transaction at the measurement date in the market in which the reporting entity would transact for the asset or liability

- A. Feasible financial price
- B. Asset/Liability price
- C. Principal price
- D. Exchange price

**Answer:** D

**QUESTION:** 276

The market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity for the asset or liability is known as:

- A. Transfer market
- B. Transport market
- C. Principal market
- D. Turn-around market

**Answer:** C

**QUESTION:** 277

The highest and best use of the asset is \_\_\_\_\_, if the asset would provide maximum value to market participants principally on the standalone basis.

- A. in-exchange
- B. in-use
- C. in-market
- D. in-sale

**Answer:** A

**QUESTION:** 278

The risk that the obligation will not be fulfilled and affects the value at which the liability is transferred is known as:

- A. performance risk
- B. nonperformance risk
- C. hypothetical risk
- D. relocation risk

**Answer:** B

**QUESTION:** 279

Valuation technique should be used to measure fair value and is consistent with:

- A. market, income and risk approach
- B. market, performance and cost approach
- C. security, income and risk approach
- D. market, income and cost approach

**Answer:** D

**QUESTION:** 280

What uses valuation techniques to convert future amounts to a single present amount?

- A. Risk approach
- B. Market approach
- C. Income approach
- D. Cost approach

**Answer:** C

**QUESTION:** 281

The amount that currently would be required to replace the service capacity of an asset is called:

- A. Risk approach
- B. Market approach
- C. Income approach
- D. Cost approach

**Answer:** D

**QUESTION:** 282

A change in \_\_\_\_\_ or its application is appropriate if the change results in a measurement that is equally or more representative of fair value in the circumstances.

- A. Valuation technique
- B. Value technique
- C. Investment approach
- D. Accounting corrections

**Answer:** A

**QUESTION:** 283

To avoid double counting or omitting the effects of risks factors what should reflect assumptions that are consistent with those inherent in the cash flows?

- A. Economic flow
- B. Nominal flows
- C. Discount rates
- D. Inflation effect

**Answer:** C

**QUESTION:** 284

What technique uses a risk-adjusted discount rate and contractual, promised, or most likely cash flows?

- A. Asset/Liability weighted
- B. Fair value
- C. Present value
- D. Discount rate adjustment

**Answer:** D

**QUESTION:** 285

Fair quoted techniques used to measure fair value should maximize the use of observable inputs and minimize the use of unobservable inputs.

- A. True
- B. False

**Answer:** B

**QUESTION:** 286

What is made on an instrument-by-instrument basis, generally when an instrument is initially recognized in the financial statements?

- A. Election
- B. Disclosure
- C. Eligibility
- D. Discount

**Answer:** A

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