

QUESTIONS & ANSWERS

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Financial

CFSA

Certified Financial Services Auditor (CFSA)

QUESTION: 500

Money market funds bond funds (also called “fixed income” funds) , and stock funds (also called equity funds) are the categories of:

- A. Mutual funds
- B. Professionally managed portfolio
- C. Hedge funds
- D. None of these

Answer: A

QUESTION: 501

_____ have relatively low risks, compared to other mutual funds.

- A. Stock funds
- B. Hedge funds
- C. Money funds
- D. Both B and C

Answer: C

QUESTION: 502

Money market funds:

- A. Can invest in only certain high-quality, short-term investments issued by Federal State and local government
- B. Try to keep their NAV at a stable \$1.00 per share
- C. Pay dividends that generally reflect short-term interest rates
- D. All of these

Answer: D

QUESTION: 503

Some of the risks associated with bond funds are all of the following EXCEPT:

- A. Credit Risk
- B. Interest Rate Risk
- C. Payment Risk
- D. Liquidity Risk

Answer: D

QUESTION: 504

If interest rates fall, a bond issuer may decide to pay off (or “retire”) its debt and issue new bonds that pay a lower rate. When this happens, the fund may not be able to reinvest the proceeds in an investment with a high return or yield. This is an example of:

- A. Credit risk in bond funds
- B. Prepayment risk in bond funds
- C. Interest rate risk in bond funds
- D. All of these

Answer: B

QUESTION: 505

Overall “market risk” poses the greatest potential danger for investors in _____.

- A. Bonds funds
- B. Hedge funds
- C. Stock funds
- D. Growth funds

Answer: C

QUESTION: 506

_____ funds may specialize in a particular industry segment, such as technology or consumer products stocks.

- A. Index

- B. Sector
- C. Growth
- D. Income

Answer: B

QUESTION: 507

There are different classes of mutual funds. Classes that typically do not have a front-end sales load. Instead they may impose a contingent deferred sales load and a 12b-1 fee (along with other annual expenses) is called:

- A. Class A
- B. Class B
- C. Class C
- D. Both B&C

Answer: B

QUESTION: 508

Hedge funds:

- A. Seek to profit in all kinds of markets by pursuing leveraging and other speculative investment practices
- B. Are subject to very few regulatory controls
- C. Also have voluntarily restricted investment to wealthy investors through high investment minimums (e.g. \$1 million)
- D. All of these

Answer: D

QUESTION: 509

Some objectives of an audit related to mutual funds might include determining that:

- A. Mutual fund checks are issued in accordance with firm policies and supported by valid trades
- B. Mutual fund purchases are confirmed on a timely basis
- C. Mutual fund switches are not authorized by the client

D. All EXCEPT “C”

Answer: D

QUESTION: 510

Major types of Real Estate Investment Trust (REITs) include all of the following EXCEPT:

- A. Equity REITs
- B. Mortgages REITs
- C. Hybrid REITs
- D. None of these

Answer: D

QUESTION: 511

Not all misstatements will be material enough to affect the fair presentation of the financial statement. A material misstatement is one that the auditors determine would change or influence the opinion of a reasonable person relying on the financial statements for information. Ultimately, auditors must exercise judgment to assess materiality based on the qualitative nature of the misstatements and their quantitative extent. Materiality is also based on auditors' assessment of control risk levels in the organization. The following factors may influence the auditors' assessment of control risk EXCEPT:

- A. Management's awareness or lack of awareness of applicable laws and regulations
- B. Client policy regarding such matters as acceptable operating practices and codes of conduct
- C. Assignment of responsibility and delegation of authority to deal with such matters as organizational goals and objectives, operating functions, and regulatory requirements
- D. None of these

Answer: D

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