

# CTFA<sup>Q&As</sup>

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#### QUESTION 1

Insurance agents act as contractors in groups who express one or more entity with express authority to act for the entity in dealing with insured.

- A. True
- B. False

Correct Answer: B

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#### QUESTION 2

In credit card payments, late payment charges occur when you only pay the minimum payment.

- A. True
- B. False
- C. It depends
- D. There are no such charges

Correct Answer: B

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#### QUESTION 3

According to multiple of earnings method, the rule of thumb used by many insurance agents is that your insurance coverage should be equal to 5 to 10 times your current income. For example, if you currently earn \$70,000 a year, using the multiple of earning method then you need between:

- A. \$300,000 and \$700,000 life insurance
- B. \$400,000 and \$700,000 life insurance
- C. \$390,000 and \$800,000 life insurance
- D. \$350,000 and \$700,000 life insurance

Correct Answer: D

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#### QUESTION 4

Fixed rate mortgages are popular with home buyers who plan to stay in their homes for at least \_\_\_\_\_ years and want to know what their payment will be.

- A. 5 years
- B. 6 years

C. 5 to 7 years

D. 3 years

Correct Answer: C

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#### QUESTION 5

In which of the following cases resistance occurs?

A. Inability to break below prior high

B. Inability to break below prior low

C. Inability to surpass prior high

D. Inability to repair beyond prior low

Correct Answer: C

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#### QUESTION 6

Most life insurance companies that are taxable in Canada fall into which one of the following classifications:

A. Domestic life insurance companies

B. Multinational life insurance companies resident in Canada

C. Nonresident life insurance companies operating in Canada through a branch

D. All of the above

Correct Answer: D

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#### QUESTION 7

Using data provided by the credit applicant, along with any information obtained from the credit bureau, the store or bank must decide whether to grant credit. Very likely, some type of credit scoring scheme will be used to make the decision. An over all credit score is developed for you by assigning values to such factors as:

A. Annual income

B. Level of debt paid

C. Level of existing debt

D. Presence of savings accounts

Correct Answer: ABD

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#### QUESTION 8

Which of the following considers the size of the company and needs no adjustment for stock splits?

- A. Price weighting
- B. Capitalization weighting
- C. Equal weighting
- D. Base weighting

Correct Answer: B

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#### QUESTION 9

A UK investor holds a portfolio of overseas equities and is concerned about the exchange rate risk. Which strategy could he use to mitigate this risk?

- A. Arbitrage
- B. Gearing
- C. Hedging
- D. Pound cost averaging

Correct Answer: C

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#### QUESTION 10

Which of the following statements hold TRUE for ask price?

- A. It is the price at which a broker is willing to sell a certain security
- B. It is the price at which a broker is willing to buy a certain security
- C. It is the quoted price in an order to buy shares of a company
- D. It is the rate at which a dealer will buy the base currency

Correct Answer: A

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#### QUESTION 11

An investment is the current commitment of dollars for a period of time in order to derive future payments that will compensate the investor for:

- A. The time the funds are committed
- B. The expected rate of inflation during this time period

- C. The uncertainty of future payments
- D. All of these

Correct Answer: D

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#### QUESTION 12

In which of the following the investors look at the historical perspective?

- A. Value investment
- B. Interactive investment
- C. Growth investment
- D. Accredited investment

Correct Answer: A

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#### QUESTION 13

The auditor responds to risks of material misstatements due to fraud in which of the following ways?

- A. A response that has an overall effect on how the audit is conducted
- B. A response to identified risks involving the nature, timing and extent of auditing procedures to be performed
- C. A response involving the performance of certain procedures to further address the risk of material misstatement due to fraud involving management override of controls
- D. All of the above

Correct Answer: D

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#### QUESTION 14

In which of the following cases the sell decision be taken?

- A. Where the intrinsic value is greater than the current market price as the asset is overvalued
- B. Where the intrinsic value is lesser than the current market price as the asset is overvalued
- C. Where the intrinsic value is equivalent than the current market price as the asset is acquired
- D. Where the current market price has doubled than the intrinsic value as the asset is distributed

Correct Answer: B

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**QUESTION 15**

The SEC rules clarify that management's assessment and report is limited to internal control over financial reporting.

- A. True
- B. False

Correct Answer: A

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