

Module 1 – Sample Questions

- Q1.** The body responsible for the formulation and implementation of monetary policy in Malaysia is _____.
- A. Bank Negara Malaysia.**
 - B. Securities Commission.
 - C. Bursa Malaysia.
 - D. Malaysian Institute of Economic Research.
- Q2.** What is the current purchasing power of an investment that will be worth RM10,000 in 10 years based on an inflation rate of 4% per annum?
- A. RM6,708
 - B. RM6,246
 - C. RM6,756**
 - D. RM14,803

Answer:

$$FV = PV (1+i)^n$$
$$10,000 = PV (1.04^{10})$$
$$PV = 10,000/1.48 = \$6,756$$

- Q3.** Which of the following statements correctly explains why it is important for a financial planner to personalize communications with clients?
- A. It helps the clients to better understand the planner's values.
 - B. It helps the clients to move directly towards the necessary decisions.
 - C. It enhances the quality of the relationship with the client.**
 - D. It is consistent with the fiduciary status of the planner.
- Q4.** Which of the following statements about inflation is not true?
- A. It hurts a fixed salaried person more than a businessman.
 - B. Portfolio investments normally provide a good hedge against inflation.
 - C. It is normally measured from the Production Price Index.**
 - D. It reduces the purchasing power of your cash income.

Q5. What is meant by Fiscal policy?

A. It is a policy used by the government through its expenditure and taxation practices to spur or inhibit economic activity.

B. It is a policy used by the government through direct control on interest rates or money supply in order to achieve certain economic objectives.

C. It is a policy designed to transfer ownership of public enterprises to the private sector.

D. It is a policy used to encourage smart partnerships between financial institutions and conglomerates.

Q6. Buying a car through Islamic financing would involve a deferred sale transaction where payments are made by installments. This transaction is called _____.

A. Bai-bithaman ajil.

B. Mudharabah.

C. Rahn.

D. Ijarah.

Q7. For the purpose of costing a risk, an insurer usually measures the following characteristic(s) of a risk:

I. Its frequency.

II. The management and claims settlement expenses.

III. Its severity.

IV. The dates when it occurs.

A. I

B. I, IV

C. II, III

D. I, II, III

Q8. Claims arising under the following circumstance(s) is/are likely to be denied if the insured had:

- I. Committed suicide after the policy's suicide exclusion period had expired.
- II. Died during the policy's contestable period and material information was not furnished at the time of the proposal.
- III. Not paid the premium due but died before the expiry of the grace period.

- A. I, II
- B. I
- C. II**
- D. II, III

Q9. What type of insurance provides benefits to an insured person who is unable to work because of sickness or injury?

- A. Disability income insurance.**
- B. Term insurance.
- C. Whole-of-life insurance.
- D. Medical expense insurance.

Q10. Given the four portfolios below, which is the most efficient?

Portfolio	I	II	III	IV
Return (%)	20	15	10	6
Risk (Beta)	1.5	1.1	0.8	0.6
Return/Risk	13.3	13.6	12.5	10.0

- A. I
- B. II**
- C. III
- D. IV

Q11. A bond is deemed to be more risky due to _____.

- A. The year it is issued.
- B. The longer the period to maturity.**
- C. The way it is promoted
- D. None of the above.

Q12. Which of the following statements describes a unit trust fund as being similar to a portfolio?

- A. A unit trust fund consists of various stocks.
- B. A unit trust fund consists of various bonds.
- C. A unit trust fund consists of various stocks and fixed income securities.
- D. All of the above.**

Q13. Which of the following statements concerning retirement planning during the portfolio restructuring period as one nears retirement is/are correct?

- I. Annual retirement funding is directed into lower-risk type investments.
- II. It is aimed at acquiring assets whose main attraction is capital preservation.
- III. A person's risk appetite becomes greater.

- A. II
- B. I, II**
- C. I, III
- D. II, III

Q14. Which of the following is not one of the subject areas in financial planning?

- A. Cash management.
- B. Investment.
- C. Insurance.
- D. Education.**

Q15. If there exists a significant deviation between actual results and planned results, what is/are the possible course(s) of action than can be taken?

- I. Restart the planning process.
- II. Revise targets.
- III. Take corrective actions.

- A. I
- B. I, II
- C. II, III**
- D. III

Q16. Which of the following is not a violation of the “Principle of Integrity” in the performance of a planner’s professional service?

A. Exercising reasonable and prudent judgment in dealing with a client.

B. Making misleading claims about the scope and areas of competence.

C. Giving the impression that the planner is representing the views of FPAM.

D. Engaging in conduct involving dishonesty, fraud, deceit or misrepresentation.

Q17. Which of the following is a reason for constructing a budget?

A. To assist you to plan and control your expenditure to match your earnings.

B. To assist you to extend your borrowing capacity.

C. To assist you in increasing your net worth value.

D. To be used as a tool to obtain refinancing for your home loan.

Q18. A CFP designee’s use of the CFP mark is a proclamation to the public that he:

I. Can be trusted with the clients’ financial affairs with confidence.

II. Will competently fulfill the responsibilities owed to the client.

III. Is governed by a professional Code of Ethics.

IV. Possesses all the necessary expertise in financial matters.

A. I, II

B. I, II, III

C. I, III, IV

D. All of the above.

Q19. The financial planner is required to exercise objectivity in providing services to clients. This means he is _____.

- A. Impartial.**
- B. Honest.
- C. Competent.
- D. Diligent.

Q20. Which of the following is not a risk management tool?

- A. Options and Futures.
- B. Insurance.
- C. Sinking Fund.
- D. Stable dividend policies.**

Q21. A Malaysian unit trust manager has 200 stocks in his portfolio. Which of the following statements is true?

- A. Systematic risk is at a minimum.
- B. The Beta of the portfolio is near zero.
- C. As many of the stocks are negatively correlated, its systematic risk has been reduced.**
- D. As many of the stocks are positively correlated, its unsystematic risk has been reduced.

Q22. By expanding a stock portfolio invested solely in the Bursa Malaysia with regional stocks, a manager can:

- A. Increase the correlation of the portfolio.
- B. Raise the beta of the portfolio.
- C. Enhance the liquidity of the portfolio.
- D. Produce higher returns at a given level of risk.**

Q23. Which of the following is false concerning the “comparative sales approach” to valuing real estate?

- A. It results in overvaluation in bull markets.
- B. The cash generation ability of the property has little relevance.
- C. It uses a comparison of market capitalization rates.**
- D. None of the above.

Q24. Which of the following statement(s) is/are false?

- I. A Muslim in West Malaysia can will away two thirds of his estate.
 - II. A Muslim in West Malaysia cannot will away any of his estate.
 - III. A Muslim in East Malaysia can will away half of his estate if it complies with the East Malaysia Testacy Law.
 - IV. A Muslim in West Malaysia can will away one third of his estate to whomever he likes.
- A. I
 - B. I, III
 - C. I, II, III
 - D. All of the above.**

Q25. A person can set up a _____ to safeguard the well being of an irresponsible beneficiary.

- A. Discretionary trust.
- B. Resulting trust.
- C. Protective trust.**
- D. Conditional trust.

Q26. In what circumstances can a statutory trust be created when a person dies intestate?

- A. Where there is a minor inheriting.**
- B. In the event that the administrators appointed failed to carry out their duties properly.
- C. As stated in the Will of a deceased that he wants to have a statutory trust created.
- D. None of the above.

Q27. Which of the following is not a requirement of a valid Will?

- A. The Will has to fulfill the conditions set out in the Distribution Act 1958.**
- B. The testator must be over the age of majority.
- C. The Will has to fulfill the requirements of the Wills Act 1959.
- D. The testator must have testamentary capacity.

Q28. The following is most important in determining the beginning of the basis period of a company:

- A. Incorporation date of the business.
- B. Financial year end of the business.
- C. Commencement date of the business.**
- D. Accounting date of the business.

Q29. The annual allowance of a qualifying asset is calculated based on the qualifying _____.

- A. Cost of the asset.**
- B. Residual value of the asset.
- C. Expenditure apportioned based on the period of time the asset is being used.
- D. Expenditure for the period 1 January to 31 December in a calendar year.

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