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Series-79

Investment Banking Representative Qualification Exam

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Question: 1

Which of the following would Company PLY utilize in the event of an acquisition?

A. Form S-8
B. Form S-1
C. Form S-4
D. Form S-3

Answer: C

Explanation:
Form S-4 is utilized in the event of an acquisition or merger. Form S-8 is utilized in relation to employee benefit plans and the company stock within them. Form S-1 is utilized in the planning of a public offering. Form S-3 registers securities for a company that has already met other reporting requirements.

Question: 2

Given issuer rules related to prospectuses, which of the following pieces of information would not be considered allowable for an issuer to communicate to potential investors outside of the prospectus?

A. Plan for offering proceeds
B. Security price
C. Date securities are slated to be offered and available to the public
D. Non-publicly available information

Answer: D

Explanation:
It is allowable for an issuer to communicate certain pieces of information to potential investors outside of the prospectus. These include the company's plan for offering proceeds, the security price, and the date securities are slated to be offered and available to the public. Publicly available factual information such as contact information for the business can be communicated, but information that is not publicly available is not allowed.

Question: 3

Per Regulation M-A which of the following types of financial statements is a company required to provide?

A. Book value per share as derived from a balance sheet dated the previous year
B. Audited version of company balance sheets
C. Previous three fiscal years' worth of audited financial statements
D. Ratio of earnings to fixed charges for the previous two fiscal years

Answer: D

Explanation:
Per Regulation M-A, the types of financial statements a company is required to provide include the book value per share as derived from most recent balance sheet, an unaudited version of company balance sheets, ratio of earnings to fixed charges for the previous two fiscal years, and the previous two fiscal years' worth of audited financial statements.

Question: 4

Which of the following statements is TRUE of "golden parachutes"?
I. Utilized by a firm as an anti-takeover measure
II. Can include stock options, but not severance pay
III. Receipt of these benefits would occur only for terminations that are the result of a takeover or merger
IV. Also known as change-in-control benefits

A. I and IV
B. I and II
C. III only
D. I, II, III, and IV

Answer: A

Explanation:
"Golden parachutes" refer to the substantial benefits offered to executives at the time of their termination. Utilized by firms as an anti-takeover measure, they are also known as change-in-control benefits. The benefits afforded executives can include stock options, cash bonuses, AND severance pay. A golden parachute benefit package can refer to the lucrative benefits an executive receives as the result of ANY termination of employment but is most commonly attributed to terminations resulting from a takeover or merger.

Question: 5

The definition of long position shares include which of the following?
I. Shares that have been purchased but for which possession has not yet occurred
II. Shares for which a call option has been exercised for
III. Shares that have been sold but for which possession is still held
IV. Shares for which title is possessed

A. II, III, and IV

B. I and IV
C. I, II, and IV
D. II and IV

Answer: C

Explanation:
The definition of long position shares includes shares that have been purchased but for which possession has not yet occurred, shares for which a call option has been exercised for, and shares for which title is possessed. It does NOT include shares that have been sold but for which possession is still held. These would be considered short position shares.

Question: 6

A company involved in a tender offer has specific disclosures required of them by Regulation M-A which include all of the following EXCEPT

A. An explanation of the reasons and motivations for participating in the transaction
B. Federal income tax considerations and consequences for all parties of the transaction
C. Whether there is the possibility of the offer being extended
D. Expiration date of the offer

Answer: A

Explanation:
A company involved in a tender offer has specific disclosures required of them by Regulation MWA which include the federal income tax considerations and consequences for all parties of the transaction, whether there is the possibility of the offer being extended, and the expiration date of the offer. An explanation of the reasons and motivations for participating in the transaction is NOT a required disclosure for a tender offer.

Question: 7

A "fairness opinion"
I. Can only be requested by publicly traded companies
II. Is authored by an investment bank analyst
III. Is utilized to analyze the acquisition price for a merger or acquisition
IV. Is provided free of charge based on a pre-existing business relationship

A. I, II, and IV
B. I only
C. II and III
D. I, II, III, and IV

Answer: C

Explanation:
A "fairness opinion" is authored by an investment bank analyst or advisor, and is utilized to analyze (checking for "fairness") the acquisition price for a merger or acquisition. The report can be requested by BOTH publicly and privately traded companies, and is authored for a fee, NOT free of charge.

Question: 8

Form S-1 includes all of the following except:

A. Company's competitors
B. Plans for offering proceeds
C. Company business model
D. Financial disclosures

Answer: D

Explanation:
A Form S-1 is utilized in the planning process for a public offering and includes information regarding a company's competitors, their plans for the offering proceeds, and the company's overall business model.

Question: 9

Utilizing the information below, calculate company PLT's return on assets (ROA) for the year ending June 30, 2015.

Total assets as of July 1, 2014:	$1,133,786
Total assets as of June 30, 2015:	$1,101,224
Annual net income as of June 30, 2015:	$311,004

A. 7.19 percent
B. 27.4 percent
C. 27.8 percent
D. 28.2 percent

Answer: C

Explanation:

$$\text{Return on Assets (ROA)} = \frac{\text{annual net income}}{\text{average total assets}}$$

$$\text{Return on Assets (ROA)} = \frac{\$311{,}004}{\frac{\$1{,}133{,}786 + \$1{,}101{,}224}{2}}$$

$$= \frac{\$311{,}004}{\frac{\$2{,}235{,}010}{2}}$$

$$= \frac{\$311{,}004}{\$1{,}117{,}505}$$

$$= .2783 = 27.8\%$$

Question: 10

Calculate the "dividend payout ratio" for Company SRF using the following information.

Reported earnings per share over previous year:	$15
Dividend per share payment paid in each of last four quarters:	$1

A. 26.7 percent
B. 6.7 percent
C. 3.8 percent
D. 15 percent

Answer: A

Explanation:

$$\text{Dividend Payout Ratio} = \frac{\text{yearly dividend per share}}{\text{earnings per share}}$$

$$\text{Dividend Payout Ratio} = \frac{\$1 \times 4}{\$15}$$

$$= \frac{\$4}{\$15} = .2666 = 26.7\%$$