

GENERAL SECURITIES PRINCIPAL QUALIFICATION (SERIES 24) PRACTICE EXAM (SAMPLE) STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. Under subordinated loan standards, repayment is suspended if AI to NC exceeds what ratio?**
 - A. 12:1
 - B. 10:1
 - C. 8:1
 - D. 15:1
- 2. SIPC member firms must display a sign and logo at each location and provide contact information at account opening.**
 - A. Not applicable
 - B. True
 - C. Only for new accounts
 - D. Not required
- 3. What is the minimum net capital for a qualified block positioner?**
 - A. Min \$1,000,000 net capital
 - B. Min \$500,000 net capital
 - C. Min \$750,000 net capital
 - D. Min \$2,000,000 net capital
- 4. If a firm does not timely announce a record date for dividends, splits, or rights, what must it do with FINRA?**
 - A. Do nothing
 - B. Notify within 5 days
 - C. Notify FINRA 10 days prior to the record date
 - D. Notify after the record date
- 5. When is a principal required? 1) actively engaged in management of investment banking/securities business; 2) when supervising associated persons. Which statement is accurate?**
 - A. When actively engaged in management of investment banking/securities business
 - B. When supervising associated persons
 - C. Both A and B
 - D. Only when the firm has more than 100 registered persons

- 6. A Trial Balance is a report taken from the general ledger that includes which components?**
- A. Balance sheet, income statement and net worth accounts
 - B. A list of customer accounts with balances
 - C. A summary of cash flows for the firm
 - D. A schedule of tax liabilities
- 7. What is the purpose of price bands?**
- A. Track insider trading
 - B. Prevent big price swings
 - C. Determine settlement
 - D. Calibrate market data
- 8. Which term describes unlawful name representations intended to mislead investors?**
- A. Market maker
 - B. Unlawful name representations (rule 35d-1)
 - C. 5% or more of voting rights
 - D. Free credit balances
- 9. The 17-day deadline for Form Custody applies to which period?**
- A. The month end or quarter end
 - B. The fiscal year end
 - C. The calendar year end
 - D. The quarter end only
- 10. What is the effect of accepting a settlement offer on hearing rights?**
- A. Accepting a settlement waives rights to a hearing.
 - B. Accepting a settlement extends the time to respond.
 - C. Accepting a settlement has no effect on hearing rights.
 - D. Accepting a settlement triggers mandatory arbitration.

Answers

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1. A
2. B
3. A
4. C
5. C
6. A
7. D
8. B
9. A
10. A

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Explanations

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1. Under subordinated loan standards, repayment is suspended if AI to NC exceeds what ratio?

- A. 12:1**
- B. 10:1
- C. 8:1
- D. 15:1

The concept being tested is how the AI to NC ratio governs subordinated loan repayments. In broker-dealer financing, aggregate indebtedness (AI) divided by net capital (NC) measures leverage risk, and subordinated loans are used to bolster net capital but come with conditions. When the AI/NC ratio rises above a certain threshold, continuing to rely on subordinated debt becomes risky, so the lender or the agreement typically requires repayments to be suspended to prevent weakening the firm's capital position. The standard threshold for suspending repayment under subordinated loan arrangements is 12 to 1, which acts as a prudent brake to maintain regulatory capital levels.

2. SIPC member firms must display a sign and logo at each location and provide contact information at account opening.

- A. Not applicable
- B. True**
- C. Only for new accounts
- D. Not required

SIPC member firms are required to make their protection visible to customers. This means posting a conspicuous SIPC sign and logo at every office where customers do business, so anyone walking in or concluding transactions can see that the firm participates in SIPC coverage. In addition, customers must be given SIPC contact information at the time accounts are opened, so they know how to reach SIPC if they need information about protection or to file a claim. This isn't limited to new accounts alone; the disclosures apply broadly to all customers and at each location. So the statement is true.

3. What is the minimum net capital for a qualified block positioner?

- A. Min \$1,000,000 net capital**
- B. Min \$500,000 net capital
- C. Min \$750,000 net capital
- D. Min \$2,000,000 net capital

A higher net capital requirement is used for firms that handle large block trades because they face greater price and liquidity risk. A block positioner must be able to absorb potential losses and continue meeting obligations even in stressed markets, so regulators require a sizable cushion. Net capital is the liquid financial resources a broker-dealer has available after non-allowable assets are subtracted; it serves as that cushion and a measure of the firm's ability to meet liabilities. For a qualified block positioner, the minimum net capital is \$1,000,000, reflecting the increased risk of holding and trading large blocks.

4. If a firm does not timely announce a record date for dividends, splits, or rights, what must it do with FINRA?

- A. Do nothing
- B. Notify within 5 days
- C. Notify FINRA 10 days prior to the record date**
- D. Notify after the record date

Timing matters for corporate actions to keep the market informed and orderly. When a firm has a record date for a dividend, stock split, or rights offering, that date determines who is entitled to participate. If the firm doesn't announce the record date on time, FINRA requires it to notify FINRA at least 10 days before the record date. This lead time lets FINRA disseminate the information to member firms, allow updates to quotations and customer communications, and help prevent trading based on incomplete or misleading information. In short, the 10-day-before-record-date notification window is there to protect investors and maintain fair, orderly markets.

5. When is a principal required? 1) actively engaged in management of investment banking/securities business; 2) when supervising associated persons. Which statement is accurate?

- A. When actively engaged in management of investment banking/securities business
- B. When supervising associated persons
- C. Both A and B**
- D. Only when the firm has more than 100 registered persons

A registered principal is needed to oversee the firm's securities activities and the people who carry them out. If someone is actively managing investment banking or other securities operations, that person must be registered as a principal. Similarly, anyone who supervises associated persons in the securities business must be supervised by a registered principal. So both situations call for a principal. There isn't a firm-size threshold; even a small firm must have a principal to supervise and manage the securities business. Often one person can fulfill both roles, acting as the supervisor and as the manager.

6. A Trial Balance is a report taken from the general ledger that includes which components?

- A. Balance sheet, income statement and net worth accounts**
- B. A list of customer accounts with balances
- C. A summary of cash flows for the firm
- D. A schedule of tax liabilities

A trial balance is a listing from the general ledger that shows every account and its ending debit or credit balance, used to verify that total debits equal total credits and to support the preparation of financial statements. It includes all types of accounts: assets, liabilities, and owners' equity (the balance sheet components) as well as revenues and expenses (the income statement components). The phrase "balance sheet, income statement and net worth accounts" aligns with these categories, since net worth corresponds to owners' equity on the balance sheet, while revenues and expenses appear on the income statement. That's why this option best describes what a trial balance contains. The other options describe unrelated reports: a list of customer accounts, a cash flow summary, or a tax liabilities schedule.

7. What is the purpose of price bands?

- A. Track insider trading
- B. Prevent big price swings
- C. Determine settlement
- D. Calibrate market data**

Price bands set a limit on how far a security's price can move in a single trading interval, creating a bounded, orderly range for price activity. This bounded framework is then used to calibrate market data: with a defined ceiling and floor, quotes and trades can be validated, normalized, and flagged if they fall outside expected bounds, helping data feeds and reporting reflect a credible, consistent picture of the market. While price bands do help dampen extreme moves in practice, the core purpose highlighted here is their role in ensuring market data is accurate and usable by systems that rely on consistent price information. They aren't primarily about surveillance for insider trading, settlement decisions, or simply preventing any price movement; those are separate functions in market operations.

8. Which term describes unlawful name representations intended to mislead investors?

- A. Market maker
- B. Unlawful name representations (rule 35d-1)**
- C. 5% or more of voting rights
- D. Free credit balances

Unlawful name representations describe using a fund's name in a way that misleads investors about its actual objective or policies. This is exactly what Rule 35d-1 targets: fund names must not imply something false or misleading about how the fund operates. The rule exists to protect investors from being drawn to a product because of an inflated or inaccurate impression created by its name, ensuring what the name promises aligns with the fund's true strategy and disclosures. Other terms don't fit this concept because they refer to different notions: a market maker is about liquidity provision in trading, ownership thresholds concern voting control, and free credit balances relate to cash available for withdrawal or use—none of these address misleading naming of a registered investment product.

9. The 17-day deadline for Form Custody applies to which period?

- A. The month end or quarter end**
- B. The fiscal year end
- C. The calendar year end
- D. The quarter end only

Form Custody reporting is tied to standard reporting periods, not to a firm's fiscal or calendar year. The deadline is 17 calendar days after the end of a month or after the end of a quarter. That means the period that triggers the filing is either month-end or quarter-end, since those are the regular points at which custody information is evaluated and needs to be updated. End-of-fiscal-year or end-of-calendar-year dates aren't the periods used for this filing timeline, and quarter-end only would miss the month-end requirement. So the period that determines the 17-day deadline is the month end or the quarter end.

10. What is the effect of accepting a settlement offer on hearing rights?

- A. Accepting a settlement waives rights to a hearing.**
- B. Accepting a settlement extends the time to respond.
- C. Accepting a settlement has no effect on hearing rights.
- D. Accepting a settlement triggers mandatory arbitration.

Accepting a settlement offer ends the dispute by resolving it without a hearing. When you agree to the settlement, you typically acknowledge the regulator's position on the facts and accept the stipulated penalties, which means there's no longer a need for a formal hearing to challenge those facts. The proceeding moves to a final order based on the settlement terms, and you typically retain any limited rights to review or appeal the order under specific procedures, rather than a live hearing to present defenses. This is why it does not extend deadlines, it does not leave hearing rights intact, and it does not automatically trigger arbitration.

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Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://gensecuritiesseries24.examzify.com>

We wish you the very best on your exam journey. You've got this!

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