SALES & TRADING INTERVIEW PRACTICE TEST (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.

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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!

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Questions

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1. Why are junk bonds typically issued with higher interest rates?

A. To compensate for higher default risk

B. Because they have shorter maturities

C. Because they have higher liquidity

D. Because they are exempt from taxes

2. What is volatility skew or smile and what do they imply for option pricing?

A. A skew/smile describes how implied volatility changes with time to expiration.

B. A skew/smile describes how implied volatility varies with moneyness (strike); often lower for deep in-the-money and higher for out-of-the-money; implies Black-Scholes with constant vol misprices options.

C. It implies volatility is constant across strikes.

D. It is the same as historical volatility.

3. Quantitative easing is a monetary policy tool used by the Federal Reserve to depress interest rates primarily through:

A. Purchase of securities from the market and flooding financial institutions with money

B. Tightening credit by raising reserve requirements

C. Selling government bonds to drain liquidity

D. Reducing the money supply

4. The yield curve graphs the relationship between interest rates and maturities of bonds of the same credit quality. This implies which of the following?

A. Maturities

B. Issuers

C. Credit scores

D. Tax rates

5. What is 'vega' and why does an option's price depend on volatility?

A. Vega measures the sensitivity of option price to changes in time to maturity.

B. Vega measures the sensitivity of option price to changes in the underlying price.

C. Vega measures the rate of change of delta with respect to the underlying.

D. Vega measures the sensitivity of option price to changes in implied volatility.

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6. What is 'slippage' and what factors influence it during high-volatility periods?

A. Slippage is the difference between the expected price and the actual execution price; influenced by liquidity, order size, market volatility, and latency.

B. Slippage is the difference between the expected price and the actual execution price, but it is not influenced by liquidity or market size.

C. Slippage occurs only when a broker charges a fee.

D. Slippage is the spread between far-off quotes.

7. Which statement best describes bond ratings?

A. A bond rating is a grade given to a bond according to its risk of defaulting.

B. A bond rating is the current market price of the bond

C. A bond rating determines the coupon rate

D. A bond rating indicates the issuer stock performance

8. Which of the following is listed as a factor when analyzing an equity?

A. Current Earnings per share

B. Price-to-book ratio

C. Dividend yield

D. Market capitalization

9. Which set of factors affects foreign exchange rates?

A. Interest rates, inflation, trade policies, and public debt.

B. Unemployment and consumer sentiment only.

C. Currency pegs and capital controls only.

D. Corporate earnings announcements only.

10. Which statement best describes a floating rate loan?

A. The rate moves with general interest rates and reflects borrower default risk.

B. The rate is fixed for the life of the loan.

C. The rate never changes after origination.

D. The rate is determined only by the loan's term length.

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Answers

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

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Explanations

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1. Why are junk bonds typically issued with higher interest rates?

A. To compensate for higher default risk

B. Because they have shorter maturities

C. Because they have higher liquidity

D. Because they are exempt from taxes

The main idea is that investors demand a risk premium for higher credit risk. Junk bonds are rated below investment grade, meaning there's a greater chance the issuer will default and miss coupon payments or principal. To entice buyers despite that risk, the bond offers a higher interest rate (or yield) to compensate for the potential losses. This extra return over safer bonds reflects the wider credit spread that comes with weaker credit. The other factors don't explain the higher yield as well. Maturity length and liquidity can influence yields, but junk bonds can have a range of maturities and don't inherently carry higher liquidity. Tax exemption isn't relevant here because junk bonds are not tax-exempt like certain municipal bonds.

2. What is volatility skew or smile and what do they imply for option pricing?

A. A skew/smile describes how implied volatility changes with time to expiration.

B. A skew/smile describes how implied volatility varies with moneyness (strike); often lower for deep in-the-money and higher for out-of-the-money; implies Black-Scholes with constant vol misprices options.

C. It implies volatility is constant across strikes.

D. It is the same as historical volatility.

Volatility skew or smile shows that implied volatility depends on the strike relative to the current price (moneyness) for a given maturity. In practice, options that are far from the money tend to carry different implied vols than at-the-money options—often lower for deep in-the-money and higher for out-of-the-money options, with a smile pattern sometimes emerging as a U shape across strikes. This means the market assigns different volatilities to options just by their strike, not by time alone. The key takeaway for pricing is that Black-Scholes, which uses a single constant volatility for all strikes, cannot reproduce the observed prices across the strike spectrum. A volatility surface or models with stochastic/local volatility are used to capture how implied vol changes with strike (and maturity), enabling more accurate pricing and hedging.

3. Quantitative easing is a monetary policy tool used by the Federal Reserve to depress interest rates primarily through:

A. Purchase of securities from the market and flooding financial institutions with money

B. Tightening credit by raising reserve requirements

C. Selling government bonds to drain liquidity

D. Reducing the money supply

The mechanism being tested is expanding liquidity to push down borrowing costs. Quantitative easing lowers interest rates by the Fed buying longer-term securities from the market and crediting banks with new reserves. This injection of money increases the monetary base, raises demand for safe assets, and pushes up bond prices with yields falling. The result is cheaper borrowing for households and businesses and steadier financial conditions. The other actions described would do the opposite: raising reserve requirements tightens credit; selling government bonds drains liquidity; reducing the money supply contracts liquidity.

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4. The yield curve graphs the relationship between interest rates and maturities of bonds of the same credit quality. This implies which of the following?

A. Maturities

B. Issuers

C. Credit scores

D. Tax rates

The main concept is the term structure of interest rates, shown by the yield curve. It plots yields (interest rates) against time to maturity for bonds that share the same credit quality. Because credit risk is held constant, the curve isolates how yield changes as the investment horizon lengthens. That means the variable being mapped along the curve is the bond's maturity. Issuers, credit quality differences, or taxes affect yields in other contexts, but the curve itself specifically relates yields to maturities. So the statement implies maturities.

5. What is 'vega' and why does an option's price depend on volatility?

A. Vega measures the sensitivity of option price to changes in time to maturity.

B. Vega measures the sensitivity of option price to changes in the underlying price.

C. Vega measures the rate of change of delta with respect to the underlying.

D. Vega measures the sensitivity of option price to changes in implied volatility.

Vega is the sensitivity of an option's price to changes in implied volatility. Implied volatility represents the market's expectation of how volatile the underlying will be over the option's life. In pricing models, higher volatility increases the range of possible future prices, raising the probability that the option finishes in the money and boosting the option's extrinsic value. So, when implied volatility moves, the option price moves in the same direction, and vega quantifies that sensitivity—often expressed as the change in price for a 1 percentage point shift in volatility. Vega is typically positive for all standard options, meaning higher volatility makes both calls and puts more valuable. It tends to be larger for longer-dated and near-at-the-money options, since there's more time and probability for volatility to impact outcomes. To place it in context with the other greeks: theta measures sensitivity to time decay, delta measures sensitivity to changes in the underlying price, and gamma measures the rate of change of delta as the underlying moves. Vega specifically isolates how the option's value responds to shifts in volatility.

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6. What is 'slippage' and what factors influence it during high-volatility periods?

A. Slippage is the difference between the expected price and the actual execution price; influenced by liquidity, order size, market volatility, and latency.

B. Slippage is the difference between the expected price and the actual execution price, but it is not influenced by liquidity or market size.

C. Slippage occurs only when a broker charges a fee.

D. Slippage is the spread between far-off quotes.

Slippage is the difference between the price you expect when you place an order and the price at which that order actually gets filled. During high-volatility periods, slippage tends to increase because liquidity can dry up and there may be fewer resting orders at your target price. If you place a larger order relative to the available depth, it can consume more liquidity and push the execution price away from what you anticipated. Latency and order routing delays mean your order sits in a queue while the market moves, so you're filled at a worse price than expected. Spreads often widen in volatile markets, further contributing to the potential price difference. So the best description is that slippage is the price gap between where you think you'll trade and where you actually trade, influenced by liquidity, order size, market volatility, and latency. It's not a broker fee, nor simply the spread between far-off quotes.

7. Which statement best describes bond ratings?

A. A bond rating is a grade given to a bond according to its risk of defaulting.

B. A bond rating is the current market price of the bond

C. A bond rating determines the coupon rate

D. A bond rating indicates the issuer stock performance

Bond ratings measure credit risk—the likelihood that the issuer will default on interest or principal payments. They're assessments of the issuer's creditworthiness, not of the bond's current price, its coupon rate, or how the issuer's stock might perform. A higher rating means lower default risk and typically a lower yield, while a lower rating signals higher risk and requires a higher yield to attract investors. Ratings come from agencies and can change if the issuer's financial condition improves or deteriorates, but they do not set the coupon or determine market price directly.

8. Which of the following is listed as a factor when analyzing an equity?

A. Current Earnings per share

B. Price-to-book ratio

C. Dividend yield

D. Market capitalization

Focusing on profitability per share drives equity analysis. Current earnings per share shows how much profit is allocated to each outstanding share, making it a direct measure of earnings power and potential growth. This per-share view ties closely to how investors assess value, since many valuation methods (like the price-earnings ratio) rely on earnings per share. EPS responds to both net income and the number of shares, so it reflects the company's actual profitability on a per-share basis. The other metrics relate to different angles: price-to-book is about value relative to accounting assets, dividend yield looks at cash return rather than growth potential, and market capitalization is a size indicator affecting liquidity and risk, not the immediate earnings power per share.

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9. Which set of factors affects foreign exchange rates?

A. Interest rates, inflation, trade policies, and public debt.

B. Unemployment and consumer sentiment only.

C. Currency pegs and capital controls only.

D. Corporate earnings announcements only.

Foreign exchange rates move because investors reprice currencies based on how attractive a country's economy is relative to others, which shows up through several linked factors. Higher interest rates tend to attract capital to a country, increasing demand for its currency and potentially boosting its value. Inflation matters because higher inflation can erode purchasing power and, if not matched by policy, can lead to a weaker currency. Trade policies influence the trade balance and current account, changing how much the country earns or pays in foreign currency and thus affecting demand for the currency. Public debt signals fiscal health and sovereign risk; a heavier debt load can raise risk premia and pressure the currency lower. When these elements shift, they set the direction of currency movements through changes in capital flows and the relative balance of demand and supply for each currency. Unemployment and consumer sentiment are important for gauging the health of an economy, but they don't directly drive currency values in the same comprehensive way as the four factors above. Policy tools like currency pegs and capital controls can influence exchange rates, but they are mechanisms or constraints rather than the broad set of fundamentals that typically moves rates in open markets. Corporate earnings announcements can affect investor sentiment and selective capital flows, but they aren't the broad drivers of FX rates across currencies.

10. Which statement best describes a floating rate loan?

A. The rate moves with general interest rates and reflects borrower default risk.

B. The rate is fixed for the life of the loan.

C. The rate never changes after origination.

D. The rate is determined only by the loan's term length.

Floating rate loans adjust their interest based on a benchmark that moves with overall market rates, plus a spread that reflects the borrower's credit risk. This means the borrower's interest payments rise or fall as general rates change, while the lender is compensated for the borrower's default risk through that spread. That combination—a rate tied to a changing reference rate and a credit-related margin—is what characterizes a floating rate loan. This differs from a fixed-rate loan, where the rate is locked for the life of the loan and doesn't respond to shifts in market rates. So the statement that the rate moves with general interest rates and reflects borrower default risk best describes a floating rate loan.

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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://salestradinginterview.examzify.com

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

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