Finance

Series-3
National Commodity Futures Examination

Questions & Answers PDF

For More Information:

https://www.certswarrior.com/

Latest Version: 6.0

Question: 1

What is excessive trading that results in increased commissions for the broker while providing no benefit to the customer called?

A. Arbitrage
B. Charting
C. Churning
D. Bidding

Answer: C

Explanation:
Churning is excessive trading that results in increased commissions for the broker while providing no benefit to the customer.

Question: 2

What is the tendency for prices of physical commodities and futures to approach one another, usually during the delivery month?

A. Divergence
B. Convergence
C. Arbitrage
D. Bucketing

Answer: B

Explanation:
The tendency for prices of physical commodities and futures to approach one another, usually during the delivery month, is convergence.

Question: 3

What is an individual who solicits orders, customers, or customer funds on behalf of a futures commission merchant, an introducing broker, a commodity trading advisor, or a commodity pool operator and is registered with the Commodity Futures Trading Commission called?

A. Associated person
B. Floor broker
C. Floor trader

D. Scalper

Answer: A

Explanation:
An associated person is an individual who solicits orders, customers, or customer funds on behalf of a futures commission merchant, an introducing broker, a commodity trading advisor, or a commodity pool operator and is registered with the Commodity Futures Trading Commission.

Question: 4

Who is the individual who executes orders on the trading floor of an exchange for any other person?

A. Introducing broker
B. Scalper
C. Floor broker
D. Floor trader

Answer: C

Explanation:
A floor broker is an individual who executes orders on the trading floor of an exchange for any other person.

Question: 5

What is a trader who trades for small, short-term profits during one trading session and rarely holds a position overnight?

A. Day trader
B. Position trader
C. Floor trader
D. Scalper

Answer: D

Explanation:
A scalper is a trader who trades for small, short-term profits during one trading session and rarely holds a position overnight.

Question: 6

What is the smallest increment of a price movement for a futures contract called?

A. Spot

B. Spread
C. Short
D. Tick

Answer: D

Explanation:
A tick is the smallest increment of a price movement for a futures contract.

Question: 7

An option writer can also be referred to as an option seller.

A. True
B. False

Answer: A

Explanation:
An option writer can also be referred to as an option seller.

Question: 8

The strike price is the price that the holder of an option pays and the writer of an option receives for the rights conveyed by the option.

A. True
B. False

Answer: B

Explanation:
The premium is the price that the holder of an option pays and the writer of an option receives for the rights conveyed by the option. The strike price is another name for the exercise price.

Question: 9

A call option is in the money ifthe current market value of the underlying security is above the exercise price of the option.

A. True
B. False

Answer: A

Explanation:
A call option is in the money if the current market value ofthe underlying security is above the exercise price ofthe option.

Question: 10

Intrinsic value is the amount, if any, that an option is in the money.

A. True
B. False

Answer: A

Explanation:
Intrinsic value is the amount, if any, that an option is in the money.