

# SAMPLE QUESTIONS

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The sample questions have been drafted to reflect current law and practice as of September 2015.

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Please refer to the following information to answer Question 1, Question 2, Question 3 and Question 4:

Background

John is a 35-year-old small business owner married to Jane, who is of the same age and is financially dependent on John. They have no dependant and do not plan to have any children. John and Jane hold the following assets jointly:

1. A fixed bank deposit of HKD1,000,000.
2. Hong Kong Government bonds with a face value of HKD1,000,000.
3. A Hong Kong stock portfolio with 60% in blue chip stocks and 40% in H-shares with a current market value of HKD2,000,000.
4. Their fully paid-up residential home in Chai Wan with a current market value of HKD7,000,000.

Investment

Since John and Jane do not have any financial liabilities, they are willing to take reasonable investment risks. Their investment objective is to diversify their investments as much as possible, but they do not wish to invest aggressively.

Insurance

Neither John nor Jane have any insurance cover but they wish to have insurance protection for their annual expenses in relation to sickness and accidents. John wishes to make sure that Jane will still receive regular financial support in case he cannot work. As he is still young, John does not wish to think about his healthcare needs when he gets old.

Retirement

John and Jane plan to retire when they turn 65. They want to build up a retirement fund to cover 20 years of their annual post-retirement living expenses of HKD400,000 in today's dollars, which is discounted by 2% p.a. from now until their retirement. Assume that the return on the retirement fund is 2% p.a.

**Question 1**

Which ONE of the following statements about the solvency ratio of John and Jane is CORRECT?

- A. Their solvency ratio is less than 1.
- B. Their solvency ratio is higher than 1.
- C. Their solvency ratio is equal to 1.

Ans: C

**Question 2**

If the annual retirement expenses for John and Jane remain unchanged, then what is the MINIMUM amount of retirement fund that they must have when they retire?

- A. HKD6,671,385
- B. HKD12,084,291
- C. HKD14,490,893

Ans: B

**Question 3**

Apart from life insurance, which of the following kinds of insurance cover should John consider taking out to address his wishes?

- I. Disability income insurance.
- II. Long term care insurance.
- III. Medical insurance.

- A. I & II only
- B. I & III only
- C. II & III only

Ans: B

**Question 4**

To achieve the investment objective of John and Jane, which ONE of the following investments is the MOST appropriate for them to consider buying?

- A. Corporate bonds issued by Hong Kong companies.
- B. Hang Seng Index futures contracts.
- C. Global stock mutual funds.

Ans: C

**Question 5**

What is the GREATEST impact of rising inflation on retirement?

- A. Decreasing living expenses.
- B. Eroding purchasing power.
- C. Reducing annuity income.

Ans: B

**Question 6**

A Mandatory Provident Fund scheme in Hong Kong is MOST likely which ONE of the following types of retirement plan?

- A. A defined contribution scheme.
- B. A defined benefit scheme.
- C. A profit-sharing plan.

Ans: A

**Question 7**

Which ONE of the following persons, all aged 30 and have been in their jobs for over a year, is MOST likely required to join a Mandatory Provident Fund scheme?

- A. Adam is a licensed hawker running a fish stall in Tuen Mun Market.
- B. Ethan is a fireman covered by the New Pension Scheme of the Hong Kong Government.
- C. May is a PhD student working part-time for a tuition school in Hong Kong.

Ans: C

**Question 8**

For the purpose of budgeting, which ONE of the following items is considered discretionary spending?

- A. Loan repayment.
- B. Restaurant dining.
- C. Rent for the place of residence.

Ans: B



**Question 9**

The basic benefits provided by individual hospital expense insurance coverage usually include which of the following?

- I. Daily hospital room benefits.
  - II. Physician's fees.
  - III. Medical treatments for congenital conditions.
- A. I & II only
  - B. I & III only
  - C. II & III only

Ans: A

**Question 10**

One month ago, 55-year-old Dave obtained some investment advice from Mavis who works for ABC Bank. Dave has a conservative risk profile according to the risk tolerance assessment. Today Dave tells Mavis that his elderly aunt is very ill and may pass away soon, and he expects to inherit HKD2 million from her. Dave instructs Mavis to switch all of his bondholdings to risky investments with higher returns. Which ONE of the following is the MOST appropriate action that Mavis should take about Dave's instruction?

- A. Assume that Dave's risk tolerance level remains the same and refuse to execute his instruction.
- B. Assume that Dave's risk tolerance level has increased and execute his instruction.
- C. Re-assess Dave' current risk tolerance level before taking any action on his instruction.

Ans: C

**Question 11**

Helen's brother passed away recently. She has been officially named by the court to provide personal care for Ryan, the teenage son of her deceased brother. Which ONE of the following is the MOST appropriate term for Helen's role with respect to Ryan?

- A. A guardian.
- B. A trustee
- C. An executor.

Ans: A

**Question 12**

Mathew, who has just turned 40, is a merchandiser for a garment manufacturer. He wants to retire at age 65 and projects that he needs HKD5,000,000 as his retirement fund. He estimates that his Mandatory Provident Fund account balance will be HKD1,000,000 when he retires. If Mathew opens a bank account today that offers an interest rate of 3% p.a. compounded monthly, then how much is he required to deposit at the end of each month to accumulate the required amount of fund?

- A. HKD8,969
- B. HKD11,211
- C. HKD13,334

Ans: A

**Question 13**

Under the Reverse Mortgage Programme of the Hong Kong Mortgage Corporation Limited, a life insurance policy may be assigned to a bank as an extra collateral. Which of the following are some of the criteria that the policy must fulfill?

- I. It must be associated with investment features.
  - II. It must be issued by an authorized insurer in Hong Kong.
  - III. It must be taken out by the borrower as both the policyholder and the insured.
  - IV. It must have the premium fully paid-up by the policyholder.
- A. I & II only
  - B. III & IV only
  - C. II, III & IV only

Ans: C

**Question 14**

Since 2014, the Hong Kong Government has offered a subsidized residential care services scheme for eligible elderly persons in Hong Kong to retire in which ONE of the following provinces in Mainland China?

- A. Beijing.
- B. Guangdong.
- C. Fujian.

Ans: B