

SPECIALTY MARKETS -- FINAL EXAM

1. The liquidation of a business involves the sale of its assets. A _____ is typically a more efficient process.
 - A. Newspaper ad
 - B. Broker
 - C. Public auction
 - D. Internet announcement
2. The duties of partners is clear. They are fiduciaries to each other. This means they owe loyalty and cannot engage in any activity that _____ the partnership's business or interest.
 - A. Conflicts
 - B. Binds
 - C. Supersedes
 - D. Contracts
3. A family partnership is a legal agreement that allows business owners and their children to address _____.
 - A. Taxes
 - B. Business succession
 - C. Estate planning
 - D. All of the above at once
4. A limited liability corporation is a business structure that _____ the corporation, the partnership or sole proprietorship.
 - A. Is superior to
 - B. Fits somewhere between
 - C. Is similar to
 - D. Is inferior to
5. A redemption buy-sell agreement binds the _____ to purchase the stock to the extent of its available surplus.
 - A. Partners
 - B. Corporation
 - C. Individual business owner
 - D. Stockholder
6. After the "termination of a key employee", which of the following can a company do with his key employee insurance it paid for?
 - A. Surrender the policy for cash value
 - B. Purchase paid-up term insurance for a stated period using the cash accumulated
 - C. Allow the former employee to purchase the policy
 - D. All of the above are options
7. In qualifying for disability income insurance, the insured must _____.
 - A. Have assets in excess of \$500,000
 - B. Be able to prove income and pass a medical exam
 - C. Have a managerial level position
 - D. Direct proceeds back to the company
8. The split dollar concept refers to the division of insurance proceeds between the company and _____.
 - A. The executive's beneficiaries
 - B. Upper level managers
 - C. The company attorney
 - D. The IRS
9. Disadvantages of a stock option plan include which of the following:
 - A. Little incentive or value in a declining stock market
 - B. Little correlation between earnings and value in a fluctuating market
 - C. Options must be held for years for favorable tax treatment
 - D. All of the above
10. Return on stockholders' equity is a method of measuring _____.
 - A. A shareholder's net worth
 - B. Tax exposure
 - C. ROI or return on investment
 - D. Executive compensation
11. Trusts are an attractive alternative to _____ in some business owner cases.
 - A. Settlements
 - B. High taxes
 - C. Liquidation
 - D. Rollovers
12. To be most effective when "penetrating a specialty market group" it is important for an agent to _____.
 - A. Speak fluently
 - B. Position himself in the company of individuals within the group
 - C. Have a college degree
 - D. Maintain an executive office
13. Which of the following are disadvantages of a partnership:
 - A. Unlimited liability of at least one partner
 - B. Unstable life
 - C. Difficult financing
 - D. All of the above
14. Concerning partnership tax considerations, partnerships are not liable for federal or state income taxes. Profits and losses _____.
 - A. Are completely exempt
 - B. Are deferred
 - C. Flow through to individual partners
 - D. Are liened

SPECIALTY MARKETS -- FINAL EXAM

15. There are "exceptions to the limited liability" of LLCs. A limited liability corporation owner is liable, for instance, if he:
- Personally and directly injures someone
 - Personally guarantees a bank loan
 - Intentionally does something fraudulent or illegal
 - All of the above
16. A cross purchase buy-sell agreement binds the stockholders in a corporation to _____.
- A limit of 1,000 share
 - Buy outside stock
 - Purchase each other's shares
 - A 25% discount on share purchases
17. Identifying the key person in a company in order to buy key employee insurance involves which of the following criteria:
- Size of salary may indicate importance
 - Role in company, area of specialty, etc
 - Existence as a root or source of capital for company
 - All of the above
18. Defining disability in a disability income policy is generally defined as the inability to engage in gainful activity by reasons of a medically determined physical or mental impairment expected to last _____ or result in death.
- 3 months
 - 6 months
 - 12 months
 - 2 years
19. Which of the following are actual tests used to decide pension plan discrimination:
- The percentage test
 - The facts and circumstances test
 - The pension test
 - Both A&B
20. Tax consequences of the split dollar concept make the _____ subject to tax on part of the premium cost of the split dollar coverage.
- Executive
 - Company
 - Agent
 - Beneficiary
21. Concerning "qualified stock options", the Revenue Act of 1964 provides that the option price must be _____.
- At least the fair market value of the stock
 - Below the fair market value
 - At or below book value
 - Exceed book value by \$100
22. The alternative economic benefit theory states that if stockholders could invest their money in bonds or CDs at say 5%, the company should be able to offer _____.
- 5% more
 - 7% more
 - at least that return on their money
 - a little less
23. Section 303 of the Internal Revenue Code was specifically enacted for making available most of the cash needed with _____ dies.
- CEO
 - Senior manager
 - Close corporation stockholder
 - Spouse
24. In determining the legal structure best suited a business, which of the following is a major factor:
- Relationship between parties
 - Changing federal and state income tax laws
 - Fluctuating availability of capital
 - All of the above
25. The term "silent partner" can mean a real partner who _____.
- Has no voice and takes no part in partnership business
 - Is not revealed to the public
 - Contributes only cash and does not work
 - All of the above
26. Concerning "disputes", all partnership agreements should have _____.
- Arbitrators on staff
 - A sympathetic judge on call
 - A provision to handle unresolved disputes
 - A monthly grudge match in the parking lot
27. The articles of incorporation state the _____ of a particular enterprise.
- Address
 - Powers and limitations
 - Stock value
 - Constitutionality
28. The "hybrid buy-sell agreement" combines the elements of _____.
- A redemption agreement
 - A cross purchase agreement
 - An agency agreement
 - A&B only
29. Premiums paid for a company for a key employee insurance policy are _____ as a business expense.
- Deductible
 - Not deductible
 - Partially
 - Never considered

SPECIALTY MARKETS -- FINAL EXAM

30. Determining the amount of disability income needed involves which of the following steps:
- A. Determine need
 - B. Determine potential income
 - C. Measure the necessary amount of disability insurance income
 - D. All of the above
31. Residual disability benefits are based on _____.
- A. Current age
 - B. Lost income
 - C. Health of the insured
 - D. Assets of the insured
32. The rationale behind providing stock options as executive compensation was that _____.
- A. The rich get richer
 - B. Companies should link executive pay to the things that mattered to company stockholders
 - C. Executives are basically greedy
 - D. Stock prices have nothing to do with how an executive performs
33. Interest-free loans from a company to a controlling executive are treated as _____ by the IRS.
- A. Taxable interest income to the corporate lender
 - B. An offsetting deduction to the borrower
 - C. An illegal activity
 - D. A&B only
34. Distributions from a pension plan can only be withdrawn at retirement with the exception of _____.
- A. Death or disability
 - B. Termination of employment
 - C. Termination of the plan itself
 - D. Any or all of the above
35. Deferred compensation refers to compensation earned in one year, but _____.
- A. Paid in another
 - B. Never recovered
 - C. Not recognized by IRS
 - D. Discounted in later years
36. The advantage of stock options plans is that they afford corporations the opportunity to compensate executives and other employees in a completely _____ manner.
- A. Discriminatory
 - B. Luxurious
 - C. Unbiased
 - D. Tax-free
37. The executive bonus concept is a special compensation program which is used to _____.
- A. Avoid corporate taxes
 - B. Attract, retain and motivate exceptional people
 - C. Irritate the poor
 - D. Appease congress
38. Some companies pay "awards" on a group basis. These are referred to as _____ because groups of executives receive portions of greater company profits.
- A. Greedy "hold-outs"
 - B. Under the table activities
 - C. Gain sharing plans
 - D. Trophy plans
39. Concerning settlements in business estate planning, the disadvantage of an optional settlement is that _____.
- A. The plan is sound only as long as the insurer remains solvent
 - B. The plan can fall victim to inflation
 - C. Insured's always prefer lump sums
 - D. A&B only
40. In the decision to continue or sell the business of a deceased owner, a personal representative must determine the _____.
- A. Time of death
 - B. Purpose of the business
 - C. Amount of available operating funds
 - D. Status of the competition
41. Concerning liability for partnership debts, a crucial principle is that each partner _____.
- A. Is somewhat liable
 - B. Could be legally responsible
 - C. Is Personally liable
 - D. Is responsible for his share of liability
42. A "right of first refusal" provision in a partnership agreement allows _____.
- A. Remaining partners to purchase the interest of a deceased partner
 - B. A disgruntled partner to buy-out others
 - C. Managers of the partnership the right to refuse certain customers
 - D. Any partner the right to inspect books
43. Advantages of a corporation include which of the following:
- A. Limited liability / Transferable ownership
 - B. Separate legal existence / Stability
 - C. Ease of securing capital / Central management
 - D. All of the above

SPECIALTY MARKETS -- FINAL EXAM

44. Upon the death of a corporate owner or major stockholder, his shares in the corporation _____.
- A. May be passed to his heirs
 - B. Cannot transfer to heirs
 - C. Are divided among remaining shareholders
 - D. Are dissolved
45. Owners of most small LLCs participate equally in management. This arrangement is called _____.
- A. Equal management
 - B. Shared management
 - C. Member management
 - D. Unfair to rank and file employees
46. When life insurance is purchased on the life of a key person in a company, an insurable interest _____.
- A. Must exist
 - B. Is not necessary
 - C. Is automatically created
 - D. May not be present
47. Death proceeds of a key person life insurance policy are _____.
- A. Tax-deferred
 - B. Tax-free
 - C. Somewhat taxable
 - D. Tax-rated
48. Premiums for group insurance policies are determined by _____.
- A. The group board
 - B. Experience ratings
 - C. The drawing of straws
 - D. Current law
49. The intent of deferred compensation is to _____.
- A. Hold executives as hostage employees
 - B. Cut down an executive's actual pay during the deferral period
 - C. Pay less in the long run
 - D. Undermine company loyalty
50. Profit plan distributions to employees may be taken as company stock. Normally, the tax is based on _____.
- A. The age of the employee
 - B. Fair market value in the year received
 - C. 50% of profits
 - D. 25% of capital gain



[Back To Front Page](#)

WHY PRINT THE EXAM & DOWNLOAD BOOKS?

Short Answer: Compared to other web systems, with our method you finish the course quicker, spend less time online, get a copy of the book for reference and have a paper back-up of your answers . . . just in case!

Long Answer: Printing out the exam and saving the book to your computer means you can relax and finish the course offline at your own pace, without spending hours and hours on the internet; you'll have a readily available copy of the book for your library in case you need to refer to it; and, you eliminate the constant switching between an exam screen and a book screen . . . a big hassle that can add hours to completing an online course. We know, we've timed it! Some internet courses suggest using an online split screen to view the exam and book at the same time. Well, it sounds complicated, and unless you have a super, giant screen, the print is going to be tiny and unreadable for most people. Finally, a good reason for printing the exam and marking your answers is you have a paper back-up if your computer or the internet freezes . . . and, we've all been there!

HELP – HOW DOES IT WORK?



Print an exam and download (save) a textbook from our website. When done, shut off your internet connection and finish your course offline at your own pace. See instructions on the first page of your book. Complete your answer sheet by marking answers on the front page with a pen or pencil. Then, come back to www.CEclass.com . . . choose **Submit Answers** . . . quickly click in your answers, pay and get an instant Certificate of Completion on your own printer. Or, you can choose to fax or mail your answer sheet by following the "Choose How To Send" instructions on the front page.

If you need further information, click the green help button to see detailed audio-visual instructions or go to www.CEclass.com and press help or call **Customer Service (800) 498-5100 MF (9AM – 5PM)**

DISCOUNTS — \$5 and \$10 Courses!

THAT'S RIGHT! You can buy online courses as low as \$5 and \$10. It's our multiple course discount program. Your first course is priced at our regular low price . . . Additional courses cost you only \$1.25 per credit hour! That means you can meet your Ethics, Annuity or Anti-Money Laundering required hours for only \$5 each online. Or, take Long Term Care or Annuity Training for only \$10 each.

How do you get the discount? Download as many courses as you like from our website and take as long as you want to finish them. To get the discount, however, you must submit your answers to us all at the same time. When you pay online, our system automatically issues these discounts. If you fax or mail your answer sheets, we will calculate the discount for you every time.

COURSE CONDITIONS

THIS COURSE PROVIDES GENERAL INSURANCE EDUCATION. CONSULT A COMPETENT PROFESSIONAL REGARDING SPECIFIC MATTERS BEFORE ADVISING CLIENTS. We hope you are pleased with the quality and value our CE courses offer. If for any reason you are unsatisfied, return unused books and exams it to us within 30 days for a full refund (less postage). A passing score is 70%. We can only tell you if you passed. If you fail, you will have another chance to pass at no charge. Further re-testing will cost you \$15 per exam. You have one year to complete this course. However, you should finish as soon as possible since courses like these are subject to constant re-evaluation and change by the Department of Insurance. If this course fails to meet the standards and credit hours advertised, whether by state / agency changes or our mistake, we will refund your entire course fees. It is agreed that this amount is liquidated damages. It is agreed that any differences between you and us will be settled through binding arbitration in Riverside County, California. The State has approved credit hours for our courses, however, they ask us to mention that they do not endorse content or the author's opinions.