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ASIC Financial Adviser Exam: 20 Sample Questions and Answers

20 original practice questions in the style of the ASIC financial adviser exam (7 regulatory and legal, 7 ethics and professional reasoning, 6 advice construction), with the answer and a worked explanation for each, citing the section of the law, the Code of Ethics standard or the ASIC guide it rests on. Questions first, answers after, so you can test yourself.

> **These are not real exam questions.** ASIC does not publish past exam papers, and we do not use or sell recalled questions. Every question here was written by Adviser Exam Prep. ASIC's own practice questions are in its free Practice question guidance on asic.gov.au.

The real exam, as ASIC sets it

Questions	At least 70 multiple-choice, split equally across three areas
Areas	Financial advice regulatory and legal obligations; Applied ethical and professional reasoning and communication; Financial advice construction
Question types	Four-option multiple choice and two-statement true/false sets, mostly on client scenarios
Time	3 hours 30 min, including 15 minutes' reading time
Result	Pass or fail only; the cut-off is set for each sitting by standard setting

Source: Corporations (Relevant Providers—Education and Training Standards) Determination 2021 ss2-40, 2-45 (as amended Jan 2024); ASIC Exam preparation guidance v6.0 (Sept 2026) and Exam policy (19 Dec 2025) (Dec 2025); ACER fae.acer.org, checked 12 Oct 2026. ASIC can change the format, so check its exam page before you book.

Questions

QUESTION 1 · REGULATORY AND LEGAL · LICENSING, AUTHORISED REPRESENTATIVES AND PROFESSIONAL STANDARDS

Ravi, a provisional relevant provider at Kingfisher Advice, is supervised by two relevant providers, Alana and Ben. At a meeting that Ben attends but Alana does not, Ravi gives Mr Osei, a retail client, oral personal advice to switch A$120,000 into a different managed fund. For the purposes of the Corporations Act, that advice is taken to have been provided by...

A. Ravi alone: he gave the advice and he is a relevant provider

B. Kingfisher, which is deemed to give the advice of its provisional providers

C. Ravi together with Ben, the supervisor who attended

D. each person who is Ravi's supervisor when the advice is given

QUESTION 2 · REGULATORY AND LEGAL · LICENSING, AUTHORISED REPRESENTATIVES AND PROFESSIONAL STANDARDS

Tessa, a relevant provider at Brightwater Advice, charges every client a flat annual fee and receives no commissions. Brightwater, her licensee, receives payments from a fund manager calculated on the amount of client money its advisers place in that manager's funds. Tessa wants her website to call her an 'independent financial adviser'. May she use the word 'independent'?

A. Yes: she personally receives only flat fees from her own clients

B. No: her licensee receives volume-based payments

C. No: she would need to hold her own AFS licence to use it

D. Yes, provided her FSG discloses the fund manager's payments clearly

QUESTION 3 · REGULATORY AND LEGAL · ADVICE, RETAIL CLIENTS AND DISCLOSURE (FSG, SOA, ROA, PDS)

At a free community seminar on retirement run by Lakeview Advice, an attendee, Rosa, tells the presenter, a relevant provider, that she is 61, has A$310,000 in super and wants to stop work next year. She asks whether she should move into a balanced option. The presenter replies, 'In your position I'd switch to balanced.' The reply is BEST described as…

A. general advice: it was given at a public seminar to someone who was not yet a client

B. general advice, provided the seminar handouts carried a general advice warning

C. not financial product advice: no particular fund or product issuer was named

D. personal advice: a reasonable person would expect her situation to be considered

QUESTION 4 · REGULATORY AND LEGAL · ADVICE, RETAIL CLIENTS AND DISCLOSURE (FSG, SOA, ROA, PDS)

Cedar Advice, an AFS licensee that does not use website disclosure information, gave Paolo its FSG on 2 May when he booked an appointment. On 20 May, before his first advice meeting on 1 June, Cedar raises its initial advice fee from A$3,300 to A$4,400. To keep Paolo's disclosure up to date, Cedar should…

A. do nothing: the FSG had to be correct only on the date Paolo received it

B. tell Paolo about the new fee orally after the advice has been given

C. give Paolo a Supplementary FSG with the new fee before the advice

D. give him an updated FSG with the SOA, once the advice is complete

QUESTION 5 · REGULATORY AND LEGAL · BEST INTERESTS DUTY, CONFLICTED REMUNERATION AND FEE CONSENTS

Ruth Okafor, 61, asks her adviser, Desmond Lau, to recommend a managed account. Two accounts suit her equally well on cost, features and risk; one is issued by Crestline Investments, which owns Desmond's licensee. Desmond records why both fit and recommends the Crestline account. Under the priority rule in s961J, his recommendation is BEST described as…

A. not a breach in itself, if he put Ruth's interests first

B. a breach: the licensee's group benefits from the choice

C. permitted only if Ruth first signs a written conflict waiver

D. permitted if the licensee's fee for it is disclosed in the FSG

QUESTION 6 · REGULATORY AND LEGAL · CONDUCT RULES, BREACH REPORTING, DDO AND AFCA

Rosa, an authorised representative of Tidewell Advisory, tells 15 retail clients at a seminar that a listed hybrid security is 'capital guaranteed'. It is not. Each of them invests about A$40,000; the hybrid's price has not moved, so none has lost anything. For breach reporting, Rosa's breach is BEST described as...

A. not significant until a client suffers material loss from the statement

B. not significant unless Rosa made the statement knowingly or recklessly

C. not significant if Tidewell corrects it and remediates within 60 days

D. deemed significant: it is misleading conduct about a financial product

QUESTION 7 · REGULATORY AND LEGAL · CONDUCT RULES, BREACH REPORTING, DDO AND AFCA

Petra, an adviser at Willowbank Advice, switches a client into the wrong fund after ignoring two warnings from the platform, and Willowbank considers this gross negligence. Willowbank refunds the client's A$9,000 loss within a week. Under ss912D and 912DAA, Willowbank ... (i) has a reportable situation even if Petra breached no core obligation. (ii) need not report to ASIC, because it has already compensated the client.

A. (i) True, (ii) True

B. (i) True, (ii) False

C. (i) False, (ii) True

D. (i) False, (ii) False

QUESTION 8 · ETHICS AND PROFESSIONAL REASONING · CODE OF ETHICS: VALUES AND ETHICAL BEHAVIOUR (STANDARDS 1–3)

Nikolai Petrov, an adviser at Saltbush Financial, recommends that Mr Reyes, 52, keep his retail super fund, whose issuer is Saltbush's parent company. Saltbush's lawyers say nothing in the arrangement breaches Chapter 7. The fund suits Mr Reyes, but a cheaper fund with the same features is available. The Code says it 'imposes ethical duties that go above the requirements in the law'. Nikolai's recommendation is BEST described as one that...

A. is consistent with the Code once the ownership link is disclosed in the SOA

B. raises a Code issue for Saltbush but generally not for Nikolai personally

C. is a matter for Saltbush's compliance policy, not the Code

D. can breach Standards 2 and 3 even though it complies with Chapter 7

QUESTION 9 · ETHICS AND PROFESSIONAL REASONING · CODE OF ETHICS: VALUES AND ETHICAL BEHAVIOUR (STANDARDS 1–3)

Which of the following is NOT one of the five values that the Code of Ethics requires relevant providers to demonstrate, realise and promote?

A. Competence

B. Honesty

C. Independence

D. Diligence

QUESTION 10 · ETHICS AND PROFESSIONAL REASONING · CODE OF ETHICS: CLIENT CARE AND QUALITY PROCESS (STANDARDS 4–9)

Tessa, a relevant provider, arranges a home building policy for her client, Omar, and the general insurer pays a commission. Standard 7 says: 'Except where expressly permitted by the Corporations Act 2001, you may not receive any benefits, in connection with acting for a client, that derive from a third party other than your principal.' Under Standard 7, Tessa may accept the commission only if...

A. the Act expressly permits it, Omar gives informed consent and it is fair value

B. it is paid to her licensee first and then passed on to her

C. it is disclosed in the FSG she gives Omar before arranging the policy

D. it is rebated in full to Omar's account once the policy starts

QUESTION 11 · ETHICS AND PROFESSIONAL REASONING · ADVISER BIASES AND PROFESSIONAL JUDGEMENT

Pompian (2012), on ASIC's reading list, classes status quo bias as an emotional bias and hindsight bias as a cognitive one. As the behavioural finance literature describes them, ... (i) status quo bias is a preference for change over keeping current arrangements. (ii) hindsight bias leads people to believe, after the event, that an outcome was more predictable than it was.

A. (i) True, (ii) True

B. (i) True, (ii) False

C. (i) False, (ii) True

D. (i) False, (ii) False

QUESTION 12 · ETHICS AND PROFESSIONAL REASONING · PROFESSIONAL COMMITMENT, ETHICAL FRAMEWORKS AND REFERRAL

Mei Ling, a relevant provider in Perth, has advised only on accumulation super. Clients in their eighties now ask her how to pay for an aged care place, an area she has never studied. Standard 10 of the Code says: 'You must develop, maintain and apply a high level of relevant knowledge and skills.' Mei Ling's BEST response is to...

A. refer the aged care advice to a specialist, or decline until she has the expertise

B. accept the work, using her licensee's aged care calculator and SOA template

C. scale the advice to the accommodation payment alone, which she can research

D. complete a short aged care CPD course next week, then give the advice

QUESTION 13 · ETHICS AND PROFESSIONAL REASONING · APPLYING THE BEST INTERESTS DUTY IN PRACTICE

Callum, 47, a self-employed electrician, ticked 'in good health' on his fact find. In his first meeting with his adviser, Bronwyn, he mentions that he has chemotherapy once a month. He wants advice on income protection insurance. Before advising, the best interests duty requires Bronwyn to...

A. make reasonable inquiries to resolve the inconsistency in his health information

B. rely on the signed fact find: it is Callum's own written statement

C. recommend a policy and leave disclosure of his illness to Callum and the insurer

D. add a general advice warning to her advice and continue with the recommendation

QUESTION 14 · ETHICS AND PROFESSIONAL REASONING · PROFESSIONAL COMMITMENT, ETHICAL FRAMEWORKS AND REFERRAL

Harbourline Wealth, an AFS licensee, builds its approved product list from a research house's 'recommended' ratings. The research house is paid by the fund managers whose products it rates, and Harbourline has never reviewed its methods. Before relying on the ratings, Harbourline should MOST consider…

A. nothing further: a 'recommended' rating from a licensed research house is enough

B. the research house's conflicts and methods, alongside its own review of products

C. requiring a second research house's rating before any product is listed

D. whether each rating has been updated within the last 12 months

QUESTION 15 · ADVICE CONSTRUCTION · CONSUMER BEHAVIOUR AND DECISION MAKING

Margaret, 61, paid A$50,000 for shares in a mining company that are now worth A$30,000. She agrees with her adviser that the holding no longer fits her retirement goals, but says she will sell 'once it gets back to what I paid'. Her refusal to sell is an example of…

A. overconfidence in the quality of her own original stock picks

B. herding with the other investors who still hold the share

C. loss aversion, shown as the disposition effect

D. the availability heuristic, driven by recent news reports

QUESTION 16 · ADVICE CONSTRUCTION · INVESTMENT, DEBT AND INSURANCE ADVICE STRATEGIES

When comparing income protection policies, an adviser can correctly tell a client that… (i) income protection generally replaces part of a person's income for a benefit period after a waiting period. (ii) a longer waiting period usually means a higher premium.

A. (i) True, (ii) True

B. (i) True, (ii) False

C. (i) False, (ii) True

D. (i) False, (ii) False

QUESTION 17 · ADVICE CONSTRUCTION · CLIENT PROFILES, LIFE STAGES AND RISK

Rhonda, 66, a widowed retiree, tells her adviser, Callum, that she is 'very comfortable with risk' and wants her money 100% in shares. Her A$280,000 super is her only asset apart from her home, and she will start drawing a pension from it next month. Which concept should MOST shape Callum's advice on her investment mix?

A. Her age alone, applying a rule of thumb such as '100 minus age' in shares

B. Her capacity for loss, which is low whatever her stated tolerance

C. Her stated tolerance: the client's own preference should prevail

D. Her long retirement horizon, which justifies a high-growth portfolio

QUESTION 18 · ADVICE CONSTRUCTION · CLIENT PROFILES, LIFE STAGES AND RISK

Oliver, 41, who is legally blind, has received an A$400,000 TPD payout after a workplace injury and asks his adviser, Renee, how to invest it. Standard 4 of the Code says Renee may act for a client 'only with the client's free, prior and informed consent'. Which adjustment BEST helps Renee meet Standard 4?

A. Talking him through the printed SOA in a meeting and recording his agreement

B. Having a family member he trusts read him the SOA before he signs

C. Providing documents in an accessible format, with time to review them

D. Giving him a large-print one-page summary in place of the full SOA

QUESTION 19 · ADVICE CONSTRUCTION · SCALED ADVICE AND QUALITY ADVICE DOCUMENTS

Lena, a relevant provider, gives Marco, 34, scaled advice on whether to increase his salary sacrifice. She advises him to change nothing until he has cleared a A$9,000 car loan. A compliance reviewer says the advice fails because no product was recommended. Under RG 244, ASIC would test Lena's advice by asking whether...

A. the advice recommended at least one financial product to Marco

B. Lena completed a comprehensive fact-find before narrowing the scope

C. Marco signed a form agreeing to the limited scope of the advice

D. a reasonable adviser would expect Marco to be better off following it

QUESTION 20 · ADVICE CONSTRUCTION · SCALED ADVICE AND QUALITY ADVICE DOCUMENTS

Ellie, a relevant provider, agrees to advise Sam, 29, only on his income protection needs. At their first meeting Sam says he is glad she is 'finally looking at everything', including his super and his car loan. Under RG 244, Ellie must...

A. take reasonable steps to explain the limited scope clearly to Sam

B. give Sam a general advice warning as well as the Statement of Advice

C. get Sam's written agreement to the scope before she gives any advice

D. refer each excluded topic to another adviser at the same time as advising

Answers and explanations

QUESTION 1 · ANSWER D

Answer: each person who is Ravi's supervisor when the advice is given. Personal advice a provisional relevant provider gives a retail client about a relevant financial product is taken to have been given by each person who is then a supervisor, instead of by the provisional relevant provider, so it is Alana's and Ben's whether or not Alana was in the room.
Why not the others:
- Ravi alone: he gave the advice and he is a relevant provider: Ravi spoke, but the deeming rule moves the advice away from him.
- Kingfisher, which is deemed to give the advice…: Kingfisher may be responsible to Mr Osei for its representatives' conduct under s917B, but that is a different rule from who is taken to have advised.
- Ravi together with Ben, the supervisor who attended: attendance at the meeting is not the test, and Ravi is replaced, not joined.
Rule: Under s921F(5), personal advice by a provisional relevant provider to a retail client is taken to be given by every current supervisor, which is why s921F(6) requires clients to be told each supervisor's name.
Source: Corporations Act 2001 (Cth) ss917B, 921F (compilation No. 149, 19 Sep 2026)

Ref 9d89e02582fe

QUESTION 2 · ANSWER B

Answer: No: her licensee receives volume-based payments. The s923A(2) exception fails because Brightwater, on whose behalf Tessa advises, receives remuneration from a fund manager calculated on the volume of business placed.
Why not the others:
- Yes: she personally receives only flat fees from her own clients: her own pay is only half of the test, because s923A(2)(b)(ii) also looks at the person on whose behalf she provides the service, here Brightwater.
- No: she would need to hold her own AFS licence to use it: holding her own licence is not a condition of s923A.
- Yes, provided her FSG discloses the fund manager's payments clearly: disclosure does not cure it, as her FSG must instead state that she is not independent, impartial or unbiased and why.
Rule: Section 923A restricts 'independent', 'impartial' and 'unbiased'; the s923A(2) exception applies only if neither the adviser nor her employer or the person she acts for receives commissions (unless rebated in full), volume-based remuneration from a product issuer, or other issuer benefits that could reasonably influence them.
Source: Corporations Act 2001 (Cth) ss923A(2), 942B(2)(fa), 942C(2)(ga) (compilation No. 149, 19 Sep 2026)

Ref 5e07176a1760

QUESTION 3 · ANSWER D

Answer: Personal advice: a reasonable person would expect her situation to be considered. The presenter answered Rosa's own question about her age, balance and retirement plans with 'In your position', so a reasonable person would expect her circumstances to have been considered.
Why not the others:
- general advice: it was given at a public seminar…: Most seminar content is general advice, but the setting does not decide the character of a one-to-one answer, and Rosa need not be an existing client.
- general advice, provided the seminar handouts…: A general advice warning is a disclaimer, and a disclaimer does not change the legal outcome.
- not financial product advice: no particular fund…: Advice about switching investment options in her fund is still financial product advice: s766B(1) covers decisions about a class of products or an interest in a product, whether or not an issuer is named.
Rule: Under s766B(3), advice is personal advice if the provider considered one or more of the person's objectives, financial situation and needs, or a reasonable person might expect the provider to have considered them.
Source: Corporations Act 2001 (Cth) ss766B(1), 766B(3) (compilation No. 149, 19 Sep 2026)

Ref 7b158c9242dc

QUESTION 4 · ANSWER C

Answer: Give Paolo a Supplementary FSG with the new fee before the advice. Under s941F, a change before the service that leaves the FSG out of date in a way materially adverse to a reasonable retail client requires updated disclosure before the service, and a fee rise from A$3,300 to A$4,400 is such a change.
Why not the others:
- do nothing: the FSG had to be correct only on the date Paolo received it: The FSG must be up to date when given (s941E), and s941F then tests it again before the service, so correctness on 2 May is not enough.
- tell Paolo about the new fee orally after the advice has been given: Oral notice after the advice is too late, because the update must come before the service.
- give him an updated FSG with the SOA, once the advice is complete: An updated FSG given with the SOA arrives after the service it is meant to precede.
Rule: Cedar may give a new FSG or a Supplementary FSG containing the updated information (ss943A-943D), and s943D treats the supplementary information as part of the FSG.
Source: Corporations Act 2001 (Cth) ss941E, 941F, 943A-943D (compilation No. 149, 19 Sep 2026)

Ref 7c63028bd46d

QUESTION 5 · ANSWER A

Answer: Not a breach in itself, if he put Ruth's interests first. Section 961J is a priority rule, not a ban on related products, so where two products are genuinely equal for Ruth, recommending Crestline's can comply.
Why not the others:
- a breach: the licensee's group benefits from the choice: the group's benefit creates the conflict, but it does not on its own make the advice a breach.
- permitted only if Ruth first signs a written conflict waiver: a signed waiver cannot displace a statutory duty.
- permitted if the licensee's fee for it is disclosed in the FSG: disclosure in an FSG does not satisfy the priority rule.
Watch out: Standard 3 of the Code sets a separate, stricter ethical test.
Rule: A provider who knows, or reasonably ought to know, of a conflict between the client's interests and those of the provider, the licensee or their associates must give priority to the client's interests (s961J(1)).
Source: Corporations Act 2001 (Cth) s961J (compilation No. 149, 19 Sep 2026); Financial Planners and Advisers Code of Ethics 2019 (F2019L00117), Standard 3

Ref acd272e5cacf

QUESTION 6 · ANSWER D

Answer: Deemed significant: it is misleading conduct about a financial product. A breach of a core obligation constituted by a contravention of s1041H(1) is taken to be significant (s912D(4)(c)), and calling an unguaranteed hybrid 'capital guaranteed' is that conduct.
Why not the others:
- not significant until a client suffers material loss…: material loss is a separate deeming ground (s912D(4)(d)), not needed here.
- not significant unless Rosa made the statement knowingly…: s1041H(1) needs no intention to mislead.
- not significant if Tidewell corrects it and remediates within 60 days: the 60-day rectification relief covers no more than 10 clients, and 15 clients are affected.
Rule: Under s6 of ASIC Instrument 2024/620 (as amended from 27 June 2025), such a breach is not significant only if one client is affected with no loss, or no more than 10 clients are affected, total loss is A$1,000 or less and it is rectified within 60 days (notional s912D(4A), (4AA); RG 78.38). Otherwise it is reportable within 30 days (s912DAA(3)).
Source: Corporations Act 2001 (Cth) ss912D, 912DAA, 1041H (compilation No. 149, 19 Sep 2026); ASIC Corporations and Credit (Breach Reporting—Reportable Situations) Instrument 2024/620 s6 (compilation No. 2, 12 Sep 2025); ASIC RG 78 Breach reporting (19 Dec 2023, updated 21 Oct 2026)

Ref 9476721d79e6

QUESTION 7 · ANSWER B

Answer: (i) True, (ii) False. Gross negligence is reportable on its own, and refunding the client does not cancel the report.
(i) True. Section 912D(2)(a) makes gross negligence by the licensee or a representative in providing a financial service a reportable situation in its own right, so Willowbank does not also need a breach of a core obligation. Petra ignored two platform warnings, and Willowbank itself considers that gross negligence.
(ii) False. Section 912DAA requires the licensee to report a reportable situation to ASIC within 30 days after it first knows that, or is reckless about whether, there are reasonable grounds to believe the situation has arisen (s912DAA(3)). Refunding the A$9,000 within a week is good remediation, but remediation and reporting are separate duties.
Rule: Gross negligence and serious fraud are reportable situations under s912D(2) without any significance test, and the 30-day reporting duty applies whatever remediation has been done.
Source: Corporations Act 2001 (Cth) ss912D, 912DAA (compilation No. 149, 19 Sep 2026)

Ref 639f7a78eaeb

QUESTION 8 · ANSWER D

Answer: Can breach Standards 2 and 3 even though it complies with Chapter 7. The Code imposes duties above the law, so Chapter 7 compliance settles only the legal question.
Why not the others:
- is consistent with the Code once the ownership link is disclosed in the SOA: Disclosure in the SOA is required, but it does not cure a Standard 3 conflict.
- raises a Code issue for Saltbush but generally not for Nikolai personally: The Code binds Nikolai personally under s921E of the Corporations Act, whatever Saltbush's own exposure.
- is a matter for Saltbush's compliance policy, not the Code: A compliance policy can add to the Code but cannot replace it.
Rule: Standard 2 requires Nikolai to act in Mr Reyes's best interests, which a dearer fund with the same features may not serve, and Standard 3 prohibits acting under a conflict, here a product issued by his licensee's parent.
Source: Financial Planners and Advisers Code of Ethics 2019 (F2019L00117), cl 5 and Standards 2 and 3; Corporations Act 2001 (Cth) s921E (compilation No. 149, 19 Sep 2026).

Ref 4df8a418465e

QUESTION 9 · ANSWER C

Answer: Independence. The five Code values are trustworthiness, competence, honesty, fairness and diligence, and independence is not among them.
Why not the others:
- Competence: It is a Code value, and the Code says the duty of competence is ultimately personal to each adviser.
- Honesty: It is a Code value, requiring transparency, frankness and fairness to each client, even at personal cost.
- Diligence: It is a Code value, requiring advisers to manage time and resources to deliver services in a timely, efficient and cost-effective way.
Watch out: Whether an adviser may describe their business as 'independent', 'impartial' or 'unbiased' is a legal restriction in s923A of the Corporations Act, not one of the Code's values.
Rule: Clause 5 of the Code lists five values that relevant providers must demonstrate, realise and promote.
Source: Financial Planners and Advisers Code of Ethics 2019 (F2019L00117), cl 5; Corporations Act 2001 (Cth) s923A (compilation No. 149, 19 Sep 2026).

Ref 6ec0b72b0960

QUESTION 10 · ANSWER A

Answer: the Act expressly permits it, Omar gives informed consent and it is fair value. Standard 7's three limbs apply together, so all three must be met.
Why not the others:
- it is paid to her licensee first and then passed on to her: routing the commission through the licensee does not change that it derives from the insurer, a third party.
- it is disclosed in the FSG she gives Omar before arranging the policy: disclosure in an FSG is a separate legal duty and is neither consent nor a value assessment.
- it is rebated in full to Omar's account once the policy starts: Standard 7 does not require a rebate; it requires the three tests to be met.
Watch out: A general insurance commission is not conflicted remuneration under the Act, but where personal advice is given that carve-out applies only if the client consented after prescribed disclosure.
Rule: A benefit from a third party other than the principal is allowed only where the Corporations Act expressly permits it, and every fee or benefit also needs the client's free, prior and informed consent and must be fair, reasonable and value for money.
Source: Financial Planners and Advisers Code of Ethics 2019 (F2019L00117), Standard 7; Corporations Act 2001 (Cth) ss963B(1)(a), 963BB (compilation No. 149, 19 Sep 2026)

Ref 817c3b1de38a

QUESTION 11 · ANSWER C

Answer: (i) False, (ii) True. Status quo bias favours keeping current arrangements, not change, while statement (ii) correctly describes hindsight bias.
(i) False. Status quo bias is a preference for keeping things as they are, even when change would serve the person better; for advisers it shows up as reviews that never change anything.
(ii) True. Hindsight bias, the 'I knew it all along' effect, makes past outcomes seem more predictable than they were, and leads to unfair judgements of past advice.
Rule: Pompian classes status quo bias as emotional and hindsight bias as cognitive; the first favours inaction when circumstances may call for change, the second distorts how past decisions are judged.
Source: Pompian 2012; Kahneman 2012; Plous 1993 (ASIC Exam preparation guidance v6.0 reading list)

Ref f829d6e1127f

QUESTION 12 · ANSWER A

Answer: refer the aged care advice to a specialist, or decline until she has the expertise. Standard 10 requires a high level of relevant knowledge and skills, and the best interests safe harbour includes assessing whether you have the expertise for the subject matter and, if not, declining to advise (s961B(2)(d)).
Why not the others:
- accept the work, using her licensee's aged care calculator and SOA template: these are useful tools, but tools do not supply the judgement the advice needs.
- scale the advice to the accommodation payment alone, which she can research: scaling narrows the subject matter, but the accommodation payment is itself the aged care subject she lacks expertise in.
- complete a short aged care CPD course next week, then give the advice: a short course is a sensible start, but one course next week is not yet the high level of skill Standard 10 asks for before advising on a complex area.
Rule: Advise only within your expertise; otherwise refer or decline, which protects the clients and keeps the relationship.
Source: Financial Planners and Advisers Code of Ethics 2019 (F2019L00117), Standard 10; Corporations Act 2001 (Cth) s961B(2)(d) (compilation No. 149, 19 Sep 2026)

Ref f4d9f9473a41

QUESTION 13 · ANSWER A

Answer: make reasonable inquiries to resolve the inconsistency in his health information. Monthly chemotherapy contradicts the fact find, so it is reasonably apparent that information about Callum's relevant circumstances is incomplete or inaccurate.
Why not the others:
- rely on the signed fact find: it is Callum's own written statement: a signed statement does not cure an inconsistency Bronwyn has now heard from Callum himself.
- recommend a policy and leave disclosure of his illness to Callum and the insurer: this ignores a fact Bronwyn already knows and that goes to the heart of the advice.
- add a general advice warning to her advice and continue with the recommendation: a general advice warning belongs to general advice, and even a s961H warning about incomplete information would not replace the inquiries (s961H(5)).
Rule: Section 961B(2)(c) requires reasonable inquiries where it is reasonably apparent that relevant information is incomplete or inaccurate, judged under s961C by a provider with reasonable expertise exercising care. Chemotherapy affects eligibility, exclusions and Callum's duty to take reasonable care not to misrepresent his health to the insurer.
Source: Corporations Act 2001 (Cth) ss961B(2)(c), 961C, 961H (compilation No. 149, 19 Sep 2026); Insurance Contracts Act 1984 (Cth) s20B

Ref 2b9c5e470e8f

QUESTION 14 · ANSWER B

Answer: the research house's conflicts and methods, alongside its own review of products. Ratings paid for by the issuers are a conflict signal, so Harbourline must do due diligence on the research house, and the adviser remains responsible for the advice.
Why not the others:
- nothing further: a 'recommended' rating from a licensed research house is enough: a licence does not answer the conflict question, and a reasonable investigation needs more than a label.
- requiring a second research house's rating before any product is listed: a second rating is a sensible extra check, but it does not show whether the first house's methods and conflicts make its ratings reliable.
- whether each rating has been updated within the last 12 months: an up-to-date rating is a sensible check, but it can still be shaped by the same conflicts and unreviewed methods.
Rule: ASIC expects due diligence on any research report provider, considering its business model, conflicts of interest, product selection processes, methodology and ratings spread; research can be relied on to some extent, but the adviser remains responsible for the advice and must conduct a reasonable investigation (s961B(2)(e)).
Source: ASIC RG 175 AFS licensing: Financial product advisers—Conduct and disclosure (issued 21 Nov 2024), RG 175.248, 175.250–175.251; Corporations Act 2001 (Cth) s961B(2)(e) (compilation No. 149, 19 Sep 2026)

Ref 8d872c1c426a

QUESTION 15 · ANSWER C

Answer: loss aversion, shown as the disposition effect. Margaret accepts the shares no longer fit her goals yet will not realise the loss, holding a losing share until it gets back to what she paid.
Working:
1. Unrealised loss: A$50,000 – A$30,000 = A$20,000.
Why not the others:
- overconfidence in the quality of her own original stock picks: nothing in the scenario says she rates her own stock picking highly.
- herding with the other investors who still hold the share: she is not copying other investors.
- the availability heuristic, driven by recent news reports: nothing suggests news coverage is driving her.
Rule: Loss aversion is feeling losses more strongly than equal gains; its trading form, the disposition effect, is holding losers too long and selling winners too early, and an adviser can help by reframing the decision around her goals rather than the price she paid.
Source: Kahneman 2012; Pompian 2012 (ASIC Exam preparation guidance v6.0, Sept 2026, reading list)

Ref 1c63aed0d530

QUESTION 16 · ANSWER B

Answer: (i) True, (ii) False. Income protection replaces part of income after a waiting period, and a longer wait lowers the premium.
(i) True. Income protection pays a monthly benefit, typically a percentage of the person's income, once the waiting period ends, and keeps paying for a set benefit period while they cannot work.
(ii) False. A longer waiting period usually means a lower premium, not a higher one, because the insurer starts paying later and so pays for a shorter time.
Watch out: A client with plenty of sick leave or savings may choose a longer wait to save on premiums.
Rule: Explaining trade-offs such as waiting period against premium helps the client understand the costs and risks of the cover, as Standard 5 requires.
Source: Financial Planners and Advisers Code of Ethics 2019 (F2019L00117), Standard 5

Ref 3ac78ade8c1f

QUESTION 17 · ANSWER B

Answer: Her capacity for loss, which is low whatever her stated tolerance. Rhonda has one pool of savings and starts drawing on it next month, so a large early fall could permanently cut her income (sequencing risk).
Why not the others:
- Her age alone, applying a rule of thumb such as '100 minus age' in shares: A '100 minus age' rule ignores her drawdowns and her lack of other assets.
- Her stated tolerance: the client's own preference should prevail: Her stated tolerance is real and should be discussed, but a preference does not create the capacity to recover from losses.
- Her long retirement horizon, which justifies a high-growth portfolio: A long retirement does matter, yet with withdrawals starting at once, early losses are the bigger threat.
Rule: Risk tolerance is a client's willingness to accept volatility; risk capacity is her financial ability to absorb losses without harming her goals. Advice must rest on her relevant circumstances and be appropriate, and stated risk attitudes have known limits as a guide.
Source: Corporations Act 2001 (Cth) ss961B(2)(f), 961G (compilation No. 149, 19 Sep 2026); Hunt 2016 (ASIC Exam preparation guidance v6.0, Sept 2026, reading list)

Ref 3cff5a28fe09

QUESTION 18 · ANSWER C

Answer: Providing documents in an accessible format, with time to review them. Accessible formats (large print, screen-reader compatible files or audio) and time to review respect Oliver's independence and give him the same information as any client.
Why not the others:
- Talking him through the printed SOA in a meeting and recording his agreement: Talking him through the SOA helps, but he cannot later check what he agreed to, so recording his agreement adds little.
- Having a family member he trusts read him the SOA before he signs: A relative reading it to him shares his financial details and makes his understanding depend on someone else.
- Giving him a large-print one-page summary in place of the full SOA: A large-print summary is accessible, but it cannot replace the SOA, which is required for personal advice to a retail client.
Rule: Informed consent under Standard 4 needs the client to understand what he is agreeing to, which also supports Standard 5; accessibility supports understanding without removing legal requirements.
Source: Financial Planners and Advisers Code of Ethics 2019 (F2019L00117), Standards 4 and 5; Corporations Act 2001 (Cth) s946A (compilation No. 149, 19 Sep 2026)

Ref 6be1cd74df97

QUESTION 19 · ANSWER D

Answer: a reasonable adviser would expect Marco to be better off following it. That is the test ASIC applies in RG 244.63, whether or not a product is recommended.
Why not the others:
- the advice recommended at least one financial product to Marco: the note to RG 244.63 says advice that is not product specific, including advice to do nothing, can leave a client better off (also RG 175.173(d)).
- Lena completed a comprehensive fact-find before narrowing the scope: inquiries are scaled to the subject matter, so a comprehensive fact-find is not required (RG 244.71-244.72).
- Marco signed a form agreeing to the limited scope of the advice: a signed scope form does not show compliance, and an adviser cannot contract out of the duty (RG 244.83).
Rule: In assessing the s961B best interests duty, ASIC considers whether a reasonable advice provider would believe the client is likely to be in a better position by following the advice, so the reviewer is wrong.
Source: Corporations Act 2001 (Cth) s961B (compilation No. 149, 19 Sep 2026); ASIC RG 244 Giving information, general advice and scaled advice (Dec 2012, updated Dec 2021), RG 244.63, 244.71-244.72, 244.83; ASIC RG 175 AFS licensing: Financial product advisers—Conduct and disclosure (issued 21 Nov 2024), RG 175.173(d)

Ref 6ecd5ce038fc

QUESTION 20 · ANSWER A

Answer: take reasonable steps to explain the limited scope clearly to Sam. His comment shows he expects comprehensive advice.
Why not the others:
- give Sam a general advice warning as well as the Statement of Advice: a general advice warning belongs to general advice, not personal advice.
- get Sam's written agreement to the scope before she gives any advice: written agreement is not required and would not fix his misunderstanding.
- refer each excluded topic to another adviser at the same time as advising: referral may suit an important topic, but it is not required for every exclusion.
Watch out: Sam's belief that she is 'finally looking at everything' is the misunderstanding ASIC found in REP 279 (RG 244.88).
Rule: The advice provider must take reasonable steps to explain the limited scope clearly, including what will not be considered, so that a reasonable person would understand the limits; it is good practice to say why. The SOA must also set out the basis of the advice (s947B(2)(b)).
Source: ASIC RG 244 Giving information, general advice and scaled advice (Dec 2012, updated Dec 2021), Table 2, RG 244.85-244.90; Corporations Act 2001 (Cth) s947B(2)(b) (compilation No. 149, 19 Sep 2026)

Ref 48a3ccdb2c06

Next step: time yourself. Take the free 20-question timed mock (30 minutes, across all three areas; a free account at the end shows your score and worked answers) at adviserexamprep.com/free-mock.

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