

ifs Level 2 Certificate in Personal Finance (QCF) – 500 / 9897 / 4 and the **ifs** Certificate in Personal Finance (SCQF Level 5)

Unit 1: Personal Financial Encounters (PFE) H / 506 / 4843

Specimen paper: B

Answers and Justification document

This document has been designed to provide teachers and learners with clear information relating to specimen exam questions. The aim is to clarify the approach to answering questions, and identify why plausible distractors are incorrect.

The document consists of two sections as follows:

- **Answers** – this shows the question number, correct answer (A-D) and the syllabus reference.
- **Justification** – The justifications are brief explanations of why one answer is correct and the three others are incorrect. In this section the correct answer is highlighted in bold; followed by the syllabus reference. Underneath the justifications appear for each answer (A-D).

Note: When using this document you will need to refer to the specimen paper to which it relates and the relevant unit syllabus.

Answers and Justifications

Q1 **B** PFN1_1

- A It is because notes and coins change hands thousands of times.
- B Correct.
- C It is because notes and coins change hands thousands of times.
- D It is because notes and coins change hands thousands of times.

Q2 **A** PFN1_2

- A Correct.
- B This is a security feature used on bank notes.
- C This is a security feature used on bank notes.
- D This is a security feature used on bank notes.

Q3 **D** PFN1_3

- A There is no maximum legal tender limit for £2 coins in the UK.
- B There is no maximum legal tender limit for £2 coins in the UK.
- C There is no maximum legal tender limit for £2 coins in the UK.
- D Correct.

Q4 **A** PFN2_1

- A Correct.
- B Jobseeker's Allowance can be claimed by someone who is over 18 and under state pension age.
- C Jobseeker's Allowance can be claimed by someone who is over 18 and under state pension age.
- D Jobseeker's Allowance can be claimed by someone who is over 18 and under state pension age.

Q5 **C** PFN2_2

- A Someone who works for themselves is self-employed.
- B Someone who works for themselves is self-employed.
- C Correct.
- D Someone who works for themselves is self-employed.

Q6 **C** PFN3_1

- A It depends on how much they earn.
- B It depends on how much they earn.
- C Correct.
- D It depends on how much they earn.

Q7 **A** PFN4_1

- A Correct. John's earnings do not exceed the personal allowance.
- B Incorrect. This is 10% of his income.
- C Incorrect. This is 20% of his earnings.
- D Incorrect. This is 10% of the personal allowance.

- Q8 **B** PFN5_1
A They would find it best to have a current account.
B Correct.
C They would find it best to have a current account.
D They would find it best to have a current account.
- Q9 **A** PFN5_1
A Correct.
B The difference is that a notice period is required before a withdrawal can be made.
C The difference is that a notice period is required before a withdrawal can be made.
D The difference is that a notice period is required before a withdrawal can be made.
- Q10 **C** PFN5_2
A The sort code and account number are shown.
B The sort code and account number are shown.
C Correct.
D The sort code and account number are shown.
- Q11 **C** PFN6_1
A Keeping the money at home is easier.
B It is not expensive to open a savings account.
C Correct.
D Opening a savings account is not very complex.
- Q12 **A** PFN6_2
A Correct.
B Investments are for longer-term savings and therefore would not be suitable for Tom.
C Tom would need to give the bank warning before he draws his money from a notice account.
D Tom is unemployed so is unlikely to be able to save regularly.
- Q13 **C** PFN7_1
A This is known as shopping around.
B This is known as shopping around.
C Correct.
D This is known as shopping around.
- Q14 **C** PFN8_1
A This is only ten tins less the discount.
B This is the price of ten tins.
C Correct. $12 \text{ tins} \times \text{£}0.50 = \text{£}6$; $10\% \text{ of } \text{£}6 = \text{£}0.60$; $\text{£}6 - \text{£}0.60 = \text{£}5.40$.
D This is 12 tins at the usual price.

Q15 **C** PFN9_1

- A Incorrect. Gambling is risky, and the return is not guaranteed.
- B Incorrect. This is a gamble. You have a 1 in 57 chance of winning the minimum prize of £10.
- C Correct. Your investment is 100% safe. However, you do not earn any interest.
- D Incorrect. Some shares are riskier than others but you may lose all of your investment.

Q16 **D** PFN9_2

- A People buy Premium Bonds for the chance of winning a cash prize.
- B People buy Premium Bonds for the chance of winning a cash prize.
- C People buy Premium Bonds for the chance of winning a cash prize.
- D Correct.

Q17 **A** PFN10_1

- A Correct.
- B Exchange rates vary as demand/ supply changes.
- C Exchange rates vary as demand/ supply changes.
- D Exchange rates vary as demand/ supply changes.

Q18 **A** PFN11_1

- A Correct. He wins \$1,000 and decides to bank \$900 (and spend \$100). \$900 divided by 1.5 (the exchange rate) = £600.
- B 1,000 divided by 1.50.
- C 900 multiplied by 1.50.
- D 1,000 multiplied by 1.50.

Case Study 1 Answer and Justifications

Q19 **A** PFNCS1

- A Correct.
- B It is gross pay minus all deductions.
- C It is gross pay minus all deductions.
- D It is gross pay minus all deductions.

Q20 **D** PFNCS1

- A This is for National Insurance contributions.
- B This is connected to a bank account.
- C This is provided by the employer.
- D Correct.

- Q21 **C** PFNCS1
A Tax, National Insurance and pension contributions will appear every month.
B Tax, National Insurance and pension contributions will appear every month.
C Correct.
D Tax, National Insurance and pension contributions will appear every month.
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Case Study 2 Answer and Justifications

- Q22 **C** PFNCS2
A To withdraw money from an ATM you will need to enter your PIN.
B To withdraw money from an ATM you will need to enter your PIN.
C Correct.
D To withdraw money from an ATM you will need to enter your PIN.

- Q23 **D** PFNCS2
A A standing order would be the best for this purpose.
B A standing order would be the best for this purpose.
C A standing order would be the best for this purpose.
D Correct.

- Q24 **A** PFNCS2
A Correct.
B This applies to borrowing money.
C AER applies to savings account.
D This applies to mortgages.
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Case Study 3 Answer and Justifications

- Q25 **B** PFNCS3
A VAT is a form of expenditure tax. Capital gains tax is a type of income tax.
B Correct.
C VAT is a form of expenditure tax. Income tax is a tax on income, not spending.
D VAT is a form of expenditure tax. Inheritance tax is a type of income tax.

Q26 **D** PFNCS3

- A This assumes incorrectly that no VAT is payable.
- B £2.00 would be the amount if VAT were payable at 5%, but the rate is 20%.
- C £2.40 would be the amount if VAT were payable at 6%, but the rate is 20%.
- D Correct. £8.00 is 20% of £40 (40 divided by 100 multiplied by 20).

Q27 **A** PFNCS3

- A Correct. The VAT rate on newspapers and magazines is 0%.
- B This incorrectly assumes VAT is charged at 5% (£543 + 5%).
- C This incorrectly assumes VAT is charged at 15% (£496 + 15%).
- D This incorrectly assumes VAT is charged at 20% (£475 + 20%).

Case Study 4 Answer and Justifications

Q28 **B** PFNCS4

- A Commission is the provider's fee.
- B Correct.
- C Commission is the provider's fee.
- D Commission is the provider's fee.

Q29 **A** PFNCS4

- A Correct. $1201.5 \div 80.1 = £15$.
- B The correct answer is $1201.5 \div 80.1 = £15$.
- C The correct answer is $1201.5 \div 80.1 = £15$.
- D This is $1201.5 \div 100 \times 80.1$.

Q30 **C** PFNCS4

- A If you had $£100 \times 80.1 = 8,010$ rupees.
- B If you had $£100 \times 80.1 = 8,010$ rupees - 5% (400.5 rupees) = 7,609.5 rupees.
- C Correct. If you had $£100 \times 83.0 = 8,300$ rupees.
- D If you had $£100 \times 85.2 = 8,520$ rupees - 5% (426 rupees) = 8,094 rupees.