

# **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: D

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<b>Answers and Justification document</b>
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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 **C** PFN1\_1

- A Money can be any colour.
- B Money can be any design.
- C Correct. Recognisability is a key feature of money.
- D Providing it is portable, money can be any shape.

Q2 **D** PFN1\_2

- A Design aspects are important but they do not give assurance to people accepting banknotes that they are valid for payment.
- B Being easy to carry is important but it does not give assurance to people accepting banknotes that they are valid for payment.
- C The range of denominations is important but it does not give assurance to people accepting banknotes that they are valid for payment.
- D Correct. The security features of banknotes enable people to be confident in accepting them for payment.

Q3 **B** PFN1\_3

- A This is legal tender in the UK.
- B Correct. The maximum is 20p in 2p coins.
- C This is legal tender in the UK.
- D This is legal tender in the UK.

Q4 **C** PFN2\_1

- A This is a type of income.
- B This is a type of income.
- C Correct. This is a deduction from income.
- D This is a type of income.

Q5 **B** PFN2\_2

- A They are employees.
- B Correct.
- C They are employees.
- D They are employees.

Q6 **A** PFN3\_1

- A Correct.
- B Incorrect. NI = National Insurance.
- C Incorrect. NI = National Insurance.
- D Incorrect. NI = National Insurance.

- Q7     **B** PFN4\_1  
A     A 'personal allowance' is the amount you are allowed to earn before paying any income tax.  
B     Correct. A 'personal allowance' is the amount you are allowed to earn before paying any income tax.  
C     A 'personal allowance' is the amount you are allowed to earn before paying any income tax.  
D     A 'personal allowance' is the amount you are allowed to earn before paying any income tax.
- Q8     **A** PFN5\_1  
A     Correct.  
B     Joint accounts may be operated by just one of the parties to the account.  
C     Joint accounts may be operated by just one of the parties to the account.  
D     Joint accounts may be operated by just one of the parties to the account.
- Q9     **C** PFN5\_1  
A     These are usually added to a current account.  
B     These are usually added to a current account.  
C     Correct.  
D     These are usually added to a current account.
- Q10    **B** PFN5\_2  
A     It is not possible to do this using an ATM.  
B     Correct.  
C     It is not possible to do this using an ATM.  
D     It is not possible to do this using an ATM.
- Q11    **C** PFN6\_1  
A     Savers are not allowed to receive interest.  
B     Savers receive a share of the profit.  
C     Correct.  
D     Savers are not allowed to receive interest.
- Q12    **C** PFN6\_2  
A     He is saving with a credit union.  
B     He is saving with a credit union.  
C     Correct.  
D     He is saving with a credit union.
- Q13    **D** PFN7\_1  
A     VAT is the most common tax on expenditure.  
B     VAT is the most common tax on expenditure.  
C     VAT is the most common tax on expenditure.  
D     Correct.

Q14 **B** PFN8\_1

- A It is 5%.
- B Correct.
- C It is 5%.
- D It is 5%.

Q15 **A** PFN9\_1

- A Correct. There is no interest payable on Premium Bonds.
- B There is no interest payable on Premium Bonds.
- C There is no interest payable on Premium Bonds.
- D There is no interest payable on Premium Bonds.

Q16 **B** PFN9\_2

- A The greatest risk is that the company may go bust in which case the shares will be worthless.
- B Correct.
- C The greatest risk is that the company may go bust in which case the shares will be worthless.
- D The greatest risk is that the company may go bust in which case the shares will be worthless.

Q17 **D** PFN10\_1

- A Incorrect. The bills could be paid by a credit card but then they will be subject to interest, and they would have to be paid over the phone/on the Internet, which could incur a fee.
- B Incorrect. The bills could be paid by a debit card but they would have to be paid over the phone / on the internet, which could incur a fee.
- C Incorrect. Direct debit would be the most appropriate way to pay the bills, as it would be taken straight from the bank account for the necessary amount on a set date.
- D Correct. Travellers' cheques would be the least appropriate way to pay bills whilst on holiday as they are similar to cash, and if they have been ordered in a foreign currency then they will be subject to an exchange rate.

Q18 **B** PFN11\_1

- A The exchange rates are different so you would get back less.
- B Correct.  $50 \times 1.4725 = 73.625$  euros;  $73.625 \times 0.6525 = £48.04$ . The difference between the two is £1.96.
- C This is the amount of pounds you would get back, not the amount you would lose.
- D This is adding the difference between the two to the original amount.

### Case Study 1 Answer and Justifications

Q19 **C** PFNCS1

- A An employee works for someone else. Tom is self-employed.
- B An employer has other people working for them. Tom works on his own.
- C Correct. Someone who is self-employed works for themselves.
- D Someone who is unemployed is not working. Tom is self-employed.

Q20 **A** PFNCS1

- A Correct.
- B He is a casual worker.
- C He is a casual worker.
- D He is a casual worker.

Q21 **B** PFNCS1

- A In the UK, the minimum wage applies to all employees aged 16 and over.
- B Correct. In the UK, the minimum wage applies to all employees aged 16 and over.
- C In the UK, the minimum wage applies to all employees aged 16 and over.
- D In the UK, the minimum wage applies to all employees aged 16 and over.

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### Case Study 2 Answer and Justifications

Q22 **B** PFNCS2

- A He may lose the money if he does this. He should pay it into a savings account.
- B Correct.
- C A savings account is most likely to pay him interest on his money.
- D He may enjoy spending it but to get long-term benefit he should pay it into a savings account.

Q23 **B** PFNCS2

- A Increases in the price of goods will effectively reduce the value (or spending power) of Jon's money.
- B Correct.
- C Increases in the price of goods will effectively reduce the value (or spending power) of Jon's money.
- D Increases in the price of goods will effectively reduce the value (or spending power) of Jon's money.

- Q24    **D** PFNCS2  
A      They do not always offer the best returns.  
B      They are not all tax free.  
C      They are not available from all banks and building societies.  
D      Correct.
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**Case Study 3 Answer and Justifications**

- Q25    **A** PFNCS3  
A      Correct.  
B      This is because of a booking fee.  
C      This is because of a booking fee.  
D      This is because of a booking fee.

- Q26    **B** PFNCS3  
A      This is a hidden charge.  
B      Correct.  
C      This is a hidden charge.  
D      This is a hidden charge.

- Q27    **B** PFNCS3  
A      They are an easy way of shopping around.  
B      Correct.  
C      They are an easy way of shopping around.  
D      They are an easy way of shopping around.
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**Case Study 4 Answer and Justifications**

- Q28    **D** PFNCS4  
A      This is because of changes in exchange rates.  
B      This is because of changes in exchange rates.  
C      This is because of changes in exchange rates.  
D      Correct.

Q29    **B** PFNCS4

- A    He should take it to a bureau de change.
- B    Correct.
- C    He should take it to a bureau de change.
- D    He should take it to a bureau de change.

Q30    **A** PFNCS4

- A    Correct.
- B    The bank will be buying his unused currency.
- C    The bank will be buying his unused currency.
- D    The bank will be buying his unused currency.