

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

Unit 2: Money Management Solutions (MMS) D / 506 / 4842

Specimen paper: A

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 **A** MMS1_1

- A Correct.
- B This is a function of an ATM.
- C This is a function of an ATM.
- D This is a function of an ATM.

Q2 **A** MMS1_2

- A Correct. The amount could alter, which is why a direct debit rather than a standing order would be used.
- B This is set up by the customer and is always for a fixed amount.
- C A direct debit would be used.
- D A direct debit would be used.

Q3 **B** MMS1_3

- A Incorrect. Having an internet bank account would not increase your credit score.
- B Correct. Internet accounts usually provide 24-hour account access.
- C Incorrect. You do not need an internet bank account to make purchases online.
- D Incorrect. You cannot (generally) stop debit card payments with any type of account.

Q4 **A** MMS1_4

- A Correct.
- B A bank statement would be the most useful because it gives information about all transactions for the past month.
- C A bank statement would be the most useful because it gives information about all transactions for the past month.
- D A bank statement would be the most useful because it gives information about all transactions for the past month.

Q5 **D** MMS2_1

- A Incorrect. The cardholder's name appears on the front of a debit card.
- B Incorrect. The current account number appears on the front of a debit card.
- C Incorrect. The expiry date appears on the front of a debit card.
- D Correct. The security number appears on the back of a debit card.

Q6 **B** MMS2_2

- A This is not shown on the card.
- B Correct.
- C This is not shown on the card.
- D This is not shown on the card.

- Q7 **D** MMS2_3
A A debit card can be used to make online payments.
B A debit card can be used to pay for items in shops.
C A debit card can be used to obtain cashback in shops.
D Correct.
- Q8 **C** MMS2_4
A Credit cards and debits cards can both be used to make payments.
B Credit cards and debits cards can both be used to withdraw cash.
C Correct.
D A credit card is not linked to a current account, whereas a debit card is.
- Q9 **C** MMS3_1
A The annual equivalent rate (APR) is used to quote the interest rate paid on savings accounts.
B CPI is the abbreviation for the Consumer Prices Index.
C Correct. The equivalent annual rate (EAR) is used to quote the interest rate and fees charged on overdrafts.
D RPI is the abbreviation for the Retail Prices Index.
- Q10 **C** MMS4_1
A This is the amount Frank borrowed. He needs to repay this amount plus the interest. Interest is calculated as $(£3,000 \times 8\%) \times 5$.
B This is the amount borrowed (£3,000) plus just one year's interest, ie $£3,000 \times 8\% = £240$.
C Correct. £3,000 plus (8% of £3,000 x 5), ie $£1,200 = £4,200$.
D This figure is the amount borrowed (£3,000) plus ten years' interest.
- Q11 **D** MMS5_1
A It is usually because the seller insists on it.
B It is usually because the seller insists on it.
C It is usually because the seller insists on it.
D Correct.
- Q12 **B** MMS6_1
A Risks cannot be avoided.
B Correct.
C There is still some risk for the insured person.
D The risk remains.
- Q13 **D** MMS6_2
A The money that is paid for insurance cover is known as the premium.
B The money that is paid for insurance cover is known as the premium.
C The money that is paid for insurance cover is known as the premium.
D Correct.

- Q14 **C** MMS6_3
A A person can insure a spouse against death because they have an 'insurable interest'.
B Indemnity means a policyholder must not make a profit by claiming on their insurance.
C Correct.
D Utmost good faith means applicants must tell the truth when taking out an insurance policy.

- Q15 **B** MMS7_1
A The main use is to ensure that no-one has fraudulently accessed your account.
B Correct.
C The main use is to ensure that no-one has fraudulently accessed your account.
D The main use is to ensure that no-one has fraudulently accessed your account.

- Q16 **C** MMS7_2
A Incorrect. OD stands for overdrawn.
B Incorrect. OD stands for overdrawn.
C Correct.
D Incorrect. OD stands for overdrawn.

- Q17 **A** MMS8_1
A Correct. This is an example of an income.
B This is an expenditure or outgoing.
C This is an expenditure or outgoing.
D This is an expenditure or outgoing.

- Q18 **C** MMS9_1
A Incorrect. Billing queries would need to be directed to the bank making the charges.
B Incorrect. Complaints would be made to the financial services organisation or the Financial Ombudsman Service.
C Correct.
D Incorrect. The Citizens Advice will not provide investment advice; a financial adviser would be needed to do this.

Case Study 1 Answer and Justifications

- Q19 **D** MMSCS1
A Mortgages tend to be long-term finance.
B Mortgages tend to be long-term finance.
C Mortgages tend to be long-term finance.
D Correct.

- Q20 **B** MMSCS1
A This is the interest for the first month: 5% of 100,000 is £5,000 divided by 12 = £416.67.
B Correct. This is three months' interest.
C This figure is £100,000 divided by 5, divided by 100 x 12.
D This is the annual interest charged, £100,000 x 5%.

- Q21 **A** MMSCS1
A Correct.
B EAR relates to overdrafts only.
C If the rate were variable, it would change over the life of the loan.
D EAR relates to overdrafts only.

Case Study 2 Answer and Justifications

- Q22 **A** MMSCS2
A Correct.
B Incorrect. The term and repayments will depend on the amount borrowed but APR refers to the interest rate the borrower will pay.
C Incorrect. The APR is not affected by the borrower's income.
D Incorrect. Variable APR is not an estimate. It is the correct rate when quoted, but it may change in the future.

- Q23 **C** MMSCS2
A If your home is used as security for a loan and you miss payments your home could be repossessed.
B If your home is used as security for a loan and you miss payments your home could be repossessed.
C Correct.
D If your home is used as security for a loan and you miss payments your home could be repossessed.

- Q24 **B** MMSCS2
A The APR from Arrow Bank is 5.9%, making this loan more expensive than the Bettaloans loan at 5.7%.
B Correct. APR is 5.7% and the maximum loan is £25,000.
C The maximum loan from Helpmates is £20,000.
D The maximum loan from South Riding is £20,000.

Case Study 3 Answer and Justifications

Q25 **C** MMSCS3

- A Charge card debts usually have to be repaid immediately.
- B This would not spread the cost.
- C Correct.
- D This would not spread the cost.

Q26 **B** MMSCS3

- A Delivery is free, according to the advertisement.
- B Correct.
- C The interest rate is zero, according to the advertisement.
- D The offer applies to all furniture, according to the advertisement.

Q27 **A** MMSCS3

- A Correct. The advert says, 'Nothing to pay for the first year'.
- B The advert says, 'Nothing to pay for the first year'. This option is £1,200 divided by 24 months.
- C The advert says, 'Nothing to pay for the first year'. This option is £1,200 divided by 12 months.
- D This is the full amount that the sofa costs.

Case Study 4 Answer and Justifications

Q28 **C** MMSCS4

- A Mark is a restricted adviser. If he was independent, he would be able to sell products from the whole market and any provider.
- B Mark is a restricted adviser.
- C Correct.
- D Mark is a restricted adviser.

Q29 **A** MMSCS4

- A Correct.
- B Mark's sister is an independent financial adviser. If she was restricted she would only be able to sell products from a certain provider.
- C Mark's sister is an independent financial adviser.
- D Mark's sister is an independent financial adviser.

Q30 **C** MMSCS4

- A All types of financial adviser have to tell their customers upfront what they are going to earn from a sale.
- B All types of financial adviser have to tell their customers upfront what they are going to earn from a sale.
- C Correct. All types of financial adviser must disclose commissions.
- D All types of financial adviser have to tell their customers upfront what they are going to earn from a sale.