

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: 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 **D** MMS1_1

- A Incorrect. An account holder is not required to input their account number and sort code. They are required to enter their PIN.
- B Incorrect. An account holder is not required to input their account number. They are required to enter their PIN.
- C Incorrect. An account holder is not required to input their PIN and account number. They are only required to enter their PIN.
- D Correct.

Q2 **A** MMS1_2

- A Correct. A direct debit is a way of making regular payments, such as monthly.
- B A direct debit is a way of making regular payments.
- C A direct debit is a way of making regular payments.
- D A direct debit is a way of making regular payments.

Q3 **C** MMS1_3

- A Customers are provided with a user (or identification) name and password when they first apply for internet banking.
- B Customers are provided with a user (or identification) name and password when they first apply for internet banking.
- C Correct.
- D Customers are provided with a user (or identification) name and password when they first apply for internet banking.

Q4 **C** MMS1_4

- A They may ask you for this.
- B They may ask you for this.
- C Correct.
- D They may ask you for this.

Q5 **C** MMS2_1

- A A debit card can be used to obtain cash from shops (cashback).
- B A debit card can be used to obtain cash from an ATM.
- C Correct.
- D A debit card can be used to obtain cash from a bank.

Q6 **C** MMS2_2

- A Credit card payments are monthly.
- B Credit card payments are monthly.
- C Correct.
- D Credit card payments are monthly.

Q7 **D** MMS2_3

- A A credit card can be used for this.
- B A credit card can be used for this.
- C A credit card can be used for this.
- D Correct.

Q8 **B** MMS2_4

- A Karin is using a credit card.
- B Correct.
- C Karin is using a credit card.
- D Karin is using a credit card.

Q9 **C** MMS3_1

- A Incorrect. A store card is a way to make payments, not a way to save money.
- B Incorrect. A store card is a way to make payments, not a way to store money.
- C Correct.
- D Incorrect. Store cards tend to have high interest rates.

Q10 **B** MMS4_1

- A The annual percentage rate (APR) is used to calculate the cost of borrowing.
- B Correct.
- C The Retail Prices Index (RPI) is one measure of inflation.
- D Value added tax (VAT) is the tax added by the government on many purchases.

Q11 **A** MMS5_1

- A Correct. Train companies offer customers discounts off the price of the ticket for paying in advance.
- B Customers will have to pay for a season ticket.
- C Adding a premium to a price means charging more money. Train companies offer customers discounts off the price of the ticket for paying in advance.
- D Season tickets are sold in stations as well as online.

Q12 **D** MMS6_1

- A People take out insurance cover to spread the risk of something happening.
- B People take out insurance cover to spread the risk of something happening.
- C People take out insurance cover to spread the risk of something happening.
- D Correct.

Q13 **D** MMS6_2

- A Incorrect. It is to protect others, in case you are involved in a crash or an accident.
- B Incorrect. It is to protect others, in case you are involved in a crash or an accident.
- C Incorrect. It is to protect others, in case you are involved in a crash or an accident.
- 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 **D** MMS7_1
A A bank statement shows this information.
B A bank statement shows this information.
C A bank statement shows this information.
D Correct.
- Q16 **D** MMS7_2
A A minus sign in front of the balance means that the account is overdrawn.
B A minus sign in front of the balance means that the account is overdrawn.
C A minus sign in front of the balance means that the account is overdrawn.
D Correct.
- Q17 **B** MMS8_1
A This is essential expenditure.
B Correct. This is non-essential expenditure.
C This is essential expenditure.
D This is essential expenditure.
- Q18 **A** MMS9_1
A Correct.
B Citizens Advice is a charity, not a limited company.
C Citizens Advice is a charity. It is not funded by the Financial Conduct Authority.
D Citizens Advice is a charity. It is not run by the Financial Ombudsman Service.

Case Study 1 Answer and Justifications

- Q19 **A** MMSCS1
A Correct.
B This is known as cashback.
C This is known as cashback.
D This is known as cashback.

- Q20 **A** MMSCS1
A Correct.
B A debit card is a method of accessing money and so there is no interest rate directly applicable to a debit card.
C A debit card is a method of accessing money and so there is no interest rate directly applicable to a debit card.
D A debit card is a method of accessing money and so there is no interest rate directly applicable to a debit card.
- Q21 **D** MMSCS1
A Both debit and credit cards can be used to obtain cash from an ATM.
B Both debit and credit cards can be used to pay for items in shops.
C Both debit and credit cards can be used to pay for goods online.
D Correct.
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Case Study 2 Answer and Justifications

- Q22 **A** MMSCS2
A Correct.
B You would use a mortgage rather than a personal loan to purchase a house.
C This would mean borrowing money at a higher rate of interest to pay back money at a lower rate of interest so would not be suitable.
D You would use another mortgage rather than a personal loan.
- Q23 **B** MMSCS2
A An unsecured loan is one that is not backed by an asset.
B Correct.
C An unsecured loan is one that is not backed by an asset.
D An unsecured loan is one that is not backed by an asset.
- Q24 **D** MMSCS2
A This is 6.1% of £7,500.
B This is 9.9% of £7,500.
C This is £144.90 x 12 (Pegasus Bank's figures).
D Correct. £157.92 x 12 = £1,895.04.
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Case Study 3 Answer and Justifications

- Q25 **C** MMSCS3
A CHAPS is the best way.
B CHAPS is the best way.
C Correct.
D CHAPS is the best way.
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Q26 **C** MMSCS3

- A They do not have the money to pay for the furniture in their account, and anyway CHAPS is used for large purchases like buying a house or car, or for urgent payments that cannot be sent through the Faster Payments Service.
- B They do not have the money to pay for the furniture in their account, so they cannot write a cheque.
- C Correct. Using a credit card allows them to buy now and pay later.
- D They do not have the money to pay for the furniture in their account, so they cannot use a debit card.

Q27 **B** MMSCS3

- A These bills are most likely to be paid by direct debit.
- B Correct.
- C These bills are most likely to be paid by direct debit.
- D These bills are most likely to be paid by direct debit.

Case Study 4 Answer and Justifications

Q28 **A** MMSCS4

- A Correct. Citizens Advice will provide Paul with impartial debt counselling.
- B Citizens Advice would be the best for Paul to see.
- C Citizens Advice would be the best for Paul to see.
- D Citizens Advice would be the best for Paul to see.

Q29 **B** MMSCS4

- A He should prepare a budget, so that he can discuss it at the meeting.
- B Correct.
- C He should prepare a budget, so that he can discuss it at the meeting.
- D He should prepare a budget, so that he can discuss it at the meeting.

Q30 **D** MMSCS4

- A He should reduce his non-essential expenditure.
- B He should reduce his non-essential expenditure.
- C He should reduce his non-essential expenditure.
- D Correct.