

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: D

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 Incorrect. The FCA is responsible for the regulation of the finance industry.
C Incorrect. Link is an ATM network.
D Incorrect. Maestro is MasterCard's debit card brand.
- Q2 **C** MMS1_2
A Trisha should send a CHAPS payment.
B Trisha should send a CHAPS payment.
C Correct.
D Trisha should send a CHAPS payment.
- Q3 **D** MMS1_3
A This is a security feature.
B This is a security feature.
C This is a security feature.
D Correct. This is not a security feature.
- Q4 **C** MMS1_4
A This would be a good way to resolve complex issues.
B This would be a good way to resolve complex issues.
C Correct.
D This would be a good way to resolve complex issues.
- Q5 **C** MMS2_1
A This is not shown on the front of a debit card.
B This is not shown on the front of a debit card.
C Correct.
D This is not shown on the front of a debit card.
- Q6 **A** MMS2_2
A Correct. Interest will be added, so it will take longer and cost you more.
B You will not always be refused credit cards, as you are making repayments.
C You are making repayments so you won't automatically be made bankrupt.
D If you only pay the minimum, you may be considered a high risk, so your credit limit will not automatically be increased.

Q7 **B** MMS2_3

A The main purpose of a debit card is not so that customers can identify themselves; it is so that customers can access money from their account.

B Correct.

C The main purpose of a debit card is so that customers can access money from their account.

D The main purpose of a debit card is so that customers can access money from their account.

Q8 **C** MMS2_4

A This is a form of borrowing.

B This is a form of borrowing.

C Correct.

D This is a form of borrowing.

Q9 **C** MMS3_1

A Incorrect. Buying items on HP means you pay a set amount each month.

B Incorrect. You are buying the goods by paying a set amount each month, but they are not yours until paid for in full.

C Correct. Buying items on HP means you pay a set amount each month.

D Incorrect. Buying items on HP means you pay a set amount each month.

Q10 **B** MMS4_1

A On its own, this would not be a valid reason. It is because you need to be at least 18 years old to borrow money from a bank.

B Correct.

C On its own, this would not be a valid reason. It is because you need to be at least 18 years old to borrow money from a bank.

D On its own, this would not be a valid reason. It is because you need to be at least 18 years old to borrow money from a bank.

Q11 **A** MMS5_1

A Correct. A credit card bill is paid after you have bought the items.

B Incorrect. Magazine subscriptions are paid before you receive your first magazine.

C Incorrect. Pay-as-you-go has to be paid / credit bought before you can use your phone.

D Incorrect. Season tickets / Oyster cards require pre-payment, so you pay before you use the service.

Q12 **A** MMS6_1

A Correct.

B The insurance certificate is proof of insurance.

C The insurance certificate is proof of insurance.

D The insurance certificate is proof of insurance.

- Q13 **B** MMS6_2
A Health insurance will offer private healthcare in the event that hospital treatment is needed.
B Correct. There is no such thing as job insurance.
C Motor insurance is a legal obligation if you drive a car.
D This is a very common form of insurance used for travelling in the UK and abroad.
- Q14 **D** MMS6_3
A There must be an insurable interest. You cannot insure the life of a stranger because you have nothing to lose from this person's death.
B There must be an insurable interest. You cannot insure the life of a stranger because you have nothing to lose from this person's death.
C There must be an insurable interest. You cannot insure the life of a stranger because you have nothing to lose from this person's death.
D Correct.
- Q15 **B** MMS7_1
A They might need a statement to show a lender how much they earn. A statement is proof of where someone lives but you need photo ID as proof of identity.
B Correct. They might need a statement to show a lender how much they earn.
C They might need a statement to show a lender how much they earn.
D They might need a statement to show a lender how much they earn.
- Q16 **A** MMS7_2
A Correct.
B It will not always show this; for example, a cheque transaction does not have a location but a debit card transaction might show the name of the shop.
C It will not show this.
D It will not show this.
- Q17 **C** MMS8_1
A This is essential expenditure.
B This is essential expenditure.
C Correct. This is non-essential expenditure.
D This is essential expenditure.
- Q18 **D** MMS9_1
A Isma is a tied financial adviser.
B Isma is a tied financial adviser.
C Isma is a tied financial adviser.
D Correct.
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Case Study 1 Answer and Justifications

Q19 **D** MMSCS1

- A The Faster Payments Service relates to electronic payments.
- B The Faster Payments Service relates to electronic payments.
- C The Faster Payments Service relates to electronic payments.
- D Correct.

Q20 **A** MMSCS1

- A Correct. They are real-time payments so, are paid in minutes.
- B They are real-time payments.
- C They are real-time payments.
- D They are real-time payments.

Q21 **B** MMSCS1

- A The limit is £100,000.
- B Correct.
- C The limit is £100,000.
- D The limit is £100,000.

Case Study 2 Answer and Justifications

Q22 **D** MMSCS2

- A An individual savings account is used for saving money.
- B Mortgages are used to purchase property.
- C An overdraft is an expensive way of borrowing money.
- D Correct. Personal loans are commonly used to finance the purchase of cars.

Q23 **B** MMSCS2

- A Car finance is medium-term.
- B Correct.
- C Car finance is medium-term.
- D Car finance is medium-term.

- Q24 **B** MMSCS2
A Annual equivalent rates only apply to savings rates.
B Correct. The annual percentage rate applies to loans.
C ARR (annual rate of return) is an accounting term and is not connected with interest charged on finance.
D Equivalent annual rates only apply to overdrafts, not loans.
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Case Study 3 Answer and Justifications

- Q25 **D** MMSCS3
A Dino has paid by debit card.
B Dino has paid by debit card.
C Dino has paid by debit card.
D Correct.

- Q26 **A** MMSCS3
A Correct.
B This is known as cashback.
C This is known as cashback.
D This is known as cashback.

- Q27 **D** MMSCS3
A They must type in their PIN (personal identification number).
B They must type in their PIN (personal identification number).
C They must type in their PIN (personal identification number).
D Correct.
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Case Study 4 Answer and Justifications

- Q28 **A** MMSCS4
A Correct.
B Citizens Advice is a charity.
C Citizens Advice is a charity.
D Citizens Advice is a charity.

- Q29 **D** MMSCS4
A Citizens Advice is mainly staffed by volunteers.
B Citizens Advice is mainly staffed by volunteers.
C Citizens Advice is mainly staffed by volunteers.
D Correct.

- Q30 **A** MMSCS4
A Correct.
B A financial adviser will advise on this.
C A financial adviser will advise on this.
D A financial adviser will advise on this.
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