

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

## **Unit 3: Personal Finance Management (PFM) Y / 506 / 4841**

Specimen paper: B

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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

### Specimen Paper B

- Q1     **B** PFM1\_1  
A     BOGOF is the same as a 50% saving when buying two items.  
B     Correct.  
C     BOGOF is the same as a 50% saving when buying two items.  
D     BOGOF is the same as a 50% saving when buying two items.
- Q2     **D** PFM2\_1  
A     Salary is usually known and relatively stable.  
B     Income tax rates do not change on a monthly basis.  
C     Utility bills are usually relatively stable.  
D     Correct.
- Q3     **C** PFM3\_1  
A     Building societies are owned by their investing members, whereas banks have shareholders.  
B     Building societies are owned by their investing members, not by the government.  
C     Correct. Building Societies are mutuals. This means that they are owned by their investing members.  
D     Building societies are owned by their investing members, not by the Post Office.
- Q4     **D** PFM3\_1  
A     Insurance companies charge premiums.  
B     Insurance companies charge premiums.  
C     Insurance companies charge premiums.  
D     Correct.
- Q5     **D** PFM4\_1  
A     Whole-of-life cover is available throughout the whole lifetime of the policyholder.  
B     Whole-of-life cover is available throughout the whole lifetime of the policyholder.  
C     Whole-of-life cover is available throughout the whole lifetime of the policyholder.  
D     Correct.
- Q6     **D** PFM4\_1  
A     The Financial Services Compensation Scheme does cover deposits.  
B     The Financial Services Compensation Scheme does cover investments.  
C     The Financial Services Compensation Scheme does cover mortgages.  
D     Correct.

- Q7     **C** PFM5\_1  
A     Not having enough income to meet bills is a cause of overspending.  
B     Not having enough income to meet bills is a cause of overspending.  
C     Correct.  
D     Not having enough income to meet bills is a cause of overspending.
- Q8     **D** PFM5\_1  
A     Louise has an authorised overdraft.  
B     Louise has an authorised overdraft.  
C     Louise has an authorised overdraft.  
D     Correct.
- Q9     **C** PFM6\_1  
A     An unpaid county court judgment would cause them the most difficulty in obtaining credit.  
B     An unpaid county court judgment would cause them the most difficulty in obtaining credit.  
C     Correct.  
D     An unpaid county court judgment would cause them the most difficulty in obtaining credit.
- Q10    **B** PFM6\_1  
A     Citizens Advice would be the best.  
B     Correct.  
C     Citizens Advice would be the best.  
D     Citizens Advice would be the best.
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**Case Study 1 Answer and Justifications**

- Q11    **B** PFMCS1  
A     Shopping around means getting the best possible deal for you.  
B     Correct.  
C     Shopping around means getting the best possible deal for you.  
D     Shopping around means getting the best possible deal for you.
- Q12    **A** PFMCS1  
A     Correct.  
B     Incorrect. Depreciate means to go down in value.  
C     Incorrect. Depreciate means to go down in value.  
D     Incorrect. Depreciate means to go down in value.

- Q13 **C** PFMCS1  
A He does not need the money until one year from now.  
B This would be dangerous and will result in his insurance premiums soaring for a long time in the future.  
C Correct. Saving regularly will build up exactly enough required and also accumulate interest, rather than Jack having to pay interest and fees on a loan.  
D This would be the most expensive option even if his credit card limit was high enough.
- Q14 **C** PFMCS1  
A The lowest interest rate is usually the most important consideration when borrowing money.  
B The lowest interest rate is usually the most important consideration when borrowing money.  
C Correct.  
D The lowest interest rate is usually the most important consideration when borrowing money.
- Q15 **B** PFMCS1  
A As he is paid monthly, a monthly budget would be the best way to manage his finances.  
B Correct.  
C As he is paid monthly, a monthly budget would be the best way to manage his finances.  
D As he is paid monthly, a monthly budget would be the best way to manage his finances.

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### Case Study 2 Answer and Justifications

- Q16 **A** PFMCS2  
A Correct.  
B A budget would help Martin.  
C A budget would help Martin.  
D A budget would help Martin.
- Q17 **C** PFMCS2  
A Payment protection insurance will help him.  
B Payment protection insurance will help him.  
C Correct.  
D Payment protection insurance will help him.
- Q18 **D** PFMCS2  
A The Financial Services Compensation Scheme provides protection to savers in the event of the failure of their provider.  
B The Financial Services Compensation Scheme provides protection to savers in the event of the failure of their provider.  
C The Financial Services Compensation Scheme provides protection to savers in the event of the failure of their provider.  
D Correct.

Q19 **C** PFMCS2

- A Martin needs term assurance.
- B Martin needs term assurance.
- C Correct.
- D Martin needs term assurance.

Q20 **C** PFMCS2

- A He could then complain to the Financial Ombudsman Service.
  - B He could then complain to the Financial Ombudsman Service.
  - C Correct.
  - D He could then complain to the Financial Ombudsman Service.
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