

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: C

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 **B** PFN1_1

- A Money needs to be available in different amounts so you can buy things of different values and give change.
- B Correct.
- C Money is not inflation proof.
- D Money does not have to be made of paper.

Q2 **B** PFN1_2

- A The metallic thread is a key security feature.
- B Correct.
- C The metallic thread is a key security feature.
- D The metallic thread is a key security feature.

Q3 **B** PFN1_3

- A 20 pence in 1p coins is considered to be legal tender.
- B Correct. Any amount in excess of 20 pence in 2p coins is not considered to be legal tender.
- C £4 in 5p coins is considered to be legal tender.
- D £5 in 10p coins is considered to be legal tender.

Q4 **B** PFN2_1

- A This is weekly income for the unemployed.
- B Correct. This is not a regular (or reliable) source of income.
- C This is for retired people and it is a regular weekly/monthly income.
- D This is a person's monthly or weekly income.

Q5 **D** PFN2_2

- A Roxy is self-employed.
- B Roxy is self-employed.
- C Roxy is self-employed.
- D Correct.

Q6 **D** PFN3_1

- A Incorrect. They mean Statutory Sick Pay.
- B Incorrect. They mean Statutory Sick Pay.
- C Incorrect. They mean Statutory Sick Pay.
- D Correct.

- Q7 A PFN4_1**
A Correct. The amount of income tax you pay depends on how much you earn.
B The amount of income tax you pay depends on how much you earn, not on what you spend.
C The amount of income tax you pay depends on how much you earn, not on what kind of job you have.
D The amount of income tax you pay depends on how much you earn, not on where you live.
- Q8 B PFN5_1**
A Direct debits are most commonly paid from a current account.
B Correct.
C Direct debits are most commonly paid from a current account.
D Direct debits are most commonly paid from a current account.
- Q9 C PFN5_1**
A Overdrafts are intended for short-term finance and not linked to credit cards.
B A product such as hire purchase or a personal loan are more appropriate for long-term financing.
C Correct.
D Overdrafts are intended for short-term finance, and do not have fixed monthly repayments.
- Q10 B PFN5_2**
A These payments are best suited to direct debits.
B Correct.
C These payments are best suited to direct debits.
D These payments are best suited to direct debits.
- Q11 C PFN6_1**
A It is not easy access.
B It does not provide a guaranteed income.
C Correct.
D It is not necessarily tax free.
- Q12 A PFN6_2**
A Correct.
B This is a lending rate.
C AER would attract savers.
D This is a lending rate.
- Q13 A PFN7_1**
A Correct.
B There are standard rates for VAT and they apply across the UK.
C VAT is not linked to earnings.
D VAT cannot be reclaimed by people on low incomes.

Q14 **A** PFN8_1

- A Correct.
- B Children's clothes are zero-rated for VAT in the UK.
- C Children's clothes are zero-rated for VAT in the UK.
- D Children's clothes are zero-rated for VAT in the UK.

Q15 **C** PFN9_1

- A Interest is not paid on Premium Bonds.
- B The value of Premium Bonds does not alter over time.
- C Correct.
- D Premium Bonds are not traded on the stock market.

Q16 **C** PFN9_2

- A It requires consideration of risk and reward.
- B It requires consideration of risk and reward.
- C Correct.
- D It requires consideration of risk and reward.

Q17 **B** PFN10_1

- A It simply means there is no commission paid to the bureau for the transaction.
- B Correct. They will not charge a fee for currency exchanges.
- C It simply means there is no commission paid to the bureau for the transaction.
- D It simply means there is no commission paid to the bureau for the transaction.

Q18 **B** PFN11_1

- A Incorrect. $(20 \times 1.25 / 2)$.
- B Correct. $(20 / 1.25)$.
- C Incorrect. $(20 + 1.25)$.
- D Incorrect. (20×1.25) .

Case Study 1 Answer and Justifications

Q19 **C** PFNCS1

- A Incorrect. All staff have the same legal employment rights.
- B Incorrect. All staff have the same legal employment rights.
- C Correct.
- D Incorrect. All staff have the same legal employment rights.

- Q20 **A** PFNCS1
A Correct.
B The personal allowance is the amount of money a person can earn before being taxed.
C The personal allowance is the amount of money a person can earn before being taxed.
D The personal allowance is the amount of money a person can earn before being taxed.
- Q21 **C** PFNCS1
A She may now be able to claim Income Support, because she is working less than 16 hours per week.
B She may now be able to claim Income Support, because she is working less than 16 hours per week.
C Correct.
D She may now be able to claim Income Support, because she is working less than 16 hours per week.
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Case Study 2 Answer and Justifications

- Q22 **C** PFNCS2
A A common bond determines who can join a credit union.
B Credit unions tend to be small/ based around local communities.
C Correct.
D They are owned and controlled by their members.
- Q23 **A** PFNCS2
A Correct.
B Credit unions are owned by their members.
C Credit unions are owned by their members.
D Credit unions are owned by their members.
- Q24 **B** PFNCS2
A There is no age limit.
B Correct.
C There is a common bond which determines membership of a credit union.
D There is no salary limit.
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Case Study 3 Answer and Justifications

- Q25 **A** PFNCS3
A Correct.
B The government adds a duty to the cost of fuel.
C The government adds a duty to the cost of fuel.
D The government adds a duty to the cost of fuel.

- Q26 **C** PFNCS3
A This is an opportunity cost.
B This is an opportunity cost.
C Correct.
D This is an opportunity cost.

- Q27 **B** PFNCS3
A This is because of insurance premium tax.
B Correct.
C This is because of insurance premium tax.
D This is because of insurance premium tax.

Case Study 4 Answer and Justifications

- Q28 **B** PFNCS4
A This is the amount you would receive using the travel agency exchange rate minus commission.
B Correct. 100×1.46 (exchange rate is 146 euros to the £).
C This is the amount you would receive using the travel agency exchange rate before commission.
D This is using the bank exchange rate.

- Q29 **A** PFNCS4
A Correct. You would get €148 for £100.
B You would only get €146 for £100 but at the bank you would get €148.
C Because of commission you would only get €144.06 for £100 but the bank would give you €148.
D The bank provides a better rate than the other two.

Q30 **B** PFNCS4

A The more people buy, the less there will be and the higher the price.

B Correct.

C Exchange rates alter as a result of supply and demand.

D Exchange rates alter as a result of supply and demand.
