

## **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: A

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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 A

Q1 **D** PFM1\_1

- A The depreciation rate is 25%.
- B The depreciation rate is 25%.
- C The depreciation rate is 25%.
- D Correct.

Q2 **A** PFM2\_1

- A Correct.
- B A financial plan could also be described as a budget.
- C A financial plan could also be described as a budget.
- D A financial plan could also be described as a budget.

Q3 **D** PFM3\_1

- A Banks, building societies and credit unions are all financial intermediaries.
- B Banks, building societies and credit unions are all financial intermediaries.
- C Banks, building societies and credit unions are all financial intermediaries.
- D Correct.

Q4 **C** PFM3\_1

- A The Financial Conduct Authority oversees the financial services industry in the UK.
- B The Financial Conduct Authority oversees the financial services industry in the UK.
- C Correct.
- D The Financial Conduct Authority oversees the financial services industry in the UK.

Q5 **A** PFM4\_1

- A Correct.
- B Payment protection insurance usually covers accident, sickness and unemployment.
- C Payment protection insurance usually covers accident, sickness and unemployment.
- D Payment protection insurance usually covers accident, sickness and unemployment.

Q6 **A** PFM4\_1

- A Correct.
- B It means 'let the buyer beware'.
- C It means 'let the buyer beware'.
- D It means 'let the buyer beware'.

- Q7     **C** PFM5\_1  
A     An overdraft may offer a short-term solution.  
B     An overdraft may offer a short-term solution.  
C     Correct.  
D     An overdraft may offer a short-term solution.
- Q8     **A** PFM5\_1  
A     Correct.  
B     The fact that their overdraft has increased for one month does not necessarily mean that they are overspending there could have been a one-off emergency payment.  
C     Everyone pays interest on borrowings.  
D     Many people have to borrow money. It is not necessarily a sign of overspending.
- Q9     **B** PFM6\_1  
A     A debt Relief Order is only for people who owe less than £15,000.  
B     Correct.  
C     A Debt Relief Order comes to an end after 12 months, although it remains on a person's credit record for 6 years.  
D     A Debt Relief Order will affect the person's ability to get credit in the future.
- Q10    **B** PFM6\_1  
A     The long-term consequence might be that he may get a bad credit history which could prevent him from obtaining credit in the future.  
B     Correct.  
C     The long-term consequence might be that he may get a bad credit history which could prevent him from obtaining credit in the future.  
D     The long-term consequence might be that he may get a bad credit history which could prevent him from obtaining credit in the future.

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**Case Study 1 Answer and Justifications**

- Q11    **D** PFMCS1  
A     She should first complain to her bank.  
B     She should first complain to her bank.  
C     She should first complain to her bank.  
D     Correct.
- Q12    **C** PFMCS1  
A     After first approaching the bank she can then go to the Financial Ombudsman Service  
B     After first approaching the bank she can then go to the Financial Ombudsman Service  
C     Correct.  
D     After first approaching the bank she can then go to the Financial Ombudsman Service

Q13 **C** PFMCS1

- A The aim is to put her back into the financial position she would have been in had the bank not incorrectly charged her. So, she should receive her money back.
- B The aim is to put her back into the financial position she would have been in had the bank not incorrectly charged her. So, she should receive her money back.
- C Correct.
- D The aim is to put her back into the financial position she would have been in had the bank not incorrectly charged her. So, she should receive her money back.

Q14 **B** PFMCS1

- A This is the cost of borrowing, expressed as a percentage of the loan.
- B Correct.
- C The Data Protection Act protects personal information.
- D The EAR is used to calculate interest on overdrafts.

Q15 **A** PFMCS1

- A Correct.
- B Citizens Advice can help with this.
- C Citizens Advice can help with this.
- D Citizens Advice can help with this.

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### Case Study 2 Answer and Justifications

Q16 **B** PFMCS2

- A The provider must be regulated by the Financial Conduct Authority.
- B Correct.
- C The provider must be regulated by the Financial Conduct Authority.
- D The provider must be regulated by the Financial Conduct Authority.

Q17 **A** PFMCS2

- A Correct.
- B It does cover deposits.
- C It does cover insurance policies.
- D It does cover investment products.

Q18 **B** PFMCS2

- A The maximum amount is £85,000 per person, per provider.
- B Correct.
- C The maximum amount is £85,000 per person, per provider.
- D The maximum amount is £85,000 per person, per provider.

Q19 **B** PFMCS2

- A It will be repossessed.
- B Correct.
- C It will be repossessed.
- D It will be repossessed.

Q20 **C** PFMCS2

- A Payment protection insurance would have paid out when he became too ill to work.
- B Payment protection insurance would have paid out when he became too ill to work.
- C Correct.
- D Payment protection insurance would have paid out when he became too ill to work.