

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: D

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| Answers and Justification document |
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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 D

Q1 **B** PFM1_1

- A Incorrect. $250\text{g} = \text{£}0.40$.
- B Correct. $250\text{g} = \text{£}0.35$
- C Incorrect. $250\text{g} = \text{£}0.36$.
- D Incorrect. $250\text{g} = \text{£}0.38$.

Q2 **B** PFM2_1

- A This will not affect his budget.
- B Correct.
- C This should already be in his budget.
- D This should already be in his budget.

Q3 **D** PFM3_1

- A Incorrect. Most of the major banks in the UK are owned by shareholders.
- B Incorrect. Most of the major banks in the UK are owned by shareholders.
- C Incorrect. Most of the major banks in the UK are owned by shareholders.
- D Correct. Most of the major UK banks are privately owned, which means that they are owned by their shareholders.

Q4 **B** PFM3_1

- A This is a type of general insurance.
- B Correct.
- C This is a type of general insurance.
- D This is a type of general insurance.

Q5 **D** PFM4_1

- A The Financial Ombudsman Service was set up to settle disagreements between financial providers and their customers.
- B The Financial Ombudsman Service was set up to settle disagreements between financial providers and their customers.
- C The Financial Ombudsman Service was set up to settle disagreements between financial providers and their customers.
- D Correct.

Q6 **A** PFM4_1

- A Correct.
- B The Financial Ombudsman Service does deal with complaints about banking.
- C The Financial Ombudsman does deal with complaints about insurance.
- D The Financial Ombudsman does deal with complaints about mortgages.

- Q7 **C** PFM5_1
A This is essential expenditure.
B This is essential expenditure.
C Correct. These are an optional expenditure and more expensive than buying food at the supermarket and cooking it herself.
D This is essential expenditure.
- Q8 **A** PFM5_1
A Correct.
B The card company is unlikely to reduce the interest rate.
C The card will not be withdrawn just because she only makes the minimum monthly payment.
D The card limit is unlikely to be increased each month.
- Q9 **A** PFM6_1
A Correct.
B The most immediate impact is that charges will begin to mount up.
C The most immediate impact is that charges will begin to mount up.
D The most immediate impact is that charges will begin to mount up.
- Q10 **C** PFM6_1
A Incorrect. It is the house itself rather than the contents that act as security.
B Incorrect. Your house would be sold.
C Correct.
D Incorrect. Your house would be sold.

Case Study 1 Answer and Justifications

- Q11 **C** PFMCS1
A He pays £4.50. $£0.25 \times 20 \text{ oranges} = £5$. 10% of £5 is £0.50. $£5 - £0.50 = £4.50$.
B He pays £4.50. $£0.25 \times 20 \text{ oranges} = £5$. 10% of £5 is £0.50. $£5 - £0.50 = £4.50$.
C Correct.
D He pays £4.50. $£0.25 \times 20 \text{ oranges} = £5$. 10% of £5 is £0.50. $£5 - £0.50 = £4.50$.
- Q12 **B** PFMCS1
A He pays £2. $£0.40 \times 5 \text{ oranges}$ with another 5 oranges for free.
B Correct.
C He pays £2. $£0.40 \times 5 \text{ oranges}$ with another 5 oranges for free.
D He pays £2. $£0.40 \times 5 \text{ oranges}$ with another 5 oranges for free.

Q13 **D** PFMCS1

- A He should be able to manage to carry them if he uses two bags.
- B Oranges do not need to be stored in special containers.
- C Oranges are not necessarily cheaper in the supermarket.
- D Correct.

Q14 **A** PFMCS1

- A Correct.
- B Credit card would be the best for this purchase. If he pays off the balance on his next statement in full, he will pay no interest on the borrowing.
- C Credit card would be the best for this purchase. If he pays off the balance on his next statement in full, he will pay no interest on the borrowing.
- D Credit card would be the best for this purchase. If he pays off the balance on his next statement in full, he will pay no interest on the borrowing.

Q15 **C** PFMCS1

- A He should reduce his planned expenditure to cover the cost of the juice maker.
- B He should reduce his planned expenditure to cover the cost of the juice maker.
- C Correct.
- D He should reduce his planned expenditure to cover the cost of the juice maker.

Case Study 2 Answer and Justifications

Q16 **A** PFMCS2

- A Correct.
- B She is overspending.
- C She is overspending.
- D She is overspending.

Q17 **D** PFMCS2

- A An overdraft is ideal for short-term borrowing needs.
- B An overdraft is ideal for short-term borrowing needs.
- C An overdraft is ideal for short-term borrowing needs.
- D Correct.

Q18 **B** PFMCS2

- A The debt may take longer than a year to clear.
- B Correct.
- C The debt will not be cleared immediately.
- D The debt will be cleared eventually.

Q19 **A** PFMCS2

- A Correct. Many people take out personal finance for various reasons.
- B This could be a sign that the customer might have financial problems.
- C This could be a sign that the customer might have financial problems.
- D This could be a sign that the customer might have financial problems.

Q20 **C** PFMCS2

- A A county court judgment is the result of legal action taken by a lender or creditor.
 - B A county court judgment is the result of legal action taken by a lender or creditor.
 - C Correct.
 - D A county court judgment is the result of legal action taken by a lender or creditor.
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