

ifs Level 3 Certificate in Financial Studies (CeFS) – 501/0049/X

Why Money Matters (WMM) – K/501/8463

Specimen paper: A
Length of examination: 60 minutes

Instructions to learners

1. Open this question paper when instructed to do so.
2. Answer **all** questions.
3. Use the examination answer sheets provided for your answers. Please do **not** note your answers in this booklet, as they will **not** be recorded.
4. Read the instructions on both sides of the answer sheet carefully.
5. Before you leave the examination room you **must** hand in all the examination materials including the answer sheet and question paper.

Information for learners

1. Basic silent desktop calculators with + - x / % and memory functions are allowed. Scientific, programmable or calculators with any additional functions are not allowed.

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ifs School of Finance

IFS House
4-9 Burgate Lane
Canterbury
Kent
CT1 2XJ

T 01227 818609

F 01227 784331

E customerservices@ifslearning.com

1. What is the term for directly exchanging goods or services instead of using money?
 - A Bartering.
 - B Dealing.
 - C Swapping.
 - D Trading.

2. Which function of money provides the opportunity for buyers and sellers to enter into credit agreements?
 - A Means of exchange
 - B Standard for deferred payment
 - C Store of value
 - D Unit of account

3. Which of the following features of money do notes and coins in the UK **not** possess?
 - A Divisibility.
 - B Fiduciary value.
 - C Intrinsic value.
 - D Recognisability.

4. Which of the following is **not** an attribute of money?
 - A Acceptability.
 - B Affordability.
 - C Homogeneity.
 - D Recognisability.

5. At which stage in the personal life cycle is someone **most likely** to have a mortgage?
- A Mature adult.
 - B Old age.
 - C Retirement.
 - D Teenager.
6. Which of the following personal life cycle stages is **most likely** to involve significant responsibilities for budgeting and ensuring that income covers expenditure?
- A Birth and childhood.
 - B Teenager.
 - C Young adult.
 - D Mature.
7. In which of the personal life cycle stages does expenditure often rise when income falls?
- A Young adult.
 - B Mature adult.
 - C Middle age.
 - D Old age.
8. Which of the following personal life cycle stages can potentially take place out of the normal chronological order?
- A Teenager.
 - B Mature adult.
 - C Old age.
 - D Death.

9. Which of the following public services has provided more career options for individuals and allowed them to become more 'socially and upwardly mobile'?

- A Education.
- B Health.
- C Social.
- D Welfare.

10. The age structure in the UK is changing. The population is **best** described as:

- A ageing.
- B reducing.
- C retiring.
- D socialising.

11. Someone's opinion about 'what is good' and 'what is bad' will be influenced the **most** by which of the following?

Their:

- A finances.
- B gender.
- C size.
- D values.

12. A financial services investment product is based specifically on shares in companies which care for the environment and support children's charities.

This type of investment is known as:

- A behavioural.
- B economic.
- C ethical.
- D financial.

13. Which of these 'wants' is really an 'aspiration'?

Wanting to:

- A be a dentist.
- B be able to pay the monthly rent.
- C go on a beach holiday.
- D wear fashionable clothes.

14. Which of these following 'wants' is really a 'need'?

Wanting to:

- A be a teacher.
- B buy a flashy sports car.
- C buy the weekly food shopping.
- D visit nightclubs every weekend.

15. Which statement is **most accurate** about our needs, wants and aspirations?

- A Although peoples' obligations change their needs, wants and aspirations will remain the same.
- B An individual's needs and wants never change throughout their life cycle.
- C As people get older, their lives change and so do their needs, wants and aspirations.
- D As people get older, their needs will change but their wants and aspirations will remain the same.

16. Which group of people provides a person with 'the norm' of behaviour that they may need, want or aspire to?

- A Advertisers.
- B Media.
- C Peers.
- D Role model.

17. Whilst still at school, Sally starts a part-time job and begins to receive regular wages which she is keen to keep safe, but which she also wants to be able to access and use easily and quickly.

Which financial services solution would help Sally the most?

- A Borrowing.
- B Investment.
- C Protection.
- D Transaction.

18. A couple with children want to enjoy a family holiday. During each winter month they have a small excess of income over expenditure, which they wish to use to help them pay for the holiday in the summer.

Which financial services solution would help them?

- A Borrowing.
- B Investment.
- C Savings.
- D Transaction.

19. Anna has received £10,000 from an aunt, but she does not need the money for at least ten years. Over this period she wishes to maximise growth potential. What type of financial services product should she consider?

- A Investing in the stock market.
- B Purchasing general insurance.
- C Putting money into a building society account.
- D Taking out a bank loan.

20. What is the **benefit** of a personal pension plan over other forms of investment?

It:

- A allows the purchase of an annuity.
- B includes some insurance cover.
- C is not a long-term commitment.
- D is tax-efficient.

21. Which of the following methods is **most** appropriate, safe and convenient for a regular payment, such as a mobile phone bill, but which may be for a different amount from month-to-month?

- A Cash payment.
- B Cheque.
- C Direct debit.
- D Standing order.

22. Which of the following features of investments make them different from savings?

- A Regular statements of accounts are issued to update the investor.
- B The source of funds is money not required for everyday living.
- C There may be some risk of losing as well as gaining.
- D They are a physically safe place for money rather than 'under the mattress.'

23. Which of the following statements is **true**?

- A Borrowing can mean that an individual has opportunities and can make purchases of goods and services that they could not otherwise afford.
- B Borrowing is relatively cheap and will always be economically advantageous for the borrower.
- C Taking protection against future eventualities is designed to make an individual better off than they were originally.
- D The cost of protection will always exceed the benefits.

24. Maggie is on a trip from London to Edinburgh, but her car breaks down before reaching Scotland. She decides to stay in a hotel for the night and arrange to get the car repaired in the morning.

What is the **most likely** way that she will pay the hotel bill?

- A Credit card.
 - B Direct debit.
 - C Online.
 - D Standing order.
25. Bonds that are issued directly by the UK Government are known as which of the following?
- A Gilts.
 - B Investment Bonds.
 - C National bonds.
 - D Premium Bonds.
26. Which form of borrowing would someone typically pay back over the longest period?
- A Credit card.
 - B Mortgage.
 - C Overdraft.
 - D Personal loan.
27. For the price of a pair of trainers in the UK you could buy five pairs in Vietnam. What is the **main** reason for this?
- A Inflation.
 - B Interest rates.
 - C Opportunity cost.
 - D Purchasing power.

28. £100 will generally buy less goods in ten years' time. Why is this?

- A Credit risk.
- B Exchange rates.
- C Inflation.
- D Interest rates.

29. Gamma Bank is quoting an interest rate of 4%, APR 4.9%.

The 4% rate is known as the:

- A banner rate.
- B compound rate.
- C headline rate.
- D net rate.

30. Which of the following is **least** relevant when considering the costs of taking out a loan?

The:

- A administration fees.
- B arrangement fee.
- C method of charging interest.
- D rate of inflation.

31. Ignoring charges, how many euros can you purchase with £100 if the exchange rate is 1 pound = 1.25 euros?

- A 12.5 euros.
- B 80 euros.
- C 125 euros.
- D 100 euros.

32. The difference between the buying and selling exchange rate is referred to as which of the following?
- A Arrangement fee.
 - B Commission.
 - C Interest rate.
 - D Spread.
33. What is the Consumer Prices Index (CPI)?
- A A method of calculating the current value of money.
 - B A method of comparing buying power across countries.
 - C A way of expressing interest rates.
 - D A way of measuring inflation.
34. Which of the following would have the **greatest impact** on the real value of money over time?
- A Inflation.
 - B State benefits.
 - C Statistics.
 - D The population.
35. Why would a building society want to convert to a bank?
- To:
- A offer transaction services.
 - B raise cash for capital investment.
 - C reduce conflict between shareholders and customers.
 - D release profits to members.

36. Which of the following are the two **main** categories of insurance offered by an insurance company?
- A Annual and Regular.
 - B General and Long-term.
 - C Household and Life.
 - D Motor and Pensions.
37. Which of the following led to high street banks being able to offer a wide range of services, including insurance, mortgages, credit cards and investments?
- A Competition.
 - B Demutualisation.
 - C Deregulation.
 - D Financial exclusion.
38. Retail organisations, such as Tesco, Asda and Sainsbury's, have been able to enter the financial services market **mostly** because of which of the following?
- A Customers trust their brands.
 - B Customers visit them every day.
 - C They are nationwide chains.
 - D They have vast car parking spaces.
39. Which type of financial services provider normally uses a branch based distribution system?
- A Building societies.
 - B Insurance companies.
 - C Investment companies.
 - D Tied financial advisers.

40. Which of the following is **not** a major benefit to a bank of promoting its products on its website?

To:

- A reach a wide audience.
- B reduce printing costs.
- C save on postage.
- D sell complex products.

41. Financial services regulation protects the consumer from:

- A administration errors occurring.
- B fluctuations in the price of shares.
- C insolvency of insurers.
- D misleading advertisements.

42. When someone buys something, the basic rule is:

- A caveat emptor.
- B post script.
- C pro rata.
- D ultra vires.

43. What **must** a financial adviser declare to the consumer when providing advice?

- A How long they have been qualified.
- B How much commission they will be earning.
- C How much experience they have.
- D What their previous role was.

44. Which organisation was set up to deal specifically with customer complaints?

- A Financial Ombudsman Service.
- B Financial Services Authority.
- C Financial Services Compensation Scheme.
- D Office of Fair Trading.

45. Who pays for the services provided by the Financial Ombudsman Service?

The:

- A consumer.
- B financial services industry.
- C government.
- D local authorities.

46. Where the regulator looks into a potential adviser's honesty, resources, skills and knowledge, this is known as what type of check?

- A Competency.
- B Fit and proper.
- C Professionalism.
- D Reliability.

47. Jake is in financial difficulties. Which of the following is the **most suitable** organisation that may be able to assist him?

The:

- A Citizens Advice.
- B Financial Ombudsman Service.
- C Financial Services Authority.
- D Office of Fair Trading.

48. Which of the following statements about consumer protection is **true**?

Consumer protection:

- A does not guarantee that processing mistakes will not happen.
- B has eliminated fraud and money laundering in the UK.
- C has reduced the number of financial services providers in the UK.
- D means that it is impossible for errors of any kind to happen.

49. When entering into a personal loan agreement it is important for customers to:

- A calculate the APR.
- B know the provider's solvency margin.
- C understand the terms for early repayment.
- D understand their risk profile.

50. Andrew, a depositor with Reliable Bank Plc, receives formal notification that the bank has gone out of business. He does, however, have protection from the:

- A Banking Sector Protection Scheme.
- B Financial Ombudsman Service.
- C Financial Services Compensation Scheme.
- D Office of Fair Trading.