The London Institute of Banking & Finance

Level 3: Certificate in Financial Studies (CeFS) 600 / 8537 / X

Unit 2 – Financial Capability for the Medium and Long Term (FCML) D / 504 / 8110

Examination Date: 21 June 2019

Session Code: S19622

Length of examination: 1 hour 45 minutes

Instructions for learners

1. Open this question paper when instructed to do so.
2. Answer **one** case study from a choice of two.
3. Spelling, punctuation and grammar (SPAG) will be assessed in **question 3** of case study 1 and in **question 3** of case study 2.
4. Use the examination answer sheets provided for your answers. Please do **not** note your answers in this booklet, as they will **not** be recorded.

Information for learners

1. Case study information and data will be provided. **No** other books, papers or aids may be used in this examination.
2. Silent non-programmable (including scientific) calculators are allowed. Programmable calculators are **not** allowed.
3. The figures and products featured were correct at the time of writing. Use the information and interest rates provided in the case studies for your answers. You are **not** expected to know the current interest rates of specific products and services, nor to have a detailed knowledge of changes to particular products and services.

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Case study 1 begins on page 3

Answer all questions from only one of the following two case studies.

Case study 1

Stephen must now make a decision. He has seen three policies that he needs to choose between to make sure he is driving his Fiesta legally. These three options are in the following product table:

Product table for question 1.3 begins on page 4

Product table for question 1.3

Provider	Diamond	Admiral	Admiral
Insurance type	Third party, fire and theft	Third party, fire and theft	Fully comprehensive
Premium	£5,034	£4,934	£5,290
Timing of payment	Annual only, no monthly option	Annual only, no monthly option	Annual only, no monthly option
Policy excess (compulsory)	£250	£250	£500
Cover limitations	No courtesy car No personal protection No protected no claims discount	No courtesy car No personal protection No protected no claims discount	No breakdown cover No motor legal protection
Additional features	Key cover protection Driving abroad Sound equipment cover	Key cover protection Driving abroad Sound equipment cover	Personal accident included Courtesy car included
Important terms and conditions	Personal accident cover available at £27 Courtesy car is not available Breakdown cover available at £45 Motor legal protection available at £30	Personal accident cover available at £27 Courtesy car is not available Breakdown cover available at £45 Motor legal protection available at £30	Breakdown cover available for £45 Motor legal protection available for £30

Case study questions

1	1	Using examples from the case study, analyse how the cost of purchasing car insurance changes for different genders and over the course of a consumer's lifetime.	(10 marks)

1	2	Using examples from the case study, analyse the impact of the increase in fraudulent insurance claims on consumers' ability to purchase car insurance.	(10 marks)

1	3	Evaluate the three policies shown in the product table in the question paper and recommend the most appropriate policy for Stephen.	(15 marks + 5 SPAG)

Non-case-study questions

3	1	Describe the advantages and disadvantages to consumers of seeking advice regarding the best car insurance policy from a whole-of-market insurance adviser compared to an employee of an insurance company such as Churchill.	(5 marks)

3	2	Describe the possible consequences for a person who fails to keep up repayments on a mortgage.	(5 marks)

3	3	List five (and only five) factors that could influence the amount of the monthly repayment on a mortgage.	(5 marks)

3	4	Analyse the importance of each of the stages in the financial planning process.	(10 marks)

Total: 65 marks

Case study 2 begins on page 7

Case study 2

Sachi has found three products that she might be interested in and has listed the information in the product table below:

Product table for question 2.3

	Druids Sheffield **Tax exempt with life assurance 10 years**	**OneFamily Family Bond tax-free savings plan (based in Brighton)**	**Sheffield Mutual tax-exempt savings plan**
Maturity value	£3,020	£3,031	£2,940
Growth	1.5%	3.0%	1.0%
Sum assured	£2,700	£2,250	£2,840
Life cover	Yes	Yes	Yes
Slogan	"We offer a range of financial products for all the family, that are simple, flexible and affordable"	"Modern family finance for all of us"	"For you, your family, your future"
Established	1858	1970s	1892

Case study questions begin on page 8.

Case study questions

2	1	Discuss how Sachi paying for life cover and a tax-exempt savings plan illustrates the possible trade-off between risk and reward.	(10 marks)

2	2	Discuss why Sachi might be tempted to open a savings account with a friendly society.	(10 marks)

2	3	Evaluate the three solutions in the product table in the question paper and recommend, with reasons, the most appropriate solution for Sachi.	(15 marks + 5 SPaG)

Non-case-study questions

3	1	Describe the advantages and disadvantages to consumers of seeking advice regarding the best car insurance policy from a whole-of-market insurance adviser compared to an employee of an insurance company such as Churchill.	(5 marks)
3	2	Describe the possible consequences for a person who fails to keep up repayments on a mortgage.	(5 marks)
3	3	List five (and only five) factors that could influence the amount of the monthly repayment on a mortgage.	(5 marks)
3	4	Analyse the importance of each of the stages in the financial planning process.	(10 marks)

Total: 65 marks