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: 30 April 2018

Session Code: S18421

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

Udish decided to find out more about the accounts that might be suitable for him. He wasn't sure where to get the best advice, and so he gathered a range of leaflets direct from the banks themselves, their websites and from comparison websites to look into the range of accounts further.

Case study questions

1 1 Describe the impact that external pressures may have on Udish's financial circumstances when he goes to university. (10 marks)

1 2 Analyse the importance for Udish of following the steps for financial planning. (10 marks)

1 3 Evaluate the three products in the product table and recommend, with reasons, the most appropriate solution for Udish, taking into account the following three points:

- the advantages and disadvantages of using advice from friends and family;
- the features and benefits of each product in relation to Udish's circumstances;
- the potential impact of making the wrong decision.

(15 marks) + (5 SPAG marks)

Product table for question 1.3

Bank account	0% overdraft limit	Incentives	Unarranged overdraft fees	In-credit interest	Follow on account after graduation
Santander 123 Student Current Account	Up to £1,500	4 year railcard	£5 per day (up to 10 days per month) Paid transaction fees – £5 per transaction Unpaid transaction fees – £10 per transaction	1% £100 balance 2% balance of £200+ 3% up to £2,000	Overdrafts assessed on case by case basis
HSBC Student Bank Account	Up to £3,000	£60 Amazon gift card and 1 year Prime Student	None	None	No follow on – HSBC give two months' notice to allow graduates to change account
RBS Student Account	Up to £2,000	4 year National Express coach card	£8 per day for 10 days per month Unpaid transaction fee – £8	None	Graduate account allows the £2,000 limit for a further year

Non-case-study questions

3 1	List five ways (and only five ways) in which the FSCS protects a person who is a customer of a bank that has been declared in default.	(5 marks)
3 2	Describe how you would assess if a data or information source is valid when proposing a financial decision or plan, using examples.	(10 marks)
3 3	Describe the key features of charges on borrowing.	(5 marks)
3 4	Describe why, under the Ijara (lease to own) method, there is no conflict of principle under Sharia law.	(5 marks)

TOTAL: 65 marks

Case study 2

Nina has just read that the bank base rate is due to go up next month and suspects that this may have an impact on her financial plans.

Case study questions

2 1 Describe the impact that external pressures may have on Nina's financial circumstances when she has invested her money. (10 marks)

2 2 Compare the suitability of different types of advice available to Nina when choosing an investment/savings product. (10 marks)

2 3 Discuss the three products in the product table and recommend, with reasons, the most appropriate solution for Nina, taking into account the following three points:

- Nina's personal circumstances;
- the features of each product in the table;
- the likely impact of external factors on the suitability of each product.

(15 marks) + (5 SPAG marks)

Product table for question 2.3

	Premium Bonds	Income Bonds	Marks & Spencer UK 100 Companies Fund
Minimum deposit	£100	£500	£100
Maximum deposit	£50,000	£1,000,000	No maximum
Availability/access	Payments made 7 days after request to sell the Premium Bonds	No notice, no penalty	All or part of the investment can be withdrawn at any time and sold at the selling price at the time of sale. This may be more or less than the original purchase price.
Term of investment	No fixed term	No fixed term	No fixed term, but recommended medium to long term
Interest rate	No interest payment but chance to win prizes every month	0.75% gross/AER, paid monthly	No interest, but fund is designed to grow in value and profit is realised at the point of sale
Taxation	Tax free	Not taxed at source, but counts towards your Personal Savings Allowance	Capital Gains Tax is liable for any gains made on sale of the units above £11,300 (in 2017/18)
Charges	Just the purchase price of the bonds	None	0.60% of the value of your fund Stockbroker fees

Non-case-study questions

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TOTAL: 65 marks