

T Level Technical Qualification in Finance

Specimen assessment material for first teaching

September 2022

Time: 2 hours 30 minutes

Paper Reference **XXXX/01**

Paper 2: Application of Finance

You must have a calculator.

Total Marks

Instructions

- Use **black** ink or a ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- There are two sections in this question paper. Answer **all** questions in Section A and Section B.
- Answer the questions in the spaces provided
– *there may be more space than you need.*

Information

- The total mark for this paper is 90.
- The marks for each question are shown in brackets.
– *use this as a guide to how much time to spend on each question.*

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

SXXXXXA

SECTION A

Answer ALL questions. Write your answers in the spaces provided.

1 Give **one** benefit to the consumer of the Payment Service Directive 2 (PSD2). (1)

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(Total for Question 1 = 1 mark)

2 Give **two** roles of the Financial Conduct Authority (FCA). (2)

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(Total for Question 2 = 2 marks)

3 Explain the purpose of the Public Interest Disclosure Act (PIDA). (2)

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(Total for Question 3 = 2 marks)

4 A bank informs a business that it must purchase a loan protection insurance policy when taking out a loan.

Give one reason why this is an example of mis-selling.

(1)

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(Total for Question 4 = 1 mark)

5 Explain the way in which a business can protect an invention.

(2)

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(Total for Question 5 = 2 marks)

6 Explain **two** ways that a firewall might help to ensure the internet security of a financial business.

(4)

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(Total for Question 6 = 4 marks)

SECTION B

Answer ALL questions. Write your answers in the spaces provided.

Scenario 1

The following is an extract from a recent online article on *Merlyn Bank*.

***Merlyn Bank* - an interview with Soosyan Li**

The CEO and founder of *Merlyn Bank*, Soosyan Li, spoke to our financial correspondent about the bank, its good reputation and its success.

What is *Merlyn Bank*?

Merlyn is a new fully licensed digital bank regulated by the FCA. We provide a mobile banking app as well as debit and credit cards that enable users to manage their finances. We are based in the UK but attract customers from across Europe and southeast Asia.

What factors do you feel have contributed to the popularity and success of *Merlyn Bank*?

We are a user friendly bank, offering great products and services. For our new current account we have added real-time notifications sent to your phone as you spend and an alert if you have insufficient funds.

We have expanded our product portfolio in the last year by offering a full range of mortgages, from fixed rates to off-set mortgages depending upon the financial priorities of our individual customers. In addition to our prospective customers using our chat bots to carry out most of the mortgage comparison and application process online, our mortgage specialists are available to speak to these customers on a one-to-one basis.

Merlyn is also currently one of the few digital banks to pay interest on the balances you hold in your current account and we allow you to send money abroad without incurring fees. We are considering offering accounts that allow you to buy and sell cryptocurrencies which would enable you to exchange any of our featured currencies into digital currencies for a small fee.

We are also very proud of our staff. We have a gender-diverse team from all over the world and all are actively welcomed and supported. We believe that our staff are our greatest resource and keeping them up-to-date with the world of finance is vital. Training is a priority, and we ensure that all staff are aware of relevant and current legislation and regulations which are applied to businesses in the financial sector of the economy.

What do you think should be one of the main priorities for today's Fintech industries?

We think we should be kinder to the planet and at *Merlyn* we try to do our bit. We are branchless, paperless and run on renewable energy. Our debit and credit cards are made from recycled plastic, and we plant thousands of trees every month.

You must use Scenario 1 to answer questions 8a - 8d.

8 (a) Explain the regulatory change that *Merlyn Bank* has implemented for its new current account.

(2)

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b) Explain **one** method that *Meryln Bank* uses to make it a sustainable business.

(2)

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c) Explain the risk to a customer of buying cryptocurrencies from *Merlyn Bank*.

(3)

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Scenario 2

After studying for a finance degree at university Paul and Morgan Quadril set up *Quadril Family Finance (QFF)* as a partnership. This business was set up with the help of financial support from their father who owns *Foundation Wealth Management (FWM)*.

The partnership's business model is based upon providing micro-loans to would-be entrepreneurs and inclusive finance to low-income individuals. *QFF* has been trading for 15 years but is suffering from some financial difficulties.

The business has always rented the same out-of-town premises, but recently there has been an increase in vandalism and damage to buildings in the area. This has led to an increase in insurance costs, and this, added to rising rental costs, has meant that the partners have tried to implement efficiency savings. They have removed the HR function, have appointed new staff through a quick telephone interview, and have put all staff training on hold.

However, the operational management team at *QFF* are blaming the current poor performance of the business on its complicated processes and procedures and staff being afraid to speak out for fear of losing their jobs. They also contend that Paul and Morgan are failing to address issues of poor staff conduct with their current clients such as failing to review client history, not listening to the needs of clients and using hard sell tactics. A further problem is that although customer complaints are acknowledged by staff no further action is taken.

In response to these issues the partners have implemented a new business model for growth. Paul is now focusing on providing advice to high net worth clients who are seeking a wealth management specialist to maximise their returns from their investment portfolio. Paul recommends *FWM*, their father's business, to these clients as the company providing the best solution to meet their financial priorities. In return Paul's father pays a commission to Paul which is above that normally paid to other agents making referrals.

You must use Scenario 2 to answer questions 9a - 9d.

9 a) Explain the potential conflict of interest which may arise in the partnership's new business model. █

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b) Explain the potential regulatory implication for *QFF* with the way that it deals with complaints. █

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(Total for Question 9 = 26 marks)

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Scenario 3

The Perfect Place (TPP) is a long-established restaurant owned and managed as a partnership by husband and wife, Piotr and Catrin. *TPP* is located in a coastal town in the south of England and operates from rented premises with Piotr and Catrin living in a flat above the restaurant. It has recently introduced a new range of vegan and vegetarian meals using locally sourced produce which has increased restaurant bookings. To cope with demand they took out a £15 000 bank loan to upgrade the catering equipment in the kitchens at *TPP*.

Piotr and Catrin play an active role in the community and each year donate part of their profits to local refugee community groups. When Piotr and Caitlin met with the bank manager of a major UK commercial bank to discuss the loan, the bank manager asked if they would support the bank's work with local community groups. The bank is keen to support initiatives aimed at combatting modern slavery and human trafficking which forms part of the implementation of its Corporate Social Responsibility (CSR) policy.

A friend has referred them to an insurance broker who specialises in both insurance and mortgage financial advice to help each of them with their financial planning and their future insurance needs.

Piotr is almost 60 years old and has been paying into a defined contribution pension plan for 40 years. Next year Piotr intends to retire and move to Spain, but would remain a partner in the business in England. Piotr has two choices when the pension matures:

- withdraw all the funds in the pension plan
- withdraw part of the funds in the pension plan and use the remainder of the funds to purchase an annuity

As a retired person, Piotr will only be allowed to move to Spain if the necessary financial means of supporting themselves are in place.

Catrin is 55 years old but has no plans for retirement. Catrin wants to stay in England and continue running the restaurant, especially as the owner of the business premises is considering selling the property to *TPP* at below its current market value.

Piotr and Catrin are now considering the options available to them to finance the purchase of their business premises, one of which is surrendering Catrin's life insurance policy which still has 5 years remaining before it matures.

You must use Scenario 3 to answer questions 10a - 10e.

10 a) Explain how 'consideration' applies to Piotr and Catrin's rental agreement with their business landlord.

(2)

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b) Explain **two** factors that Piotr and Catrin should take into account if they meet with an insurance broker rather than an Independent Financial Adviser (IFA).

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c) Explain **one** reason why the bank would wish to support local initiatives which combat human trafficking. |

(3)

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Total for Question 10 = 30 marks)

TOTAL FOR SECTION B = 72 MARKS

TOTAL FOR PAPER = 90 MARKS