

LIBF

LIBF Level 3: UK Financial Regulation (UKFR)

Specimen paper: A
Length of examination: 2 hours

Instructions to candidates

1. Do **not** open this question paper until instructed to do so.
2. This question paper consists of 100 questions. Each question carries **one** mark.
3. Answer all questions.

Information for candidates

1. Basic silent desktop calculators with + - x / % and memory functions are allowed. Scientific, programmable or calculators with any additional functions are not allowed.
2. No other books, papers or aids may be used in this examination.

Note: Taxation rates for the year 2024/25 apply in this examination.

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Unit 1: ITFS

1. Which of the following is an example of the process of disintermediation?
 - A A bank offering savings accounts.
 - B A building society agreeing to offer a mortgage.
 - C An insurance company underwriting an application for term assurance.
 - D Crowdfunding.

2. A building society has liabilities of £900m.
What **maximum** amount, if anything, is the building society permitted to raise on the wholesale markets?
 - A Nil.
 - B £225m.
 - C £450m.
 - D £900m.

3. Jenny has taken advantage of the HMRC marriage allowance and had an element of her personal tax allowance transferred to her husband John.
This **must** mean that:
 - A Jenny earns less than her personal allowance and does not pay income tax.
 - B Jenny is an additional-rate taxpayer.
 - C John is a higher-rate taxpayer.
 - D John was registered as blind in the current tax year and earns less than the personal allowance.

4. The key macroeconomic objective of most governments does **not** include:
 - A balance of payments equilibrium.
 - B high unemployment.
 - C price stability.
 - D satisfactory economic growth.

5. The Financial Services Compensation Scheme (FSCS) provides protection for those with deposit-based savings and investments in the event that:
- A incorrect advice is given in respect of the most suitable type of account to use.
 - B interest rates are reduced.
 - C investment returns fail to match expectations.
 - D the account provider becomes insolvent.
6. Gilt-edged securities in the UK are considered to be safe investments, because they:
- A are backed by assets held by the central clearing bank, which underwrites payment of interest and capital.
 - B are securities issued by the UK government and the government is unlikely to default on interest or capital repayments.
 - C are regulated by the Financial Conduct Authority.
 - D invest in physical assets, such as property and gold, that can be sold to realise redemption proceeds.
7. A new gilt issue has received wide publicity in the financial press, in which it has been referred to as 'medium-dated'. However, the UK Debt Management Office has described it as 'short-dated'.
- It will therefore be for which of the following terms?
- A Two years.
 - B Four years.
 - C Six years.
 - D Eight years.
8. If a company distributes 25% of its profits in the form of dividends to shareholders, what is the dividend cover?
- A 4.
 - B 8.
 - C 10.
 - D 25.

9. A public limited company wishes to raise additional finance by issuing more shares to its existing shareholders.
- It is taking which of the following actions?
- A Arranging a commercial loan.
 - B Delaying dividend payments.
 - C Making a rights issue.
 - D Making a scrip issue.
10. An important consideration when evaluating an investment in buy-to-let property is that:
- A an annual wear and tear allowance can always be claimed in respect of furnishings in the property.
 - B property is not always a liquid investment.
 - C stamp duty land tax is not payable.
 - D the benefits are greater for higher-rate taxpayers.
11. In respect of income received from dividends, which of the following statements is **true**?
- A Dividend income from equities is subject to capital gains tax.
 - B Dividends are normally paid annually.
 - C Stamp duty reserve tax is payable on all dividends paid.
 - D Tax will be paid on dividend income if it exceeds an individual's dividend allowance.
12. A key **difference** between a debenture and a loan stock issued by a company is that a debenture:
- A can be converted to ordinary shares in the company.
 - B does not provide a charge over the company's stock of goods.
 - C is secured on the assets of the company.
 - D pays a fixed rate of interest.