

THE CHARTERED INSURANCE INSTITUTE



FA5

Certificate in Investment Operations

FA5 – Individual Savings Accounts administration

**Based on the 2017/2018 syllabus
examined until 31 August 2018**

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FA5 – Individual Savings Accounts administration

Based on the 2017/2018 syllabus examined until 31 August 2018

Introduction

This examination guide has been produced by the Examinations Department at the Chartered Insurance Institute to assist students in their preparation for the FA5 examination. It contains a specimen examination with answer key.

Ideally, students should have completed the majority of their studies before attempting the specimen examination. Students should allow themselves one hour to complete the examination. They should then review their performance to identify areas of weakness on which to concentrate the remainder of their study time.

Although the specimen examination in this guide is typical of a FA5 examination, it should be noted that it is not possible to test every single aspect of the syllabus in any one particular examination. To prepare properly for the examination, candidates should make full use of the tuition options available and read as widely as possible to ensure that the whole syllabus has been covered. They should also endeavour to keep as up-to-date as possible with developments in the industry by reading the periodicals listed in the FA5 reading list, which is located on the syllabus in this examination guide and on the CII website at www.cii.co.uk.

Background Information

CII examination questions undergo a rigorous writing and editing process before reaching an examination. The questions are written to strict guidelines by practitioners with relevant technical knowledge and experience. Questions are very carefully worded to ensure that all the information required to answer the question is provided in a clear and concise manner. They are then edited by an independent panel of experienced practitioners who have been specifically trained to ensure that questions are technically correct, clear and unambiguous. As a final check, each examination is scrutinised by the Senior Examiner and a CII assessment expert.

Occasionally a question will require amendment after the examination guide is first published. In such an event, the revised question will be published on the CII website:

- 1) Visit www.cii.co.uk/qualifications
- 2) Select the appropriate qualification
- 3) Select your unit on the right hand side of the page

Candidates should also refer here for the latest information on changes to law and practice and when they will be examined.

Syllabus

The FA5 syllabus is published on the CII website at www.cii.co.uk. **Candidates should note that the examination is based on the syllabus, rather than on any particular tuition material.** Of course, the CII tuition material will provide the vast majority of the information required to perform well in the examination, but the CII recommends that students consult other reference materials to supplement their studies.

Skill Specification

The skill level tested in each examination question is determined by the syllabus. Each learning outcome specifies the level of skill required of candidates and thus the level at which candidates may be tested. Learning outcomes for FA5 encompass the skill levels of *know* or *understand*. Different skill levels lead to different types of question, examples of which follow.

Know - Knowledge-based questions require the candidate to recall factual information. Typically questions may ask 'What', 'When' or 'Who'. Questions set on a *know* learning outcome can only test knowledge.

Understand - To answer questions based on understanding, the candidate must be able to link pieces of information together in cause-and-effect relationships. Typically questions may ask 'Why'. Questions set on an *understand* learning outcome can test either knowledge or understanding or both Skill Specification.

Examination Information

The method of assessment for the FA5 examination is 50 multiple choice questions (MCQs). 1 hour is allowed for this examination.

The FA5 syllabus provided in this examination guide will be examined from 1 September 2017 until 31 August 2018.

Candidates will be examined on the basis of English law and practice in the tax year 2017/2018 unless otherwise stated.

The general rule is that the new tax year and changes arising from the Finance Act will be examined from 1 September each year. Other changes, not related to the Finance Act, will not be examined earlier than 3 months after they come into effect.

A multiple choice question consists of a problem followed by four options, labelled A, B, C and D, from which the candidate is asked to choose the correct response. Each question will contain only one correct or best response to the problem posed.

One mark is awarded for each correct response identified by the candidate. No mark is awarded if the candidate either chooses an incorrect response, chooses more than one response or fails to choose any response. No marks are deducted for candidates choosing an incorrect response.

While no questions involve complex calculations, candidates are permitted to use calculators during the examination. If you bring a calculator into the examination room, it must be a silent battery or solar-powered non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.

Candidates are permitted to make rough notes. Candidates are **not** permitted, under any circumstances, to remove any papers relating to the examination from the examination room.

Examination Technique: Multiple Choice Questions

The best approach to multiple choice examinations is to work methodically through the questions.

The questions are worded very carefully to ensure that all the information required is presented in a concise and clear manner. It cannot be emphasised too strongly that understanding the precise meaning of the question is vital. If candidates miss a crucial point when reading the question it could result in choosing the wrong option. Candidates should read carefully through the question and all the options before attempting to answer.

Candidates should pay particular attention to any words in the question which are emphasised in bold type, for example, **maximum**, **minimum**, **main**, **most**, **normally** and **usually**. Negative wording is further emphasised by the use of capital letters, for example **NOT**, **CANNOT**.

Candidates should not spend too much time on any one question. If they cannot make up their mind, they should leave the question and come back to it later.

When all of the questions have been answered, it is prudent to use any remaining time to go through each question again, carefully, to double-check that nothing has been missed. Altering just one incorrect response to a correct response could make the difference between passing and failing.

After the Examination

Rigorous checks are made to ensure the correctness of the results issued. A pre-defined quota of passes to be awarded does not exist. If all candidates achieve a score of at least the pass mark, then all candidates will be awarded a pass grade. Individual feedback on the candidate's examination performance is automatically provided and will indicate the result achieved and, for each syllabus learning outcome, the percentage of questions in the examination that were answered correctly.

Individual Savings Accounts administration

Purpose

At the end of this unit, candidates should understand the:

- main features and uses of Individual Savings Accounts;
- ISA investors and applications;
- ISA withdrawals, closure, deaths of investors, transfers;
- HMRC rules concerning ISAs.

Summary of learning outcomes	Number of questions in the examination*
1. Know the main features and uses of Individual Savings Accounts (ISAs).	2
2. Understand ISA investors and applications.	8
3. Know the regulation and authorisation of ISAs.	4
4. Know ISA investment rules and restrictions.	7
5. Understand income and tax claims.	5
6. Understand ISA holder rights.	2
7. Know the charges and expenses of ISAs.	3
8. Understand ISA withdrawals, closure, the death of an investor, transfers.	11
9. Know ISA returns of information and HMRC inspections.	5
10. Understand the different features and administrative requirements of junior ISAs and Child Trust Funds.	3

*The test specification has an in-built element of flexibility. It is designed to be used as a guide for study and is not a statement of actual number of questions that will appear in every exam. However, the number of questions testing each learning outcome will generally be within the range plus or minus 2 of the number indicated.

Important notes

- **Method of assessment:** 50 multiple choice questions (MCQs). 1 hour is allowed for this examination.
- This syllabus will be examined from 1 September 2017 until 31 August 2018.
- Candidates will be examined on the basis of English law and practice in the tax year 2017/2018 unless otherwise stated.
- Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:
 1. Visit www.cii.co.uk/qualifications
 2. Select the appropriate qualification
 3. Select your unit on the right hand side of the page

- 1. Know the main features and uses of Individual Savings Accounts (ISAs).**
 - 1.1 Identify the basic features of ISAs.
 - 1.2 Describe the main uses of ISAs for saving, security for a loan and retirement.
- 2. Understand ISA investors and applications.**
 - 2.1 Describe the main requirements and issues associated with ISA applications.
 - 2.2 Describe the cancellation and cooling-off procedures.
- 3. Know the regulation and authorisation of ISAs.**
 - 3.1 Describe the key legislative basis of ISAs.
 - 3.2 Describe how ISAs are authorised and withdrawn, including the main parties, processes and considerations involved.
- 4. Know ISA investment rules and restrictions.**
 - 4.1 Describe the ISA investment rules and restrictions.
- 5. Understand income and tax claims.**
 - 5.1 Describe the tax treatment of various forms of ISA income.
 - 5.2 Describe the manager's responsibilities and appropriate actions concerning tax claims.
- 6. Understand ISA holder rights.**
 - 6.1 Describe the manager's obligations to ISA holders.
- 7. Know the charges and expenses of ISAs.**
 - 7.1 Describe charges and expenses of ISAs.
 - 7.2 Explain the exit and transfer charges applicable to ISAs.
- 8. Understand ISA withdrawals, closure, the death of an investor, transfers.**
 - 8.1 Identify the issues and actions necessary to deal with ISA withdrawals, closures and the death of an investor.
 - 8.2 Identify the issues and processes involved in transferring ISAs and ISA account managers.
- 9. Know ISA returns of information and HMRC inspections.**
 - 9.1 Identify the HMRC requirements for annual ISA returns.
 - 9.2 Describe the HMRC inspection regime and the handling of breaches.
- 10. Understand the different features and administrative requirements of junior ISAs and Child Trust Funds.**
 - 10.1 Identify the main features and administrative requirements of junior ISAs and Child Trust Funds.

Reading list

The following list provides details of various publications which may assist you with your studies.

Note: The examination will test the syllabus alone.

The reading list is provided for guidance only and is not in itself the subject of the examination.

The publications will help you keep up-to-date with developments and will provide a wider coverage of syllabus topics.

CII/PFS members can borrow most of the additional study materials below from Knowledge Services. CII study texts can be consulted from within the library.

New materials are added frequently - for information about new releases and lending service, please go to www.cii.co.uk/knowledge or email knowledge@cii.co.uk.

CII study texts

Individual savings accounts administration. London: CII. Study text FA5.

Factfiles and other online resources

CII factfiles are concise, easy to digest but technically dense resources designed to enrich the knowledge of members. Covering general insurance, life and pensions and financial services sectors, the factfile collection includes key industry topics as well as less familiar or specialist areas with information drawn together in a way not readily available elsewhere. Available online via www.cii.co.uk/ciifactfiles (CII/PFS members only).

Recent developments in investment product design. Nick Edwards.

Additional articles and technical bulletins are available under the Personal Finance section of the website at www.cii.co.uk/knowledge/personal-finance.

Journals and magazines

Financial adviser. London: FT Business. Weekly. Also available online at www.ftadviser.com.

Financial times. London: Financial Times. Daily. Also available online at www.ft.com.

Personal finance professional (previously Financial solutions). London: CII. Six issues a year. Also available at www.thepfs.org/knowledge (CII/PFS members only).

Money management. London: FT Business. Monthly. Also available via www.ftadviser.com.

Reference materials

Dictionary of banking and finance. P H Collin. A&C Black, 2005.*

Harriman's financial dictionary: over 2,600 essential financial terms. Edited by Simon Briscoe and Jane Fuller. Petersfield: Harriman House, 2007.*

Lamont's glossary: the definitive plain English money and investment dictionary. Barclay W Lamont. 10th ed. London: Taxbriefs, 2009. Also available online via www.cii.co.uk/lamont (CII/PFS members only).

*Also available as an ebook through Discovery via www.cii.co.uk/discovery (CII/PFS members only).

Examination guides

An examination guide, which includes a specimen paper, is available to purchase via www.cii.co.uk.

If you have a current study text enrolment, the current examination guide is included and is accessible via Revisionmate (www.revisionmate.com). Details of how to access Revisionmate are on the first page of your study text.

It is recommended that you only study from the most recent versions of the examination guides.

Exam technique/study skills

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements.

The Insurance Institute of London holds a lecture on revision techniques for CII exams approximately three times a year. The slides from their most recent lectures can be found at www.cii.co.uk/iilrevision (CII/PFS members only).

1. Gregg is a higher-rate taxpayer and has already utilised his dividend allowance for the tax year 2017/2018. What rate of tax, if any, will Gregg pay on a dividend paid from the ISA during the current tax year?
 - A. Nil.
 - B. 7.5%
 - C. 32.5%
 - D. 40%

2. Barbara, aged 50, is a higher-rate taxpayer and has recently invested £5,000 in a cash ISA to save towards her retirement. What conditions apply to this investment?
 - A. She is not permitted to withdraw the funds until she reaches a minimum age of 55.
 - B. She is permitted to withdraw a maximum of 25% of the funds with no personal tax liability.
 - C. She is permitted to withdraw any amount of the funds at anytime with no personal tax liability.
 - D. She must use at least 75% of the fund to provide an income in retirement.

3. Alice lives in France with her husband, who is a UK Crown employee. She currently makes subscriptions to both a cash ISA and a stocks and shares ISA. If Alice divorces her husband and remains in France, what is her eligibility for continuing her ISA subscriptions?
 - A. She is eligible to subscribe to both ISAs for a maximum of 90 days following the divorce.
 - B. She is eligible to subscribe to the cash ISA for the remainder of the tax year only.
 - C. She is eligible to subscribe to the stocks and shares ISA for the remainder of the tax year only.
 - D. She is no longer eligible to subscribe to either ISA.

4. Billy lives on a houseboat for which he does **NOT** have home mooring. What rule therefore applies regarding his eligibility to subscribe to an ISA?
 - A. He may subscribe if he can provide an acceptable correspondence address.
 - B. He may subscribe once he has established a home mooring address.
 - C. HM Revenue & Customs may offer special dispensation if he can provide the permanent residential address of a close relative.
 - D. HM Revenue & Customs may offer special dispensation if a close relative can confirm his identity.

5. If an investor submits an ISA application form containing his home address without the postcode, what action should the ISA manager take in relation to this omission?
 - A. Arrange for a PO Box number with postcode and enter that postcode.
 - B. Delay processing the application until the postcode is available.
 - C. Enter a generic, temporary postcode.
 - D. Process the application, obtaining the postcode from the investor when it becomes available.

6. Lucy permanently resides in Spain and does **NOT** work, but is still eligible for a new stocks and shares ISA. This entitlement results from the fact that she
- A. has funded ISAs in previous tax years.
 - B. is the civil partner of a UK Crown employee.
 - C. receives a UK State Pension.
 - D. regularly transfers funds to a UK bank account.
7. Due to the omission of the date of birth on an application form, the ISA manager opened an ISA account on a provisional basis. In these circumstances, what **maximum** period does HM Revenue & Customs recommend the customer be given to provide the missing information?
- A. 3 weeks.
 - B. 30 days.
 - C. 6 weeks.
 - D. 60 days.
8. An investor subscribed £2,000 into a cash ISA in the tax year 2017/2018, but exercised his cancellation rights. What is the **maximum** amount that he is permitted to subscribe to another cash ISA in the same tax year as a consequence?
- A. £4,128
 - B. £8,000
 - C. £18,000
 - D. £20,000
9. John lives permanently in the Channel Islands and wants to subscribe to a cash ISA for the tax year 2017/2018. In what circumstances is he eligible?
- A. In all circumstances.
 - B. If he is a UK crown employee.
 - C. If he spends a minimum of 183 days per year in the Channel Islands.
 - D. If he has subscribed to an ISA in a previous tax year.
10. Olivia has recently applied for a stocks and shares ISA over the telephone. In order for the application to be valid, the ISA manager **must**
- A. check if Olivia has made a written application previously.
 - B. make a written declaration and notify Olivia of its contents.
 - C. obtain Olivia's written signature.
 - D. request that Olivia return a paper application form.
11. Who has **primary** responsibility for dealing with queries and claims from ISA managers?
- A. The Bank of England.
 - B. Financial Conduct Authority.
 - C. HM Savings Scheme Office.
 - D. HM Treasury.

12. A financial services firm intends to cease acting as a cash ISA manager for cash ISAs. What **minimum** period of notice **must** be provided to HM Revenue & Customs?
- A. 30 days.
 - B. 60 days.
 - C. 90 days.
 - D. 120 days.
13. The process by which laundered money is finally converted into the proceeds of a legitimate business or investment portfolio, is known as
- A. concealing.
 - B. integration.
 - C. layering.
 - D. placement.
14. An ISA manager uses a third party administrator, with whom it has a service level agreement. What is the position with regard to responsibility to HM Revenue & Customs?
- A. The administrator is solely responsible.
 - B. The ISA manager remains solely responsible.
 - C. The ISA manager and the administrator hold joint responsibility.
 - D. It depends on the agreement between the ISA manager and the administrator.
15. When monthly payments are made to a stocks and shares ISA, what payment method do providers prefer?
- A. Cheque.
 - B. Credit card.
 - C. Debit card.
 - D. Direct debit.
16. Jenny's father has started making contributions to her stocks and shares ISA. What effect, if any, does this have with regard to the tax status of the ISA?
- A. It has no effect.
 - B. All income within the ISA will be taxed at her father's marginal rate.
 - C. All income within the ISA is immediately taxable in Jenny's hands.
 - D. Any withdrawals made by Jenny could be liable to Capital Gains Tax.
17. A shareholding is to be transferred from an approved scheme into an ISA. The two relevant prices shown on the London Stock Exchange Daily Official List are 682.00 and 716.00. What is the share price based on the quarter-up rule?
- A. 690.50
 - B. 697.50
 - C. 707.50
 - D. 713.50

18. When an investor opts to subscribe by instalments to an ISA, which includes a regular premium insurance component, what is the **maximum** number of instalments the investor is obliged to pay?
- A. One instalment.
 - B. Two instalments.
 - C. Three instalments.
 - D. Six instalments.
19. How would HM Revenue & Customs treat a cash ISA if it had been funded from a connected account, which had enabled the cash ISA to be opened on significantly more favourable terms than would otherwise have been offered?
- A. Both accounts will remain valid provided no more than £100 per month is transferred.
 - B. Both accounts will remain valid provided no more than £200 per month is transferred.
 - C. The ISA account will cease to be valid and interest under it is likely to be taxed.
 - D. The feeder account will be closed and the provider fined.
20. On 1 September 2017 Jeanne was allowed to make a subscription of £30,000 to a cash ISA, which exceeds her subscription limit for the tax year 2017/2018. Why was she allowed to do this?
- A. She has not contributed to a stocks and shares ISA for the tax year 2017/2018.
 - B. The cash ISA manager has been declared in default by either the Financial Conduct Authority or the Financial Services Compensation Scheme.
 - C. She has unused subscriptions from the previous tax year.
 - D. The funds originally derived from an approved Share Incentive Plan.
21. With regard to an insurance policy being held within an ISA, an ISA manager needs to be aware that such policies **must** be established
- A. on the life of an ISA investor only.
 - B. on the life of an ISA investor or on a joint life basis with the investor's spouse.
 - C. on a life of another basis.
 - D. under trust.
22. An ISA manager purchases an issue of new shares which are **NOT** yet qualifying investments. In order for this purchase to comply with the ISA regulations, the shares
- A. can only be purchased by new ISA subscriptions.
 - B. can only be purchased once confirmation of qualification has been received.
 - C. must become qualifying within 30 days of the date they are allocated.
 - D. must be purchased within the 60-day period of being offered for subscription.

23. Additional shares have been allocated to the underlying holdings of several stocks and shares ISAs at no extra cost. This benefit event is **most likely** to be known as a
- A. bonus issue.
 - B. cash dividend.
 - C. interest payment.
 - D. scrip dividend.
24. As a result of taking up a 1:5 rights issue, non-ISA able shares were acquired under a stocks and shares ISA. Consequently, the shares **must** be sold nil paid or removed from the ISA within what **maximum** time limit?
- A. 14 days.
 - B. 30 days.
 - C. 60 days.
 - D. 90 days.
25. An ISA manager uses a third-party administration company to help with the management of stocks and shares ISAs. In this instance, all tax returns and claims **must** be signed by
- A. the administration company's finance director.
 - B. the administration company's reporting officer.
 - C. an authorised signatory of the ISA manager.
 - D. the finance director of the ISA manager.
26. An ISA10 interim claim form completed by an ISA manager can cover what **maximum** period?
- A. 3 tax months.
 - B. 6 tax months.
 - C. 9 tax months.
 - D. 12 tax months.
27. Due to the independent financial adviser's negligence, a client's stocks and shares ISA was started two weeks later than intended, causing the account value to be £130 less than would otherwise have been the case. What, if anything, is the **maximum** amount payable directly into the fund by the ISA manager to compensate the client?
- A. Nothing.
 - B. £25
 - C. £50
 - D. £130

28. Angus has contributed £5,000 to a self-select stocks and shares ISA for the current tax year. To compensate for losses resulting from missed dividend and interest payments, the ISA manager is paying £20 and £30 respectively into his ISA. How much of this compensation, if any, will count towards his annual subscription limit?
- A. None.
 - B. £20
 - C. £30
 - D. £50
29. The initial charge made when purchasing units in a unit trust
- A. is only permitted on UK equity investments.
 - B. is not permitted on ISA investments.
 - C. must be met from funds outside of the ISA.
 - D. must be met from funds within the ISA.
30. Gordon has opened a stocks and shares ISA on which there is no initial charge. What is the **most likely** reason for this?
- A. Initial charges are no longer permitted.
 - B. The ISA manager applies encashment penalties on a sliding scale during the first few years of investment.
 - C. The underlying funds are invested on an advisory basis.
 - D. The underlying funds are invested on a discretionary basis.
31. Which charges relating to a unit trust ISA **must** be deducted from within the funds?
- A. Arranging for the investor to receive copies of annual reports.
 - B. Arranging for the investor to receive accounts or to attend general meetings.
 - C. Fees related to the administration of the ISA.
 - D. Stamp Duty and the initial charge.
32. An ISA manager has apportioned the interest earned but **NOT** paid on the cash balance of Derek's ISA following his death. This process is designed to ensure that
- A. the administrators of Derek's estate are not liable to any tax on the proceeds of the ISA.
 - B. all tax due to HM Revenue & Customs is settled before the ISA is closed.
 - C. interest earned up to the date of Derek's death receives the appropriate tax exemptions.
 - D. outstanding administration charges can be deducted before the ISA is closed.

33. When Colin wished to withdraw his shares from his stocks and shares ISA, the quarter-up price was £3,200 and the mid-market price was £3,300. How much should **normally** be used for market value purposes?
- A. £3,200
 - B. £3,225
 - C. £3,250
 - D. £3,300
34. A cash ISA is being closed after it was discovered that the investor was under age. In these circumstances, how much, if any, of the reclaimed Income Tax **must** be repaid to HM Revenue & Customs?
- A. None of it, irrespective of the amount.
 - B. Only tax relating to dividends.
 - C. Only tax relating to interest received from gilts.
 - D. All of it, irrespective of the amount.
35. Brendan has requested that his life assurance policy be withdrawn from his stocks and shares ISA. How may this be achieved?
- A. The policy must be withdrawn in specie.
 - B. The policy must be surrendered or part surrendered.
 - C. He must receive permission from the trustee.
 - D. He must receive permission from the life assurance provider.
36. An investor died on 14 August and the death certificate was issued on 21 August. The ISA manager was **NOT** notified of the death until 4 September and the proceeds were subsequently paid to the executor on 14 November. On what date did the ISA lose its tax benefits?
- A. 14 August.
 - B. 21 August.
 - C. 4 September.
 - D. 14 November.
37. When an ISA manager discovers that an ISA account is invalid but **CANNOT** be repaired the account
- A. may remain open but is subject to a 20% Income Tax charge.
 - B. may remain open but is subject to a 40% Income Tax charge.
 - C. must be closed with the loss of all tax exemptions.
 - D. must be closed but retains its tax exemptions to the date of discovery of being invalid.

38. Max has requested to transfer previous years' ISA subscriptions into an existing ISA account for which the manager already holds a valid application. According to the ISA regulations, what rule **normally** applies regarding the need for Max to complete a transfer application in respect of this request?
- A. No transfer application is deemed necessary, but a transfer authority form must be completed.
 - B. The standard transfer application should be completed.
 - C. The standard application form should be completed only where the transfer is from a stocks and shares ISA.
 - D. The standard application form should be completed only where the transfer is from a cash ISA.
39. Janine's ISA investments were transferred to a new ISA manager in July 2017. If the transferring ISA manager solely takes into account the Money Laundering Regulations, the **earliest** her original application form can be destroyed is July
- A. 2020
 - B. 2022
 - C. 2023
 - D. 2025
40. When transferring a cash ISA from one provider to another, it is important to avoid issuing a cheque payable to the investor in order to
- A. avoid double charging.
 - B. decrease the risk of fraud.
 - C. ensure the ISA's status is maintained.
 - D. reduce risk exposure of market movements.
41. An ISA investor is in the process of transferring ISA funds from one provider to another. The transfer history form completed by the transferring manager shows a ISA type of 'X'. What does this indicate?
- A. The ISA being transferred is a cash ISA.
 - B. The ISA being transferred is a stocks and shares ISA.
 - C. Only the current year's subscription is being transferred.
 - D. Only previous years' subscriptions are being transferred.
42. When transferring a cash ISA, within what **maximum** period should a new ISA manager forward an instruction to the old ISA manager?
- A. Five business days.
 - B. Seven business days.
 - C. One calendar week.
 - D. Two calendar weeks.

43. When an investor exercised an in specie transfer of shares into a stocks and shares ISA, it was necessary for the manager to apply to HM Revenue & Customs for a valuation. This was as a direct result of the
- A. bargains only having been done at special prices.
 - B. London Stock Exchange Daily Official List prices having fallen by 10% overnight.
 - C. quarter-up price being 6% higher than the mid-market price.
 - D. shares being unlisted and acquired through an approved share scheme.
44. Where used, how frequently **must** ISA managers submit the ISA 25 Statistical Return (Subscriptions) to HM Revenue & Customs?
- A. Monthly.
 - B. Quarterly.
 - C. Half-yearly.
 - D. Annually.
45. Where an ISA investor holds both a cash ISA and a stocks and shares ISA with the same manager, how **must** the ISA manager report them in its annual return of information (ISACOM100)?
- A. Only the cash ISA needs to be reported.
 - B. Only the stocks and shares ISA needs to be reported.
 - C. They must be recorded on the report as a combined holding.
 - D. They must be recorded on the report as separate holdings.
46. In order to assist with inspection visits, HM Revenue & Customs requires ISA managers to retain ISA applications where accounts remain open and have **NOT** been transferred to another ISA manager for what **minimum** period?
- A. 3 years.
 - B. 4 years.
 - C. 6 years.
 - D. 10 years.
47. An ISA manager has until 8 December, at the latest, to complete his annual returns of information under the ISA regulations. This deadline applies as a direct result of
- A. the annual return including a claim for a previous tax year.
 - B. the ISA manager ceasing to act as an ISA manager in mid-October.
 - C. the ISA manager having performed the role for less than a full tax year.
 - D. a special dispensation being granted due to a systems failure.
48. Nathan was born in 2006 and is a UK resident. Why is he ineligible for a junior ISA?
- A. He has an existing Child Trust Fund.
 - B. He is the beneficiary of an absolute trust.
 - C. His father is an additional-rate taxpayer.
 - D. His parents are of foreign domicile.

- 49.** Annie has been the registered contact throughout the term of Ed's junior ISA. Ed is now aged 16 and has requested to take registered contact status. Assuming the correct information has been provided on Ed's application form, what rule applies regarding both Ed's and Annie's status under the junior ISA?
- A.** Annie's details remain on the account, but Ed can elect to have them removed at any time.
 - B.** Annie must choose whether or not to retain Ed as joint registered contact until he is 18.
 - C.** Ed must choose whether or not to retain Annie as joint registered contact until he is 18.
 - D.** Ed now takes over full authority on the account and Annie's details should be removed.
- 50.** A stocks and shares junior ISA was opened for Martha when she was four years old. Despite Martha being in perfect health, the junior ISA was closed by the ISA manager a few years later. This was as a direct result of
- A.** a cash ISA being opened for her.
 - B.** charges eroding the balance to zero.
 - C.** the value of the account exceeding £4,120.
 - D.** subscriptions being paid which were deemed suspicious under the Money Laundering Regulations.

Specimen Examination Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome	Question	Answer	Learning Outcome	Question	Answer	Learning Outcome
Learning Outcome 1			Learning Outcome 5			Learning Outcome 9		
1	A	1.1	23	A	5.1	44	D	9.1
2	C	1.2	24	B	5.1	45	D	9.1
2 Questions			25	C	5.2	46	C	9.2
			26	B	5.2	47	B	9.1
Learning Outcome 2			4 Questions			4 Questions		
3	D	2.1						
4	A	2.1	Learning Outcome 6			Learning Outcome 10		
5	D	2.1	27	A	6.1	48	A	10.1
6	B	2.1	28	A	6.1	49	D	10.1
7	B	2.1	2 Questions			50	B	10.1
8	D	2.2				3 Questions		
9	B	2.1	Learning Outcome 7					
10	B	2.1	29	D	7.1			
8 Questions			30	B	7.2			
			31	D	7.1			
Learning Outcome 3			3 Questions					
11	C	3.1						
12	A	3.2	Learning Outcome 8					
13	B	3.2	32	C	8.1			
14	B	3.2	33	A	8.1			
4 Questions			34	D	8.1			
			35	B	8.1			
Learning Outcome 4			36	A	8.1			
15	D	4.1	37	C	8.1			
16	A	4.1	38	A	8.2			
17	A	4.1	39	B	8.2			
18	A	4.1	40	C	8.2			
19	C	4.1	41	D	8.2			
20	B	4.1	42	A	8.2			
21	A	4.1	43	D	8.2			
22	C	4.1	12 Questions					
8 Questions								