



Chartered  
Insurance  
Institute

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# LP2

## Certificate in Financial Services

### Financial services products and solutions

Based on the 2022/2023 syllabus  
examined from 1 September 2022 until 31 August 2023

## LP2 – Financial services products and solutions

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## LP2 – Financial services products and solutions

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### Introduction

This examination guide has been produced by the Qualifications and Assessment Department at the Chartered Insurance Institute to assist students in their preparation for the LP2 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 two hours 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 LP2 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 LP2 reading list, which is located on the syllabus in this examination guide and on the CII website at **[www.cii.co.uk](http://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/learning/qualifications/certificate-in-financial-services-qualification/unit-financial-services-products-and-solutions-lp2/](http://www.cii.co.uk/learning/qualifications/certificate-in-financial-services-qualification/unit-financial-services-products-and-solutions-lp2/)**
- 2) Select 'exam guide update' 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 LP2 syllabus is published on the CII website at [www.cii.co.uk](http://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.

Supporting information for the syllabus which contains a detailed overview of the areas covered can be found on the unit page. Select Supporting information for the 2022/2023 syllabus on the right-hand side of the page.

## Skill Specification

The examination syllabus categorises LP2 learning outcomes into cognitive skill levels. Each learning outcome specifies the level of skill required of candidates and thus the level at which candidates may be tested.

The LP2 syllabus requires that candidates have the ability to explain and state understanding of the subject matter. Each learning outcome begins with a cognitive skill that encompasses one of the following:

- |                     |   |
|---------------------|---|
| <i>Explain -</i>    | Candidates must typically be able to demonstrate an understanding of the relationships between different aspects or concepts. They may be asked how one part may impact upon or be linked to another. They may also be asked to perform a calculation to evidence an explanation of how certain elements interact with one another. |
| <i>State -</i>      | Candidates must typically be able to demonstrate a grasp of factual knowledge. They may be asked to recall some information or identify some term or concept.   |
| <i>Understand -</i> | 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 <i>understand</i> learning outcome can test either knowledge or understanding or both.                                      |

## Examination Information

The method of assessment for the LP2 examination is 75 multiple choice questions (MCQs). 2 hours are allowed for this examination.

The LP2 syllabus provided in this examination guide will be examined from 1 September 2022 until 31 August 2023.

Candidates will be examined on the basis of English law and practice in the tax year 2022/2023 unless otherwise stated. It should be assumed that all individuals are domiciled and resident in the UK 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.

LP2 examinations test the Financial Conduct Authority and Prudential Regulation Authority rules and regulations.

When preparing for the examination, candidates should ensure that they are aware of what typically constitutes each type of product listed in the syllabus and ascertain whether the products with which they come into contact during the normal course of their work deviate from the norm, since questions in the examination test generic product knowledge.

Extracts from tax tables will be provided at each examination, an example of which can be found in this examination guide. Candidates may find it beneficial to familiarise themselves with this information in advance of the examination. Candidates may **not** take their own tax tables into the examination.

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.

# Financial services products and solutions

## Objective

At the end of this unit, candidates should be able to demonstrate a knowledge and understanding of:

- key customer needs and the factors that affect these;
- how customers and financial services professionals identify needs and solutions;
- the main protection, mortgage repayment and savings and investment products;
- the main tax wrappers.

Summary of learning outcomes	Number of questions in the examination*
1. Understand protection, investment and pensions needs and the factors that affect them	5
2. Understand the process of identifying appropriate financial solutions	6
3. Explain the main features of protection products	17
4. State the main features of mortgage repayment vehicles and mortgage protection products	5
5. Explain the range of savings and investment products available to customers	22
6. Explain the main tax wrappers available to customers	20

\* 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: 75 multiple choice questions (MCQs). 2 hours are allowed for this examination.
- This syllabus will be examined from 1 September 2022 to 31 August 2023.
- Candidates will be examined on the basis of English law and practice in the tax year 2022/2023 unless otherwise stated.
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- 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](http://www.cii.co.uk/qualifications)
  2. Select the appropriate qualification
  3. Select your unit from the list provided
  4. Select qualification update on the right hand side of the page

1. Explain how the personal financial lifecycle, individual circumstances and external factors affect financial needs.
1. Describe the purpose and the main categories of taxation and their relevance to the life and pensions sector.
1. Describe sources of information, advice and guidance.
1. Explain how customer needs and solutions are identified.
1. Explain the main types and features of life assurance.
1. Explain the main types and features of health protection products.
1. State the use of protection products and repayment vehicles in the context of mortgages.
1. Explain the main features of investing in cash, bonds, property and equities.
1. Explain the main features of collective investments.
1. Explain the main features of defined contribution and defined benefit pension schemes.
1. Explain the main retirement options available.
1. Explain the main features of Individual Savings Accounts.
1. Describe other tax planning vehicles available.

## Reading list

The following list provides details of further reading 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 resources listed here will help you keep up-to-date with developments and provide a wider coverage of syllabus topics.

### CII study texts

Financial services products and solutions.  
London: CII. Study text LP2.

### Books (and eBooks)

Investments: principles and concepts.  
Charles P Jones. Wiley, 2014.

The Financial Times guide to investing. 4th edition. Glen Arnold. FT Prentice Hall, 2020.

Pension tax guide: a tax guide 2017-2018.  
Robert Gaines. Chester: Claritax Books, 2017.

### eBooks

The following eBooks are available via [www.cii.co.uk/elibrary](http://www.cii.co.uk/elibrary) (CII/PFS members only):

Behavioural finance and investor type: managing behaviour to make better investment decisions. Michael M Pompian. Hoboken: Wiley, 2012.

Investor behaviour: the psychology of financial planning and investing. H. Kent Baker. Hoboken, New Jersey: Wiley, 2014.

### Factfiles and other online resources

Consumer vulnerability. FCA Occasional Paper No. 8. February 2015. Available online via [www.fca.org.uk](http://www.fca.org.uk).

Guaranteed Guidance for retirement. What consumers want. CII Policy and Public Affairs, Nick Hurman. 2014. Available online at [www.cii.co.uk/32081](http://www.cii.co.uk/32081).

The Government's retirement freedoms, Pension Wise, and views on preparedness. CII Policy and Public Affairs. Available online at [www.cii.co.uk/32998](http://www.cii.co.uk/32998).

Additional articles and technical bulletins are available under the Life and Pensions section of the website at [www.cii.co.uk/knowledge/life-pensions](http://www.cii.co.uk/knowledge/life-pensions).



## Journals and magazines

Financial adviser. London: FT Business.

Weekly. Available online at

[www.ftadviser.com](http://www.ftadviser.com).

Personal finance professional (previously Financial solutions). London: CII. Six issues a year.

Money management. London: FT Business.

Monthly. Available online [www.ftadviser.com/brand/money-management](http://www.ftadviser.com/brand/money-management).

Money marketing. London: Centaur

Communications. Weekly. Available online at

[www.moneymarketing.co.uk](http://www.moneymarketing.co.uk).

Pensions age. London: Perspective.

Monthly. Available at [www.pensionsage.com](http://www.pensionsage.com).

Pensions insight. Newsquest Specialist

Media. Monthly. Available at [www.pensions-insight.co.uk](http://www.pensions-insight.co.uk).

## Reference materials

Concise encyclopedia of insurance terms.

Laurence S. Silver, et al. New York:

Routledge, 2010.\*

Harriman's financial dictionary: over 2,600

essential financial terms. Edited by Simon

Briscoe and Jane Fuller. Petersfield:

Harriman House, 2007.\*

Financial Conduct Authority (FCA)

Handbook. Available at

[www.handbook.fca.org.uk/handbook](http://www.handbook.fca.org.uk/handbook).

Prudential Regulation Authority (PRA)

Rulebook Online. Available at

[www.prarulebook.co.uk](http://www.prarulebook.co.uk)

## Examination guide

If you have a current study text enrolment, the current examination guide is included and is accessible via Revisionmate ([www.revisionmate.com](http://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 version of the examination guide.

## Exam technique/study skills

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

1. Where assistance with estate planning is provided by a wealth manager, such a service **typically** depends on the
  - A. client already receiving the highest service level.
  - B. client's occupation.
  - C. size of the client's investment portfolio.
  - D. use of private banking services by the client.
  
2. Details of which, if either, of the Financial Ombudsman Service and the Financial Services Compensation Scheme **must** be included in an authorised firm's client agreement?
  - A. Both.
  - B. Financial Ombudsman Service only.
  - C. Financial Services Compensation Scheme only.
  - D. Neither.
  
3. What is the **typical** financial planning priority for a young unmarried couple without children?
  - A. Preserving wealth and income.
  - B. Protecting income and investing.
  - C. Saving and protecting income.
  - D. Spending and redistributing wealth.
  
4. Marie has never been married and died with a taxable estate of £500,000. She made no gifts for Inheritance Tax (IHT) purposes. How much IHT, if any, is payable on her death?
  - A. Nil.
  - B. £35,000
  - C. £70,000
  - D. £200,000
  
5. Stamp Duty Land Tax is payable on the purchase of a
  - A. residential property purchased in the UK only.
  - B. non-residential property purchased in the UK only.
  - C. residential or non-residential property purchased in the UK.
  - D. residential or non-residential property purchased outside the UK.
  
6. An authorised firm is implementing a low-cost marketing strategy which focuses on real-time feedback determining who reads its literature. Which marketing strategy is the firm **most likely** utilising?
  - A. Direct marketing.
  - B. E-marketing.
  - C. Multi-level marketing.
  - D. Telemarketing.

7. Which type of financial adviser can only recommend products from one provider?
- A. An independent adviser.
  - B. A multi-tied adviser.
  - C. A single-tied adviser.
  - D. A whole of market restricted adviser.
8. Which services are **typically** provided by a platform?
- A. Bank accounts and pensions only.
  - B. Bank accounts and stockbroker services only.
  - C. Pensions and stockbroker services only.
  - D. Bank accounts, pensions and stockbroker services.
9. When reviewing a client's investment portfolio, rebalancing **typically** involves
- A. buying and selling investments to ensure the portfolio is in line with the client's risk profile.
  - B. minimising the product charges the client pays by adjusting product holdings.
  - C. selling all investments that have exceeded their previously predicted performance.
  - D. updating the client fact find so that the client's assets and liabilities are recorded accurately.
10. What would **normally** be contained in a firm's service level agreement?
- A. Deliverables and objectives only.
  - B. Deliverables and standards only.
  - C. Objectives and standards only.
  - D. Deliverables, objectives and standards.
11. Funeral plans are designed to be taken out by individuals who have attained what **minimum** age?
- A. 45 years old.
  - B. 50 years old.
  - C. 55 years old.
  - D. 60 years old.
12. How much is the **maximum** monthly amount that can be paid into a friendly society policy?
- A. £20
  - B. £25
  - C. £50
  - D. £100
13. What are the **main** features of funeral plans?
- A. A low sum assured and regular premiums only.
  - B. A low sum assured and simplified underwriting only.
  - C. A regular premiums and simplified underwriting only.
  - D. A low sum assured, regular premiums and simplified underwriting.

14. For a life assurance policy to be treated as a qualifying policy, at its inception it **must** have a **minimum** term of
- A. 1 year.
  - B. 5 years.
  - C. 7 years.
  - D. 10 years.
15. Under an income protection insurance policy, what definition of occupation **typically** results in the **highest** premiums payable?
- A. Any occupation.
  - B. Limited occupation.
  - C. Own occupation.
  - D. Suited occupation.
16. A terminal illness benefit under a life assurance policy **usually** becomes payable where an individual has a **maximum** life expectancy of
- A. three months.
  - B. six months.
  - C. one year.
  - D. two years.
17. When compared with guaranteed premiums for critical illness policies, policies with renewable premiums are **usually** initially cheaper by approximately
- A. 10%
  - B. 33%
  - C. 50%
  - D. 75%
18. Which type of trust is **most commonly** used in connection with life and critical illness policies?
- A. Bare trust.
  - B. Discounted gift trust.
  - C. Gift and loan trust.
  - D. Split trust.
19. Where children's cover is provided under a critical illness policy, it is **usually** on the basis that
- A. the benefit will be paid if the child meets the survival period.
  - B. the benefit paid is subject to Income Tax at the policyholder's marginal rate.
  - C. it cannot be reinstated after one claim in any circumstances.
  - D. the policy will cease in the event of a successful claim unless a buyback option is available.

20. In what circumstances, if any, is cover provided for a self-inflicted injury under a critical illness policy?
- A. In no circumstances.
  - B. Only if the policy is taken out under a group scheme via an employer.
  - C. Only under a stand-alone policy.
  - D. In all circumstances.
21. How is a normal pregnancy **usually** covered, if at all, under a personal accident and sickness policy?
- A. It is excluded.
  - B. A regular income is paid during the period of the pregnancy.
  - C. A regular income is paid reflecting the time that the policyholder has off work.
  - D. A fixed lump sum is payable per pregnancy.
22. What benefit is **typically** paid, if any, under a personal accident policy, when the policyholder loses an eye?
- A. No benefit is payable.
  - B. A lump sum.
  - C. A monthly income.
  - D. An annual income.
23. What is the **typical** survival period under a critical illness policy?
- A. 0 to 1 day.
  - B. 7 to 10 days.
  - C. 14 to 30 days.
  - D. 60 to 365 days.
24. Under a private medical insurance policy, what is the **usual** position when the policyholder is admitted to a National Health Service (NHS) hospital's accident and emergency department?
- A. Cover is not provided.
  - B. A fixed sum is usually provided.
  - C. Cover only ever applies to comprehensive policies.
  - D. A payment is always payable per night spent in hospital.
25. Under which type(s) of private medical insurance policy is cover **usually** provided for the use of private ambulances?
- A. Comprehensive policies only.
  - B. Comprehensive and mid-range policies only.
  - C. Budget policies only.
  - D. Budget, mid-range and comprehensive policies.

26. A **key** feature of a stand-alone critical illness policy is that the policy
- A. cannot be placed under trust.
  - B. has a taxable benefit.
  - C. has no life cover.
  - D. usually accrues a surrender value.
27. What is the **typical** deferral period under a accident, sickness and unemployment insurance policy?
- A. 7 to 14 days.
  - B. 30 to 60 days.
  - C. 3 to 6 months.
  - D. 1 to 2 years.
28. At the end of a fixed-rate period on a mortgage, the interest rate charged will **typically** revert to
- A. a collared rate.
  - B. a discounted rate.
  - C. the lender's standard variable rate.
  - D. a new fixed rate set by the lender.
29. Sarah has a £125,000 discounted-rate, interest-only mortgage. The standard variable rate of interest rate is 3% and a discount of 0.25% is applied. What monthly interest will Sarah pay?
- A. £286.46
  - B. £312.50
  - C. £3,437.50
  - D. £3,750.00
30. When using a pension plan as a mortgage repayment vehicle, a 35-year-old policyholder paying pension contributions of £300 per month needs to be aware that
- A. a mortgage term of at least 25 years is needed.
  - B. tax advantages make this a less expensive option than an ISA or an open-ended investment company.
  - C. the contributions may be inadequate to provide his required retirement income.
  - D. no funds will be available to repay the loan on his death during the mortgage term.
31. In what circumstances will a mortgage payment protection insurance policy pay out?
- A. Accident or compulsory redundancy only.
  - B. Accident or sickness only.
  - C. Accident, sickness or compulsory redundancy.
  - D. Sickness only.

32. A borrower started a mortgage payment protection insurance (MPPI) policy to protect his current mortgage, but now wishes to move house and take out a new mortgage. What rule **normally** applies regarding the portability of the MPPI policy?
- A. It should be fully portable.
  - B. It should be surrendered and a new policy started.
  - C. Portability will depend on the borrower's state of health.
  - D. Portability will depend on the difference in amount between the existing and new mortgages.
33. Which of mortgage payments, buildings and contents insurance premiums, endowment premiums and mortgage payment protection insurance (MPPI) premiums are **normally** covered under an MPPI policy?
- A. Mortgage payments only.
  - B. Mortgage payments and buildings and contents insurance premiums only.
  - C. Mortgage payments, buildings and contents insurance and endowment premiums only.
  - D. Mortgage payments, buildings and contents insurance, endowment and MPPI premiums.
34. Which type of organisation issues Permanent Interest Bearing Shares?
- A. A bank.
  - B. A credit union.
  - C. A mutual building society.
  - D. A UK listed company.
35. What rate of tax on the gross interest, if any, is payable by an additional-rate taxpayer on interest from a UK building society deposit account?
- A. Nil.
  - B. 20%
  - C. 40%
  - D. 45%
36. What is the **minimum** initial payment that can be made into a National Savings & Investments Direct Saver Account?
- A. £1
  - B. £10
  - C. £100
  - D. £1,000
37. An investor has a holding of £10,000 8% Treasury Gilt 2024 which has a current price of £125. What half-yearly gross income would be received?
- A. £320
  - B. £400
  - C. £640
  - D. £800

38. Convertible bonds allow the holder to convert the bond into
- A. fixed-rate notes.
  - B. floating-rate notes.
  - C. ordinary shares.
  - D. perpetual subordinated bonds.
39. At what frequency is income paid on government bonds?
- A. Monthly.
  - B. Quarterly.
  - C. Half-yearly.
  - D. Annually.
40. With regard to Income Tax, how does a higher-rate taxpayer **usually** receive the income from a directly-held UK gilt?
- A. Gross.
  - B. Net of 10%.
  - C. Net of 20%.
  - D. Net of 40%.
41. With what frequency do fixed-rate bonds pay coupons?
- A. Monthly.
  - B. Six-monthly only.
  - C. Annually only.
  - D. Six-monthly or annually.
42. Gilts with up to seven years remaining to redemption are known as
- A. shorts.
  - B. mediums.
  - C. longs.
  - D. ultralongs.
43. A unit trust contains a clause in its terms and conditions which allows the trust to defer repayment of units during a market downturn. In which asset class is the unit trust **most likely** to be invested?
- A. Cash.
  - B. Equities.
  - C. Fixed interest.
  - D. Property.
44. A Real Estate Investment Trust has how many component parts for tax purposes?
- A. Two parts.
  - B. Three parts.
  - C. Four parts.
  - D. Five parts.



45. An investor bought a residential property for £300,000 with additional purchasing costs of £15,000. The rental income is £2,000 per month with general management expenses of 20% of rental income. What is the net rental yield?
- A. 4.9%
  - B. 5.6%
  - C. 6.1%
  - D. 6.9%
46. A Real Estate Investment Trust received £400,000 in rental income during the 2022/2023 tax year. To **avoid** paying Corporation Tax, what **minimum** amount of this income **must** be distributed to investors?
- A. £40,000
  - B. £300,000
  - C. £360,000
  - D. £400,000
47. What **normally** happens to convertible loan stock if the conversion option is **NOT** exercised by the expiry date?
- A. It becomes non-voting ordinary shares.
  - B. It becomes conventional dated loan stock.
  - C. It is cancelled without any attaching value.
  - D. It is offered in the stock market to the highest bidder.
48. Which is the **main** stock market index in Singapore?
- A. Hang Seng Index.
  - B. S&P 500 Index.
  - C. Straits Times Index.
  - D. Xetra DAX.
49. Which type of shares do companies **typically** issue as part of a return of capital to its shareholders?
- A. 'A' ordinary shares.
  - B. Deferred shares.
  - C. Ordinary shares.
  - D. Redeemable shares.
50. The United Kingdom Listing Authority is part of
- A. the Bank of England.
  - B. the Financial Conduct Authority.
  - C. HM Treasury.
  - D. the Prudential Regulation Authority.

51. How is a transfer of a unit trust from a husband to his wife treated for Capital Gains Tax purposes?
- A. Any chargeable gain is immediately liable to tax in the normal way.
  - B. Any chargeable gain is immediately liable to tax, but both annual exemptions can be used.
  - C. No immediate chargeable gain arises and when assessing tax on subsequent disposal, the acquisition date of the husband is used.
  - D. No immediate chargeable gain arises and when assessing tax on subsequent disposal, the acquisition date of the wife is used.
52. Who is responsible for the day-to-day management of a unit trust?
- A. The Authorised Corporate Director.
  - B. The depositary.
  - C. The manager.
  - D. The trustees.
53. What are the **most common** open-ended investment funds in the UK?
- A. Investment trusts and open-ended investment companies only.
  - B. Investment trusts, open-ended investment companies and unit trusts.
  - C. Investment trusts and unit trusts only.
  - D. Open-ended investment companies and unit trusts only.
54. Who is **ultimately** responsible for the safekeeping of the underlying assets in an open-ended investment company?
- A. The Authorised Corporate Director.
  - B. The depositary.
  - C. The manager.
  - D. The trustee.
55. Who is the legal owner of the assets held within a unit trust?
- A. The Authorised Corporate Director.
  - B. The depositary.
  - C. The manager.
  - D. The trustees.
56. How can an individual obtain a State Pension forecast?
- A. By post or telephone only.
  - B. By post or on the internet only.
  - C. On the internet or by telephone only.
  - D. By post, telephone or on the internet.

57. The lifetime allowance is set to increase annually in line with
- A. average weekly earnings.
  - B. the Consumer Price Index.
  - C. the Retail Prices Index.
  - D. the triple lock guarantee.
58. Martin is employed and earns a salary of £50,000. Ignoring carry forward, what is the **maximum** gross amount, if any, that he can pay into a UK-registered pension scheme and obtain tax relief?
- A. Nil.
  - B. £3,600
  - C. £10,000
  - D. £40,000
59. When valuing pension benefits against an individual's lifetime allowance, scheme pensions in payment after 6 April 2006 are valued as a multiple of
- A. 5 times income in payment.
  - B. 10 times income in payment.
  - C. 20 times income in payment.
  - D. 25 times income in payment.
60. In respect of tax relief on pension contributions, which type of pension scheme uses the net pay method?
- A. A group pension scheme.
  - B. A group personal pension scheme.
  - C. An occupational pension scheme.
  - D. A self-invested personal pension scheme.
61. The input period into a personal pension is aligned with the
- A. anniversary dates of the plan.
  - B. calendar year.
  - C. fiscal year.
  - D. tax year.
62. Under which type of registered pension scheme can a member benefit from the transfer club provisions?
- A. A defined contribution scheme.
  - B. A group personal pension scheme.
  - C. A public service scheme.
  - D. A self-invested personal pension scheme.

63. What **maximum** contribution charge can be applied to new contributions to a National Employment Savings Trust (NEST) account?
- A. 0.3%.
  - B. 1.5%
  - C. 1.8%
  - D. 2%
64. What **minimum** contribution, as a percentage of qualifying earnings, **must** an employer pay into an employee's auto enrolment pension arrangement?
- A. 1%
  - B. 2%
  - C. 3%
  - D. 4%
65. Where an employee meets the eligibility criteria for an employer's pension scheme under the auto enrolment rules, what rule applies regarding joining the scheme?
- A. The employee must join immediately and make the required level of contribution.
  - B. The employee must join immediately, but can opt to make reduced contributions.
  - C. The employee is automatically enrolled, but only has up to one month to opt out to receive a full refund.
  - D. The employee is automatically enrolled, but only has up to three months to opt out to receive a full refund.
66. What is a **key** benefit of using a self-invested personal pension rather than a personal pension?
- A. Higher contribution levels.
  - B. A larger pension commencement lump sum.
  - C. Lower charges.
  - D. Wider investment choice.
67. For the purpose of long-term care, at what **minimum** age, if any, can an individual take out a pre-funded care plan?
- A. There is no minimum age.
  - B. 55 years old.
  - C. 60 years old.
  - D. 65 years old.
68. Alec dies aged 80 and his flexi-access drawdown pension fund passes to Sam, his civil partner. If Sam takes income payments from the fund, he will be subject to which tax(es), if any?
- A. None.
  - B. Income Tax only.
  - C. Income Tax and Inheritance Tax.
  - D. Inheritance Tax only.

69. David is unsure how much State Pension he will qualify for when he retires. Who should he contact to obtain a projection of benefits?
- A. Department for Work and Pensions.
  - B. HM Revenue & Customs.
  - C. The Pensions Regulator.
  - D. Pension Wise.
70. John is a nominee of a pension arrangement and has specified that Allan should receive pension benefits in the event of his death. In these circumstances, Allan is a
- A. dependant.
  - B. partner.
  - C. successor.
  - D. survivor.
71. For an individual to take pension benefits under the trivial commutation rules, the total benefits **must** always be less than
- A. £30,000
  - B. £40,000
  - C. £50,000
  - D. £100,000
72. The minimum age(s) at which an individual may start a cash ISA and a stocks and shares ISA is
- A. 16 years old for both ISAs.
  - B. 18 years old for both ISAs.
  - C. 16 years old for a cash ISA and 18 years old for a stocks and shares ISA.
  - D. 17 years old for a cash ISA and 18 years old for a stocks and shares ISA.
73. In what circumstances, if any, can an ISA investor replace withdrawn funds?
- A. In no circumstances.
  - B. During the same tax year only.
  - C. During the same tax year or the following tax year only.
  - D. In all circumstances.
74. Where an individual opens an ISA and wishes to transfer in funds from the previous year's ISA, what rule applies?
- A. The ISA manager is obliged to accept whatever proportion of the funds the individual wishes to transfer.
  - B. Regardless of the proportion of the funds required to be transferred, the ISA manager can refuse to accept them.
  - C. Provided the transfer represents the whole of the previous year's ISA subscriptions, the ISA manager must accept them.
  - D. The ISA manager is only obliged to accept the transfer if the funds are being transferred to the same ISA type.

75. Zoe, a higher-rate taxpayer, took out an investment bond exactly three and a half years ago with a contribution of £100,000. Since that time, she has **NOT** made any further contributions or taken any withdrawals. What is the **maximum** amount that she can withdraw from the bond now, if anything, without incurring an immediate tax liability?
- A. Nil.
  - B. £5,000
  - C. £15,000
  - D. £20,000

# INCOME TAX

## RATES OF TAX

2022/2023

Starting rate of 0% on savings income up to*	£5,000
Personal Savings Allowance	
Basic rate	£1,000
Higher rate	£500
Basic rate of 20%	£0 to £37,700
Higher rate of 40%	£37,701 to £150,000
Additional rate of 45%	£150,001 and over

*\*For other income less than £17,570 only. The starting rate for savings is a maximum of £5,000.*

Dividend Allowance	£2,000
Dividend tax rates	
Basic rate	8.75%
Higher rate	33.75%
Additional rate	39.35%
Trusts	
Standard rate band	£1,000
Rate applicable to trusts	
- Dividends	39.35%
- other income	45%

## MAIN PERSONAL ALLOWANCES AND RELIEFS

Income limit for Personal Allowance §	£100,000
Personal Allowance (basic) §	£12,570
Marriage Allowance	£1,260
Rent-a-room scheme - tax-free income allowance	£7,500

*§ Reduced allowance of £1 for every £2 of adjusted net income over and above £100,000*

## NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	per week
Lower Earnings Limit (LEL)	£123
Primary threshold	£242
Upper Earnings Limit (UEL)	£967

Class 1	Employee	Employer
NICs rate	12%	13.8%
No NICs on the first (per week)*	£242	£175**
NICs rate charged up to (per week)	£967	No limit
2% NIC charged on earnings over	£967	n/a

*\*This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £123 per week. This £123 to £242 band is a zero-rate band introduced in order to protect lower earners' rights to contributory State benefits e.g. the new State Pension.*

*\*\*Secondary earnings threshold.*

<b>Class 2 (self-employed)</b>	Flat rate per week £3.15 where profits exceed £6,725 per annum.
<b>Class 3 (voluntary)</b>	Flat rate per week £15.85.
<b>Class 4 (self-employed)</b>	9.73% on profits between £11,908 and £50,270. 2.73% on profits above £50,270.

## CAPITAL GAINS TAX

TAX RATES	2022/2023
Individuals:	
Up to basic rate limit	10%
Above basic rate limit	20%
Surcharge for residential property and carried interest	8%
Trustees and Personal Representatives	20%
Business Asset Disposal Relief* – Gains taxed at:	10%
Lifetime limit	£1,000,000

*\*For trading businesses and companies (minimum 5% employee or director shareholding) held for at least two years.*

### EXEMPTIONS

Individuals, estates etc	£12,300
Trusts generally	£6,150
Chattels proceeds (restricted to five thirds of proceeds exceeding limit)	£6,000



## PENSIONS

**2022/2023**

Lifetime Allowance	£1,073,100
Annual Allowance*	£40,000
Money Purchase Annual Allowance	£4,000

*\* Tapered by £1 for every £2 of 'adjusted income' over £240,000 to a minimum of £4,000 if 'threshold income' is also over £200,000.*

## INHERITANCE TAX

### RATES OF TAX ON TRANSFERS

**2022/2023**

Transfers made on death	
- Up to £325,000	Nil
- Excess over £325,000	40%
- Reduced rate (where appropriate charitable contributions are made)	36%
Chargeable lifetime transfers to trusts	20%

### MAIN EXEMPTIONS

Transfers to	
- UK-domiciled spouse/civil partner	No limit
- non-UK-domiciled spouse/civil partner (from UK-domiciled spouse)	£325,000
- main residence nil-rate band*	£175,000
- UK-registered charities	No limit

*\* Available for estates up to £2,000,000 and then tapered at the rate of £1 for every £2 in excess until fully extinguished.*

Lifetime transfers	
- Annual exemption per donor	£3,000
- Small gifts exemption	£250

Wedding/civil partnership gifts by	
- Parent	£5,000
- Grandparent/bride or groom	£2,500
- other person	£1,000

100% relief: businesses, unlisted/AIM companies, certain farmland/building

50% relief: certain other business assets

Reduced tax charge on gifts within 7 years of death:

- Years before death	0-3	3-4	4-5	5-6	6-7
- Inheritance Tax payable	100%	80%	60%	40%	20%

Quick succession relief:

- Years since IHT paid	0-1	1-2	2-3	3-4	4-5
- Inheritance Tax relief	100%	80%	60%	40%	20%

## CORPORATION TAX

2022/2023

Standard rate 19%

## VALUE ADDED TAX

2022/2023

Standard rate 20%

Annual registration threshold £85,000

Deregistration threshold £83,000

## STAMP DUTY LAND TAX

Residential

Value up to £250,000 0%

£250,001 - £925,000 5%

£925,001 - £1,500,000 10%

£1,500,001 and over 12%

**Additional Stamp Duty Land Tax (SDLT) rules still apply as below.**

- *SDLT is payable in England and Northern Ireland only. Land Transaction Tax (LTT) is payable in Wales and Land and Buildings Transaction Tax (LBTT) is payable in Scotland. The rates for LTT and LBTT are different to the rates shown above.*
- *Additional SDLT of 3% may apply to the purchase of additional residential properties purchased for £40,000 or greater.*
- *SDLT may be charged at 15% on interests in residential dwellings costing more than £500,000 purchased by certain corporate bodies or non-natural persons in some circumstances.*
- *First-time buyers benefit from SDLT relief on purchases up to £625,000 when purchasing their main residence. On purchases up to £425,000, no SDLT is payable. On purchases between £425,000 and £625,000, a flat rate of 5% is charged on the balance above £425,000.*
- *Additional rates of LBTT and LTT apply in Scotland and Wales respectively for the purchase of additional residential properties. First-time buyers benefit from LBTT relief in Scotland. There is no LTT relief for first-time buyers in Wales.*

## MAIN SOCIAL SECURITY BENEFITS

2022/2023

Child Benefit	First child	£21.80
	Subsequent children	£14.45
	Guardian's allowance	£18.55
Basic State Pension	Single	£141.85
	Married	£283.70
the new State Pension	Single	£185.15
Pension Credit	Single person standard minimum guarantee	£182.60
	Married couple standard minimum guarantee	£278.70
Bereavement Support Payment	Higher rate - lump sum	£3,500
	Higher rate - monthly payment	£350
	Standard rate – lump sum	£2,500
	Standard rate – monthly payment	£100

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## Specimen Examination Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome	Question	Answer	Learning Outcome	Question	Answer	Learning Outcome
Learning Outcome 1			Learning Outcome 4			Learning Outcome 6		
1	C	1.1	28	C	4.1	56	D	6.1
2	A	1.1	29	A	4.1	57	B	6.1
3	C	1.1	30	C	4.1	58	D	6.1
4	C	1.2	31	C	4.1	59	C	6.1
5	C	1.2	32	A	4.1	60	C	6.1
5 Questions			33	D	4.1	61	D	6.1
			6 Questions			62	C	6.1
Learning Outcome 2						63	C	6.2
6	B	2.1	Learning Outcome 5			64	C	6.2
7	C	2.1	34	C	5.1	65	C	6.2
8	D	2.1	35	D	5.1	66	D	6.2
9	A	2.2	36	A	5.1	67	A	6.2
10	D	2.2	37	B	5.1	68	B	6.2
5 Questions			38	C	5.1	69	A	6.2
			39	C	5.1	70	C	6.2
Learning Outcome 3			40	A	5.1	71	A	6.2
11	B	3.1	41	D	5.1	72	C	6.3
12	B	3.1	42	A	5.1	73	B	6.3
13	D	3.1	43	D	5.1	74	B	6.3
14	D	3.1	44	A	5.1	75	D	6.4
15	C	3.2	45	C	5.1	20 Questions		
16	C	3.1	46	C	5.1			
17	C	3.2	47	B	5.1			
18	D	3.2	48	C	5.1			
19	A	3.2	49	D	5.1			
20	A	3.2	50	B	5.1			
21	A	3.2	51	C	5.2			
22	B	3.2	52	C	5.2			
23	C	3.2	53	D	5.2			
24	A	3.2	54	B	5.2			
25	A	3.2	55	D	5.2			
26	C	3.2	22 Questions					
27	B	3.2						
17 Questions								