Chartered Insurance Institute

J10

Discretionary investment management

Based on the 2019/2020 syllabus examined until 31 August 2020

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Contents

Published in February 2020 by:
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Introduction

This examination guide has been produced by the Examinations Department at the Chartered Insurance Institute (CII) to assist students in their preparation for the J10 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 J10 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 J10 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/learning/qualifications/certificate-in-discretionary-investment-management-qualification/unit-discretionary-investment-management-j10/**
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 J10 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 examination syllabus categorises J10 learning outcomes into attainment levels. Each learning outcome specifies the level of skill required of candidates and thus the level at which candidates may be tested.

The syllabus requires that candidates have the ability to apply, understand and analyse the subject matter. Each learning outcome begins with one of these cognitive skills:

Understanding - Candidates 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.

Application - To answer application questions, the candidate must be able to apply his/her knowledge and/or understanding to a given set of circumstances. Typically questions may ask 'Calculate' – for example, 'Calculate liability to Income Tax'. Questions set on a be able to apply learning outcome can test knowledge and/or understanding as well as application.

Analysis - To answer questions requiring analysis, the candidate must be able to break information down into parts, identify how each piece relates to the whole, associate relevant aspects and determine courses of action. Typically questions will relate to a given set of circumstances or provide data which requires analysis so a conclusion can be drawn.

Examination Information

The method of assessment for the J10 examination is 70 multiple choice questions (MCQs) and 4 case studies, each comprising 5 multiple response format questions. 2 hours are allowed for this examination.

The J10 syllabus provided in this examination guide will be examined from 1 September 2019 until 31 August 2020.

Candidates will be examined on the basis of English law and practice in the tax year 2019/2020 unless otherwise stated. It should be assumed that all individuals are domiciled and resident in the UK unless otherwise stated.

For areas of the syllabus that are focused on taxation, 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.

J10 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.

Section A consists of 70 multiple choice questions. A standard format 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 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.

Section B contains four case studies each followed by five questions. Four to six options follow each question. For each question more than one option is correct. Candidates must select **all** the correct options to gain the mark.

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, in 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.

Chartered Insurance Institute

Discretionary investment management

Purpose

At the end of this unit, candidates should be able to demonstrate an understanding of:

- the behaviour, performance, risk profile and correlation of key investment types;
- discretionary and non-discretionary portfolio management;
- the principles of performance measurement, financial analysis and ratio analysis;
- the principles of performance management and portfolio theory.

Summary of learning outcomes	Number of questions in the examination*
1. Understand how to establish and meet a client's investment objective.	4 standard format
2. Understand the behaviour, performance, risk profile and correlation of key investment types.	8 standard format
3. Understand the role of the investment manager.	6 standard format
4. Understand discretionary and non-discretionary portfolio management.	5 standard format
5. Understand investment fund objectives and approaches.	2 standard format
6. Understand the fundamentals of economics applicable to investment management.	5 standard format
7. Understand how investment returns are related to investment risk.	7 standard format
8. Understand the principles and limitations of modern portfolio theory.	7 standard format
9. Understand indices and performance measurement.	12 standard format
10. Understand data and regression.	2 standard format
11. Understand the principles of basic financial mathematics.	2 standard format
12. Understand accounts and their interpretation.	7 standard format
13. Understand information sources and disclosure obligations and bias thereof.	3 standard format
14. Apply the principles of performance measurement and portfolio theory.	20 case study based questions
15. Analyse, interpret and compare financial information and financial ratios.	

*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: 70 multiple choice questions and 4 case studies, each comprising 5 multiple response questions. 2 hours are allowed for this examination.**
- **This syllabus will be examined from 1 September 2019 to 31 August 2020.**
- **Candidates will be examined on the basis of English law and practice in the tax year 2019/2020 unless otherwise stated.**
- **It should be assumed that all individuals are domiciled and resident in the UK 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/learning/qualifications/unit-discretionary-investment-management-j10/**
  2. **Select qualification update on the right hand side of the page.**

Published June 2019

1. Understand how to establish and meet a client's investment objective.

1.1 Explain the steps taken to identify a client's investment objectives and needs.

2. Understand the behaviour, performance, risk profile and correlation of key investment types.

2.1 Identify the main features, characteristics and risks of the main asset classes and individual product types.

2.2 Identify the main tax features and characteristics of the principal ways of holding investments and investment tax wrappers.

3. Understand the role of the investment manager.

3.1 Describe the key stages of the investment management process.

4. Understand discretionary and non-discretionary portfolio management.

4.1 Describe the main principles and rules that apply to discretionary and advisory portfolio management.

5. Understand investment fund objectives and approaches.

5.1 Describe the objectives of investment funds and the approaches used by fund managers to meet the fund's objectives.

6. Understand the fundamentals of economics applicable to investment management.

6.1 Explain how economic factors affect investment portfolio decisions.

7. Understand how investment returns are related to investment risk.

7.1 Identify the main types of risk and their impact on investment performance.

8. Understand the principles and limitations of modern portfolio theory.

8.1 Explain the fundamental principles and limitations of modern portfolio theory.

9. Understand indices and performance measurement.

9.1 Describe the differing methods of analysing and assessing investment performance.

10. Understand data and regression.

10.1 Describe the sources, benefits and limitations of analytical data.

10.2 Perform basic calculations with portfolio performance data.

11. Understand the principles of basic financial mathematics.

11.1 Calculate compound interest in relation to portfolio returns.

12. Understand accounts and their interpretation.

12.1 Explain the use, benefits and limitations of accounting principles in relation to investment management.

12.2 Explain the different types and uses of equity ratio analysis.

13. Understand information sources and disclosure obligations and bias thereof.

13.1 Describe the importance and requirements of regulatory reporting.

13.2 Explain the different sources of information that could impact investment decisions and their limitations.

14. Apply the principles of performance measurement and portfolio theory.

14.1 Apply the principles of performance measurement in order to assess risk and return.

14.2 Apply the principles of portfolio theory in order to construct and/or evaluate portfolios.

15. Analyse, interpret and compare financial information and financial ratios.

15.1 Analyse and interpret a range of financial information and draw reasonable conclusions.

15.2 Analyse, interpret and compare financial ratios and draw reasoned conclusions.

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/PFS members can access most of the additional study materials below via the Knowledge Services webpage at https://www.cii.co.uk/knowledge-services/.

New resources are added frequently - for information about obtaining a copy of an article or book chapter, book loans, or help finding resources , please go to https://www.cii.co.uk/knowledge-services/ or email knowledge@cii.co.uk.

CII study text

Discretionary investment management. London: CII. Study text J10.

Investment principles and risk. London: CII. Study text R02.

Books (and ebooks)

Investments. 10th global edition. Zvi Bodie, Alex Kane, Alan J. Marcus. Berkshire: McGraw-Hill, 2014.

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

Modern portfolio management: from Markowitz to probabilistic scenario optimisation. Goal-based and long-term portfolio choice. Paolo Sironi. London: Risk Books, 2015.*

Understanding commercial property investment: a guide for financial advisers. Investment Property Forum, June 2015. Available online via www.ipf.org.uk.

Ebooks

The following ebooks are available through Discovery via www.cii.co.uk/discovery (CII/PFS members only):

Applied asset and risk management: a guide to modern portfolio management and behaviour-driven markets. Marcus Schumerich et al. Heidelberg: Springer, 2014.

Investment risk management. Greg Filbeck, H. Kent Baker. New York: Oxford University Press, 2015.

Finance: a quantitative introduction. Piotr and Lucia Staszkiewicz. Amsterdam: Academic Press, 2015.

Portfolio management: a strategic approach. John Wyzalek, Ginger Levin. Boca Raton: Auerback Publications, 2015.

Tactical portfolios: strategies and tactics for investing in hedge funds and liquid alternatives. Bailey McCann. Hoboken: Wiley, 2014.

Journals and magazines

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

Personal finance professional (previously Financial solutions). London: CII. Six issues a year. Available online at www.thepfs.org/financial-solutions-archive (CII/PFS members only).

Investment adviser. London: Financial Times Business. Weekly. Available via www.ftadviser.com.

Investment week. London: Incisive Financial Publishing. Weekly. Available online via www.investmentweek.co.uk.

Investor's chronicle. London: Financial Times Business. Weekly. Available at www.investorschronicle.co.uk.

Money management. London: FT Business. Monthly. Available online www.ftadviser.com/brand/money-management.

Further articles and technical bulletins are available at www.cii.co.uk/knowledge (CII/PFS members only).

Reference materials

International dictionary of banking and finance. John Clark. Hoboken, New Jersey: Routledge, 2005.*

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

Lamont's financial glossary: the definitive plain English money and investment dictionary. Barclay W Lamont. 10th ed. London: Taxbriefs, 2009.

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

Examination guide

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 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.

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).

SECTION A

1. When considering the time horizon relating to a client's investment portfolio, an investment manager should be aware that

A. the client will always set the time horizon, based on his attitude to risk.
B. a discretionary managed portfolio cannot be established with a time horizon of less than 10 years.
C. the investment manager will always set the time horizon, based upon his strategic asset allocation.
D. the time horizon is a key factor in determining the asset allocation of a portfolio.

2. Miranda, a basic-rate taxpayer, approaching age 75, will shortly inherit some property giving her a £50,000 annual rental income. She has been making both pension and ISA contributions utilising equity-based funds. She should be aware that

A. investment returns in the pension fund are subject to Corporation Tax whereas the ISA fund is not.
B. the pension fund will be liable to Capital Gains Tax whereas the ISA fund will not.
C. withdrawals from the ISA will attract only a notional 10% tax, whereas the pension income will attract 20% tax.
D. withdrawals from the ISA will attract no tax liability at all, whereas the pension income may lead to 40% tax being paid.

3. When considering the use of a risk profiling tool to assess a client's attitude to risk, a financial adviser should be aware that

A. the client's capacity for loss may be greater than the profiling parameters of the tool.
B. product charges are always taken into account in producing the asset allocation.
C. risk profiling software can be used only to identify tactical asset allocation and not strategic asset allocation.
D. when assessing the risk profiles of a married couple, the lower categorisation of risk will always determine the asset allocation.

4. A client, for personal reasons, is insistent that her portfolio should **NOT** contain funds with investments in companies conducting stem cell research. Which type(s) of fund is **most likely** to meet her requirement?

A. Ethical funds of any type.
B. Only ethical funds with negative screening.
C. Only ethical funds with positive screening.
D. Only ethical funds that engage with the companies.

5. Fixed interest security X has a modified duration of 2.86 and fixed interest security Y has a modified duration of 1.62. This indicates that fixed interest security X's price is

A. more sensitive to interest rate changes.
B. more sensitive to equity market movements.
C. less sensitive to interest rate changes.
D. less sensitive to equity market movements.

6. A financial adviser is considering commercial property as an asset class. In comparing a property unit trust with a direct holding, he should be aware that

A. the price of the units in the unit trust is affected only by supply and demand.
B. a unit trust is able to borrow money to purchase additional property.
C. unit trusts are able to invest in the shares of property companies or directly into the property itself.
D. a direct holding will be the most liquid in all market conditions.

7. An investor buys a FTSE 100 put option with a three-month duration for a premium of 20p. The strike price is 220p. If the trading price of the share remains permanently between 240p and 260p, then the investor is likely to

A. exercise the option as soon as the price starts to fall.
B. exercise the option at the latest possible date.
C. let the option expire.
D. sell the option immediately before expiry.

8. An experienced private investor is considering investing into a hedge fund. What should he be aware of?

A. He can only invest in a hedge fund if he is categorised as a professional client.
B. Hedge funds cannot be listed on a recognised investment exchange.
C. Performance will always be relative to an equity index benchmark.
D. Using a hedge fund may reduce the overall volatility of the portfolio.

9. A structured product linked to the FTSE 100 Index contains two component parts. If one is a zero coupon bond, the other is **most likely** to be

A. a blue chip equity unit trust to reduce the product's volatility.
B. a call option to provide the market participation.
C. an Exchange Traded Fund to provide the market participation.
D. a put option to guarantee the product's return.

10. Ted's Save As You Earn (SAYE) share incentive scheme is due to mature in May and he is very keen to transfer the proceeds into a stocks and shares ISA at the earliest opportunity. What **key** factor is likely to be driving his decision?

A. The availability of entrepreneurs' relief.
B. To avoid Capital Gains Tax on the maturity of the SAYE scheme.
C. Maximising future tax efficiency.
D. Rollover relief is only available for up to 30 days following maturity.

11. An additional-rate taxpayer pays a gross monthly contribution of £400 into a personal pension. What is the **maximum total** amount of tax relief he can currently obtain in respect of each payment?

A. £80
B. £100
C. £180
D. £200

12. A retail client owns both A shares and B shares in the same listed company. He should be aware that

A. B shares will always have a lower declared dividend than A shares.
B. the difference between A and B shares will be confirmed in the company's memorandum and articles of association.
C. if the company defaults, A shares will always rank ahead of B shares for repayment.
D. if the company issues preference shares they must be designated as A shares.

13. By using the services of a discretionary investment manager, an investor should be aware that

A. capacity for loss will never be part of the discretionary mandate.
B. the client cannot change the original objective.
C. a full fact-find process must be carried out by the investment manager.
D. the investment manager should always consider the objectives and constraints of the investor.

14. In the investment management process, an investment manager who utilises a top down investment process for a retail client's equity portfolio has just established his client's risk profile. What is the next stage of the process?

A. Choosing the appropriate equity funds.
B. Determining the asset allocation.
C. Selecting the investment house.
D. Selecting the relevant tax wrappers.

15. A new client is discussing his financial objectives with a discretionary fund manager. The client indicates that he wishes to use his entire portfolio to pay school fees for his children, commencing in two years' time and that the fees **must** be available when due. He has no other assets available for this need. What should the fund manager deduce?

A. An adventurous risk profile can be assumed for the later years' fee requirements.
B. Assets outside of the client's risk profile may be considered.
C. The client has a zero capacity for loss.
D. The client will also have protection needs.

16. An investment manager has taken on a new retail client and issued her with a client agreement. If this agreement fails to refer to the frequency of client reporting then

A. a default reporting frequency of quarterly must be used.
B. this indicates that discretionary investment management services are being utilised.
C. it should be stated in a separate written document.
D. all statements must be sent to her financial adviser.

17. A fund manager has executed an order in several tranches. Although he has failed to confirm to the investor the price of each tranche, there has been no breach of the client reporting requirements. This is because the

A. average price has been provided instead.
B. order related to a derivative.
C. prices were below that of previous tranches.
D. tranches related to the same security.

18. When considering the client reporting requirements, a discretionary fund manager should be aware that

A. contract notes should be issued immediately after all purchases unless the requirement to do so has been waived.
B. contract notes will only be issued with a summary tax statement on an annual basis.
C. the frequency of client reporting may be changed from monthly to quarterly without notifying the client.
D. portfolio valuations must be issued at least once a year.

19. A portfolio investment manager seeking to switch from offering advisory to offering discretionary investment management services, should be aware that

A. client investment and risk objectives will remain of paramount importance.
B. clients will be less able to mitigate Capital Gains Tax liabilities.
C. extra administration costs will be funded by increased transaction fees.
D. summary valuation reports will have to be issued on a monthly basis.

20. Isabella has agreed with her stockbroker, Philip, to have her investment portfolio managed on a discretionary basis. This means that the investment decisions are determined by

A. Isabella, at her discretion, usually after receiving information from her stockbroker.
B. Isabella, at her discretion, on advice received from her stockbroker.
C. Philip, at his discretion, but within some parameters set by Isabella.
D. Philip, at his discretion, with no parameters set by Isabella.

21. A client has a significant holding of shares held under a discretionary investment management service. What reporting is typically provided by the manager concerning the dividends and their taxation?

A. An annual consolidated tax certificate only.
B. A dividend and tax credit summary together with a consolidated tax certificate both issued annually.
C. A dividend and tax credit summary issued monthly and a consolidated tax certificate annually.
D. Dividend and tax credit certificates issued as they arise and a consolidated tax certificate issued twice a year.

22. Thomas, an investment manager is dealing with an investment portfolio that is part of a large family trust. The trust was established in 1960 and contains no specified powers of investment. Thomas should be aware that he

A. can invest only up to a maximum of 50% of the trust property on a discretionary managed basis.
B. may only make investments that are listed in the Trustee Act 2000.
C. may only make investments that are listed in the Trustee Investments Act 1961.
D. must consider suitability and diversification.

23. When an authorised firm is considering the use of a fiduciary management service, a financial adviser should be aware that

A. all reporting requirements to the Financial Conduct Authority will be waived under such an arrangement.
B. investor taxation is taken into account in purchase and sale decisions.
C. it can be undertaken on both advisory and discretionary bases.
D. a third party is appointed to manage the investments.

24. With regard to investment management, Helen adopts a fundamental analysis approach which suggests that

A. all of the readily available information is reflected in a security’s current price.
B. she will consider sources of micro and macro information in relation to the security and the economy.
C. she will only consider information in relation to the company’s performance on a micro economic basis.
D. she will use only past performance data in making investment decisions.

25. When evaluating the differences between passive and active management styles, a financial adviser should be aware that

A. the majority of active funds out-perform passive funds over the longer term.
B. passive funds never have initial charges.
C. the volatility of a passive fund will always exceed the volatility of the relevant index.
D. with active funds, risk and return may diverge from the market averages.

26. What are likely to be the **main** aim(s) of a central bank undertaking a programme of quantitative easing?

A. To assist in financing government debt only.
B. To enable and encourage banks to lend more readily to businesses and businesses to raise capital more cheaply.
C. To enable businesses to raise capital more cheaply as well as assisting in financing government debt.
D. To reduce the rate of inflation and assist in financing government debt.

27. If, as a result of a change in the economic cycle, the UK government was to expand fiscal policy, an investment manager would seek to

A. purchase stocks in companies generating the majority of their revenues from outside the UK.
B. purchase stocks in companies involved in infrastructure projects.
C. sell stocks in retailers because Gross Domestic Product growth will be constrained.
D. sell utility stocks where their pricing power is linked to changes in inflation.

28. If there is a significant increase in the value of M0 measure, in the short term, this is likely to result in

A. a decline in consumer demand.
B. a fall in the level of Gross Domestic Product.
C. an increase in the rate of inflation.
D. an increased risk of a balance of payments capital account deficit.

29. If the outflow of sterling as a result of trade is less than its inflow, the UK balance of payments will show a

A. capital account deficit.
B. capital account surplus.
C. current account deficit.
D. current account surplus.

30. The budget deficit tends to fall when an economy expands because the

A. Bank of England can use quantitative easing to reduce the deficit.
B. Government can raise capital through the issue of bonds.
C. level of State benefits can be cut and tax rates can be raised.
D. overall costs of State benefits decline and taxation receipts increase.

31. A discretionary fund manager owns a number of fixed interest securities within his client's portfolio. Shortfall risk would create a drag on investment performance if

A. credit default spreads narrowed on a specific security.
B. a financial issuer bought back a subordinated security and replaced it with a new senior security.
C. the issuer of a cumulative preference share missed a dividend payment.
D. an issuer was rated as being in selective default by a credit ratings agency.

32. A discretionary fund manager holds long positions in UK equities, and the market has seen a significant gain over recent months. What should the manager consider?

A. The client's tax status before transacting changes.
B. Investing in treasury swaps to diversify the portfolio.
C. Investing only in assets which are negatively correlated with the current portfolio.
D. The purchase of a put option to protect against any short term correction.

33. An investor is considering the different types of risk which may impact on her investment performance. What should she be aware of?

A. Institutional risk cannot be mitigated through diversification.
B. The risk of total loss will apply when investing in derivatives.
C. Shortfall risk will be present in all types of portfolio.
D. When investing in commercial property holdings, liquidity risk is at its highest when investing through collectives.

34. An investment manager is comparing different inflation indices. The investment manager should be aware that the

A. Consumer Prices Index contains data on a fixed basket of prices and also housing costs.
B. Consumer Prices Index is useful when comparing data from European countries because of a harmonised approach.
C. Retail Prices Index focuses on information from high and low income households.
D. Retail Prices Index uses a combination of geometric and arithmetic means to aggregate prices.

35. The rate of inflation has started to increase. The likely impact this will have on the longer term interest rates and the yield curve is that the interest rates will

A. fall and this will lead to a steepening of the yield curve.
B. fall and this will lead to an inversion of the yield curve.
C. rise and this will lead to a steepening of the yield curve.
D. rise and this will lead to an inversion of the yield curve.

36. Dave and Eddie are paying £100 per month into open-ended investment companies and unit trusts respectively. Dave's proceeds are earmarked explicitly for school fees whereas Eddie's proceeds are for general savings. What type of risk, therefore, is only Dave **likely** to be exposed to?

A. Inflation risk.
B. Liquidity risk.
C. Market risk.
D. Shortfall risk.

37. How could an investor who has made a substantial gain on the holding of shares attempt to hedge against possible future falls in share prices?

A. Dispose of the shares and purchase a put option.
B. Exchange the shares for a call option.
C. Retain the shares and purchase a call option.
D. Retain the shares and purchase a put option.

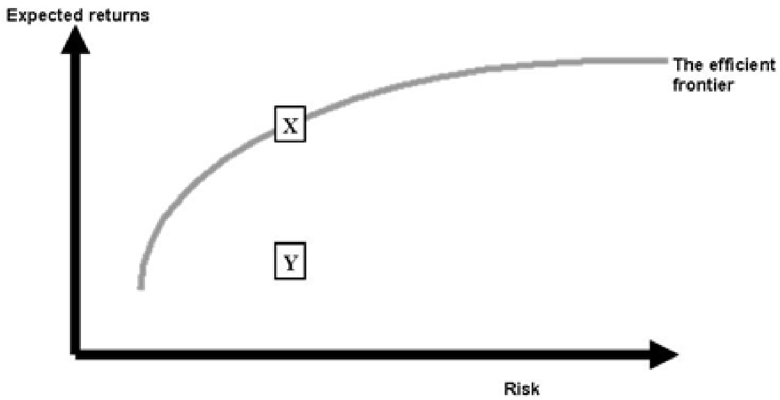
38. Optimum diversification is achieved between assets in an investment portfolio by having

A. assets that are negatively correlated.
B. assets that are perfectly correlated.
C. assets that are positively correlated.
D. no correlation between assets.

39. A portfolio has a mean return of 8.2% and a standard deviation of 1.6%. Based on this data and assuming a normal distribution, at two standard deviations the future returns would be

A. 5% to 8.2%.
B. 5% to 11.4%.
C. 6.6% to 8.2%.
D. 6.6% to 9.8%.

40. An investment manager is considering the following efficient frontier chart for two potential asset allocations



In respect of the information shown, the investment manager should be aware that portfolio X will

A. outperform Portfolio Y but at a higher level of risk.
B. outperform Portfolio Y and at the same level of risk.
C. underperform Portfolio Y but at a lower level of risk.
D. underperform Portfolio Y and at the same level of risk.

41. Four pairs of shares have correlation coefficients as follows

Share pairing	**Correlation coefficients**
W	-0.82
X	-0.45
Y	0.00
Z	0.89

Which pair is **most likely** to optimise diversification?

A. Pair W.
B. Pair X.
C. Pair Y.
D. Pair Z.

42. When using Modern Portfolio Theory (MPT), a financial adviser should be aware that

A. MPT predicts the expected level of risk only when the security is priced incorrectly.
B. MPT predicts the expected return on the assumption that the security is priced correctly.
C. a security's valuation can only be accurate if the expected return is less than that of the risk free return.
D. a security's valuation can only be accurate if the expected return is more than that of the risk free return.

43. A portfolio has a mean return of 7.2% and a standard deviation of 2.4%. Based on this data and assuming one standard deviation, approximately 32% of the future returns should fall

A. within the range 2.4% to 4.8%.
B. within the range 4.8% to 7.2%.
C. outside of the range of 2.4% to 9.6%.
D. outside of the range of 4.8% to 9.6%.

44. A fund manager is building an optimisation model using the efficient frontier model. The three types of data this would consist of are asset class returns, standard deviations and

A. asset sensitivity to interest rate changes.
B. asset sensitivity to exchange rate changes.
C. details of the underlying components of each asset class.
D. details of the correlation between each pair of asset classes.

45. Investment X has a mean return of 6% and a standard deviation of 4%. Investment Y has a mean return of 10% and a standard deviation of 5%. The general assumption when measuring risk is that at

A. one standard deviation the returns for X will fall between -2% and 5%.
B. one standard deviation the returns for Y will fall between 10% and 15%.
C. two standard deviations the returns for X will fall between 2% and 10%.
D. two standard deviations the returns for Y will fall between 0% and 20%.

46. A retail client pays £92 for £100 nominal value of corporate stock with a 5% coupon. If it is held until maturity, which is in exactly four years time, what will be the simplified redemption yield?

A. 3.26%
B. 3.43%
C. 7.43%
D. 7.61%

47. The analysis of an investment portfolio has revealed the data shown in the following table

Data	**Value 6 months ago**	**Value now**
Index value	2,100	2,150
14-day Relative Strength Indicator (RSI)	55	40
50 day moving average	2,050	2,000
200 day moving average	2,020	2,015

It can reasonably be inferred that the

A. increase in index value over the 50-day average can be defined as a bull market.
B. moving averages indicate that the index is likely to fall.
C. RSI shows that the flow of money into the index is increasing.
D. volatility of the index can be calculated as 53.75.

48. David bought a corporate bond for £98, based upon £100 nominal and a 3.7% coupon. Ron bought a corporate bond for £102 based upon £100 nominal and a 3.9% coupon. What can be deduced from this data?

A. David's running yield is higher than Ron's.
B. Ron's running yield is higher than David's.
C. David's redemption yield using the simplified method is higher than Ron's.
D. Ron's redemption yield using the simplified method is higher than David's.

49. A portfolio has a value at the beginning of the year of £17,500,000. Part way through the year £1,400,000 was withdrawn and at the end of the year the fund was worth £17,200,000. What is the holding period rate of return over the year?

A. 1.71%
B. 6.29%
C. 8.14%
D. 9.71%

50. Henry bought a corporate bond for £90. After six months the value was £99, just after a dividend of £1.80 was paid out. After one year the value was £117. What was the time-weighted rate of return over that year?

A. 30%
B. 32%
C. 32.36%
D. 34.4%

51. Keith paid £96 per £100 nominal for a corporate bond with a 3% coupon and Mark paid £106 per £100 nominal for a corporate bond with a 4% coupon. How much higher is the running yield under Mark's bond than Keith's?

A. 0.65%
B. 0.71%
C. 1.34%
D. 5.5%

52. A private investor pays a clean price of £110 for £100 nominal stock for a corporate bond with a 5% coupon and it has four years left to maturity. What can be deduced from this?

A. The bond will pay £110 at redemption for each £100 of stock held.
B. The bond's simplified redemption yield is 2.27%.
C. The bond's interest yield is lower than its running yield.
D. The bond will produce a capital gain at redemption.

53. A portfolio is worth £4,200,000 on 1 January. After six months it has risen in value to £4,500,000 and a further £600,000 is invested at this point. If the portfolio is worth £5,300,000 on 31 December, what is the holding period rate of return for the year?

A. 3.92%
B. 10.42%
C. 11.34%
D. 26.19%

54. Bob's portfolio includes shares which have a beta value of 0.76. The expected risk-free return is 1.8% and the expected return on the market portfolio is 6.9%. Based on Capital Asset Pricing Model (CAPM) principles, what will be the expected return on these shares?

A. 3.88%
B. 4.17%
C. 5.68%
D. 8.51%

55. If the expected return on a risk free investment is 2.8% and the expected return on the market portfolio is 5.6%, using the Capital Asset Pricing Model (CAPM), what would be the expected return on shares for a company if it has a beta value of 0.85?

A. 5.18%
B. 6.09%
C. 9.94%
D. 12.68%

56. Investment Y has a mean annual return of 4.2% and a standard deviation of 3%. Investment Z has a mean return of 5.1% and a standard deviation of 2%. Assuming a normal distribution, it can be reasonably assumed that approximately

A. 68% of annual returns for Y are likely to fall between 1.2% and 4.2%.
B. 95% of annual returns for Y are likely to fall between nil and 10.2%.
C. 68% of annual returns for Z are likely to fall between 3.1% and 7.1%.
D. 95% of annual returns for Z are likely to fall between 1.1% and 7.1%.

57. An investment manager has organised the data relating to returns from an individual stock as follows

Level of return	Absolute frequency
0% - 5%	11
5% - 8%	8
8% - 12%	5

What is the relative frequency for the 5% - 8% interval?

A. 12.5%
B. 33%
C. 37.5%
D. 54%

58. An investment portfolio has provided annual returns over the last three years of 5%, 9% and 10%, compared to a return over the same period from a portfolio of short term treasury bills, of 4% per annum. If the standard deviation of the portfolio is 10%, the Sharpe ratio for the portfolio over three years is

A. 0.4
B. 0.5
C. 0.6
D. 0.8

59. Denise wants to target a net cash sum of £30,000 in three years' time in order to fund a purchase. Due to the relatively short period involved, she is using a deposit-based investment paying compound interest annually in arrears. Ignoring taxation, how much **must** she invest at outset if the available gross rate is 5% per annum?

A. £24,681
B. £25,644
C. £25,916
D. £26,670

60. Using a fixed-rate deposit-based account, Terry, a non-taxpayer, invested £2,000 at the beginning of each year over a three year period. If the interest rate was 4% credited annually, what was the gross value at the end of the third year?

A. £6,243
B. £6,308
C. £6,493
D. £6,560

61. A company's long term debt, preference shares and ordinary shareholder funds are £3,100,000, £1,200,000 and £8,800,000 respectively. What is its gearing ratio?

A. 13.6%
B. 21.5%
C. 35.2%
D. 48.86%

62. The principal use of a company's cashflow statement, is to

A. identify a conservative view of cash flows through the business.
B. identify the origin and destination of cash in the business.
C. provide a simpler format cash statement than required in the Financial Reporting Standard (FRS).
D. provide day-to-day access to cash movement information, outside of the audited company accounts.

63. Company X has a price-earnings ratio of 1.8 and company Y has a price/earnings ratio of 1.2. This is likely to indicate that company X

A. has a lower dividend cover than company Y.
B. has a price-earnings ratio that is lower than the sector average.
C. has the greater potential for growth.
D. will see a greater rise in its dividend yield.

64. The following information is available regarding company X

Share price	400p
Net dividend	10p
Number of shares in issue	100,000
Earnings per share	80p

From this information, it can be deduced that the

A. dividend cover is 0.025.
B. dividend yield is 4.5%.
C. price-earnings ratio is 5.
D. profits attributable to ordinary shareholders are £10,000.

65. Company X has a price-earnings ratio of 5.6 compared to the sector average price/earnings ratio of 9.8. This infers that company X

A. could be expected to achieve below average growth.
B. could be expected to declare above average dividend levels.
C. has a beta of less than 1.
D. has a stable long term share price.

66. A company's return on capital employed can be broken down into two key components, namely

A. asset turnover and profit margin.
B. dividend yield and retained earnings.
C. profit margin and dividend yield.
D. retained earnings and asset turnover.

67. A discretionary investment manager is looking at a listed company's financial data. Its liquidity ratio will indicate the

A. company's ability to repay its short-term debts.
B. daily dealing limits set by market makers in the company's shares.
C. percentage of the company's shares that are actively traded compared to the total shares in issue.
D. sustainability of the dividend based upon current and retained earnings.

68. A principal reason for a listed company releasing information via a Regulatory News Service (RNS) is to

A. ensure that the information meets acceptable reporting requirements.
B. limit its distribution to the company's shareholders only.
C. reach the maximum possible audience in the quickest time.
D. remove the requirement for the information to be communicated on the company's own website.

69. A financial adviser is considering the impact of the EU Transparency Directive on shareholders. He should be aware that

A. the acquisition and disposal of major holdings must be disclosed.
B. investors have duties of disclosure, but issuers do not.
C. non-UK holdings are excluded from the reporting requirements.
D. reporting of all holdings must take place every three months.

70. When considering the financial announcements made in respect of individual stocks, an investment manager should be aware that

A. AIM companies do not need to release information via the Regulatory News Service (RNS).
B. the London Stock Exchange will announce all trading information on a daily basis only.
C. the Regulatory News Service (RNS) transmits both regulatory and non-regulatory data.
D. the Regulatory News Service (RNS) transmits data on UK companies only.

Section B begins on the next page

SECTION B

For questions 71-90 more than 1 option is correct. You must select all the correct options to gain the mark.

Bernard, a discretionary investment manager, has been advising Adam regarding his investment portfolio and is undertaking the annual review. Of particular interest to Adam is the performance of the two funds in which a significant proportion of his assets have been invested. Bernard has compiled the following data

	Fund X	Fund Y
Gross fund return	11%	10%
Risk-free return	3%	3%
Average annual market return	8%	8%
Number of securities held	13	39
Beta of fund	1.4	1.2
Standard deviation	7.5%	5%

In addition, Adam holds substantial holdings in equities M and N about which the following data is available

	Equity M	Equity N
Mean return	7%	10%
Standard deviation	2.7%	5.3%
Correlation co-efficient	0.78	

All of the financial information relates to the last 12 months.

71. A comparison of each fund manager's performance indicates that

A. fund manager X has delivered 0.2% more added value than fund manager Y.
B. both fund managers have underperformed against their respective benchmarks.
C. both fund X and fund Y have the same alpha values.
D. fund Y has an alpha value of 1.

72. When looking at the statistics given for equities M and N, assuming one standard deviation, Bernard can reasonably infer that

A. only equity N is statistically likely to produce a negative return under normal circumstances.
B. the difference between the statistically anticipated minimum and maximum returns for equity M, for approximately two-thirds of events, is less than 6%.
C. when considering the expected minimum returns over approximately two-thirds of events, equity M is likely to provide superior results.
D. if the prime objective is to maximise returns over the longer term, greater exposure should be given to equity N.

73. When using the Sharpe ratio to assess the performance of funds X and Y, Bernard can reasonably deduce that

A. fund X's Sharpe ratio is 0.33 lower than fund Y's.
B. fund Y's Sharpe ratio is 0.1% greater than fund X's.
C. the Sharpe ratio for fund Y is lower than its beta.
D. the Sharpe ratio for fund Y is 1.4%.

74. When considering the information given it can be seen that

A. the addition of another 5 securities to fund X will not mitigate systematic risk.
B. the removal of 3 securities from fund Y will make little difference to its systematic risk.
C. equity M must be in the same market sector as equity N.
D. the profits of equities M and N are likely to move in similar directions.

75. From the funds data that Bernard has compiled, it is reasonable to infer that

A. fund X, on average, can be seen as 40% more volatile than the market.
B. the value of fund Y is likely to be more volatile than fund X.
C. the price of both funds should rise and fall by larger amounts than the market.
D. the performance measurements represent the best available indication of future results.

The following information has been taken from an investment portfolio that contains two fixed interest securities held within a collective fund. Both securities were purchased at the same time.

	Security X	**Security Y**
Coupon	6.5%	5.5%
Redemption period	3 years	5 years
Nominal price	£100	£100
Original investment	£10,000	£10,000
Security price at purchase	£125	£130
Current purchase price	£118	£126

76. Regarding the income distribution, the data shows that over the past 12 months the client would have received

A. £97 gross more from security X than from security Y.
B. £650 gross in respect of security X.
C. £100 gross less in respect of security Y than for security X.
D. £943 gross in total in respect of both securities.

77. The gross income yield calculated on these securities over the past year has been

A. 5.13% in respect of security X.
B. 0.97% lower in respect of security Y than for security X.
C. 1.2% lower than the coupon in respect of security Y.
D. 4.23% in respect of security Y.

78. When considering the simplified yield to redemption for both securities, it can be reasonably inferred that

A. there will be a capital loss in respect of both securities if held until their redemption dates.
B. the loss at redemption is greater for security X than for security Y.
C. only security Y has a positive yield to redemption.
D. the simplified yield to redemption for security X is -1.87%.

79. When considering whether or **NOT** these securities should be held until redemption, it can reasonably be inferred that

A. security X would show a capital loss of £500 less than security Y.
B. the capital loss for security X will be £2,000.
C. the income yield for security X will not offset any capital loss for security X.
D. the maximum capital gain is £1,250 in respect of security Y.

80. If additional amounts of £10,000 of securities X and Y were purchased now, it can be reasonably inferred that

A. the additional investment in security X would produce a capital gain at redemption.
B. the running yields of both new investments would be higher than the running yields of the existing holdings.
C. the simplified yields to redemption would be the same for the new investment as for the existing holdings.
D. both additional investments would show a reduced capital loss at redemption when compared to the original investments.

Charlotte, a financial adviser, is reviewing a client portfolio. The portfolio consists of a mix of asset classes and is benchmarked against the sector average. Information on the portfolio and benchmark over the past three years are shown in the table below.

	Sector average	Client's portfolio
Beta	1	1.1
Alpha	0	0.6
Sharpe ratio	-0.5	0.75
Information ratio	0	0.5
Risk-free rate	1%	1%

81. When considering the beta of the portfolio, compared to the benchmark, Charlotte should be aware that

A. the benchmark produced a return 10% lower than the portfolio.
B. if the benchmark gained £10,000 in value the portfolio is likely to have gained £11,000.
C. the portfolio will always produce a return of 10% more than the benchmark.
D. if the portfolio falls in value, the benchmark should also fall but by a lower amount.

82. When assessing the performance of the portfolio, compared to the benchmark, Charlotte should be aware that

A. the beta value is required in order to calculate the alpha value.
B. she has selected better performing stocks than the benchmark when return is adjusted for risk.
C. the benchmark produced a zero return.
D. the portfolio out-performed the benchmark by 0.60.

83. When reviewing the Sharpe ratio of the portfolio, it can be deduced that

A. the portfolio has under-performed the benchmark.
B. the benchmark return exceeded that of the portfolio.
C. the benchmark under-performed the risk-free asset.
D. her investment management has produced a 0.75% excess return for each unit of risk within the portfolio.

84. When reviewing the information ratio of the portfolio, Charlotte should be aware that the

A. portfolio produced a higher risk-adjusted return than the benchmark.
B. portfolio has delivered higher returns by investing in passive funds.
C. tracking error on the portfolio was 0.5% higher than the benchmark.
D. portfolio has delivered more consistent returns than those of the benchmark.

85. When using the Capital Asset Pricing Model (CAPM), it can be deduced that the

A. benchmark has an expected return 10% higher than the portfolio.
B. benchmark has an expected return which is lower than the expected market return.
C. portfolio has a higher expected return than the benchmark.
D. portfolio has a higher expected return than the expected market return.

Caroline, a discretionary fund manager, is considering three companies for investment purposes. The following data is available

	Company X	Company Y	Company Z
Share Price	£3.25	£6.80	£9.75
Number of issued ordinary shares	100,000,000	100,000,000	100,000,000
Gross earnings per share	63p	47p	73p
Dividend per share	30p	38.89p	46.67p
Capital Employed	£275,000,000	£325,000,000	£450,000,000
Net Asset Value per share	£2.75	£5.20	£6.95
Gross profit	£40,000,000	£38,000,000	£57,000,000

86. Caroline wants to include only companies with a return on capital employed (ROCE) of more than 12.5%. In respect of the companies she is considering, she should be aware that

A. only company X meets her criteria.
B. the ROCE for company Y is 11.7%.
C. the ROCE for company Z is 0.4 percentage points below her required level.
D. company X would still meet the required ROCE if it halved its dividend payment.

87. Company X is intending to create a rights issue and company Y is intending to create a bonus issue. Caroline should be aware that

A. this indicates that company Y is potentially in a more vulnerable position than company X.
B. company X will therefore offer new shares at a discounted price, but company Y's new shares will be offered fully paid.
C. immediately after issue, the share prices of both companies are likely to fall.
D. the issues add capital to both companies.

88. If Caroline is managing an income producing portfolio, in respect of the company's dividends she can deduce that

A. company X shows the highest dividend yield.
B. company Y shows a higher dividend yield than company Z.
C. company Y indicates the greatest potential for capital gains to the lowest level of income.
D. company Z has a dividend yield of 4.79%.

89. When considering the dividend cover, Caroline should deduce that

A. company Z's dividend cover is 1.56.
B. company X's dividend cover is higher than company Y's.
C. company Y's dividend is the most sustainable.
D. company X's dividend cover is 1.21.

90. Company Z is in the process of raising additional capital. If it offered 1 warrant for every 20 shares at an exercise price of £2.00 and all of the warrants were exercised, Caroline should be aware that the

A. gross profit will reduce to £52,000,000.
B. share price will remain unchanged.
C. net asset value of the company will reduce to £6.71 per share.
D. number of ordinary shares issued will increase to 105,000,000.

INCOME TAX

RATES OF TAX	2019/2020
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 £37,500
Higher rate of 40%	£37,501 to £150,000
Additional rate of 45%	£150,001 and over

**Not available if taxable non-savings income exceeds the starting rate band of £5,000.*

Dividend Allowance	£2,000
Dividend tax rates	
Basic rate	7.5%
Higher rate	32.5%
Additional rate	38.1%
Trusts	
Standard rate band	£1,000
Rate applicable to trusts	
- Dividends	38.1%
- other income	45%

MAIN PERSONAL ALLOWANCES AND RELIEFS

Income limit for Personal Allowance §	£100,000
Personal Allowance (basic) §	£12,500
Marriage Allowance	£1,250
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)	£118
Primary threshold	£166
Upper Earnings Limit (UEL)	£962

Class 1	Employee	Employer
NICs rate	12%	13.8%
No NICs on the first (per week)*	£166	£166**
NICs rate charged up to (per week)	£962	No limit
2% NICs on earnings over	£962	n/a

**This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £118 per week. This £118 to £166 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.*

Class 2 (self-employed)	Flat rate per week £3.00 where profits exceed £6,365 per annum.
Class 3 (voluntary)	Flat rate per week £15.00.
Class 4 (self-employed)	9% on profits between £8,632 - £50,000. 2% on profits above £50,000.

CAPITAL GAINS TAX

TAX RATES	2019/2020
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%
Entrepreneurs' Relief* – Gains taxed at:	10%
Lifetime limit	£10,000,000

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

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

PENSIONS

	2019/2020
Lifetime Allowance	£1,055,000
Annual Allowance*	£40,000
Money Purchase Annual Allowance	£4,000

** Tapered by £1 for every £2 of 'adjusted income' over £150,000 to a minimum of £10,000 if 'threshold income' is also over £110,000.*

INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2019/2020
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*	£150,000
- 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

	2019/2020
Standard rate	19%

VALUE ADDED TAX

	2019/2020
Standard rate	20%
Annual registration threshold	£85,000
Deregistration threshold	£83,000

STAMP DUTY LAND TAX

	Residential
Value up to £125,000	0%
£125,001 - £250,000	2%
£250,001 - £925,000	5%
£925,001 - £1,500,000	10%
£1,500,001 and over	12%

- *Stamp Duty Land Tax (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 £500,000 when purchasing their main residence. On purchases up to £300,000, no SDLT is payable. On purchases between £300,000 and £500,000, a flat rate of 5% is charged on the balance above £300,000.*
- *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

		2019/2020
Child Benefit	First child	£20.70
	Subsequent children	£13.70
	Guardian's allowance	£17.60
Basic State Pension	Single	£129.20
	Married	£206.65
Single Tier State Pension	Single	£168.60
Pension Credit	Single person standard minimum guarantee	£167.25
	Married couple standard minimum guarantee	£255.25
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

** Only applicable where spouse or civil partner died on or after 6 April 2007.*

Specimen Examination Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome	Question	Answer	Learning Outcome	Question	Answer	Learning Outcome	Question	Answer	Learning Outcome
STANDARD FORMAT									**SCENARIO FORMAT**		
Learning Outcome 1			**Learning Outcome 5**			**Learning Outcome 9**			**Learning Outcomes 14 and 15**		
1	D	1.1	24	B	5.1	45	D	9.1	71	C, D	15.1
2	D	1.1	25	D	5.1	46	D	9.1	72	B, D	14.1
3	A	1.1	**2 Questions**			47	B	9.1	73	A, D	15.2
4	B	1.1				48	B	9.1	74	A, B, D	14.2
4 Questions			**Learning Outcome 6**			49	B	9.1	75	A, C	14.2
			26	B	6.1	50	C	9.1	76	A, D	14.1
Learning Outcome 2			27	B	6.1	51	A	9.1	77	B, D	15.1
5	A	2.1	28	C	6.1	52	B	9.1	78	A, B	15.2
6	C	2.1	29	D	6.1	53	B	9.1	79	B, C	14.2
7	C	2.1	30	D	6.1	54	C	9.1	80	B, D	15.2
8	D	2.1	**5 Questions**			55	A	9.1	81	B, D	15.2
9	B	2.1				56	C	9.1	82	A, B	15.2
10	C	2.2	**Learning Outcome 7**			**12 Questions**			83	C, D	15.2
11	C	2.2	31	D	7.1				84	A, D	15.2
12	B	2.1	32	D	7.1	**Learning Outcome 10**			85	C, D	15.2
8 Questions			33	B	7.1	57	B	10.1	86	B, D	15.1
			34	B	7.1	58	A	10.2	87	B, C	15.1
Learning Outcome 3			35	A	7.1	**2 Questions**			88	A, B, D	15.1
13	D	3.1	36	D	7.1				89	A, B	14.1
14	B	3.1	37	D	7.1	**Learning Outcome 11**			90	C, D	15.1
15	C	3.1	**7 Questions**			59	C	11.1	**20 Questions**		
16	C	3.1				60	C	11.1			
17	A	3.1	**Learning Outcome 8**			**2 Questions**					
18	A	3.1	38	A	8.1						
6 Questions			39	B	8.1	**Learning Outcome 12**					
			40	B	8.1	61	D	12.1			
Learning Outcome 4			41	A	8.1	62	B	12.1			
19	A	4.1	42	B	8.1	63	C	12.1			
20	C	4.1	43	D	8.1	64	C	12.2			
21	B	4.1	44	D	8.1	65	A	12.2			
22	D	4.1	**7 Questions**			66	A	12.2			
23	D	4.1				67	A	12.2			
5 Questions						**7 Questions**					
						Learning Outcome 13					
						68	A	13.1			
						69	A	13.2			
						70	C	13.2			
						3 Questions					