Chapter 18 Class Exam

Name:________________ **Score:____________**

Answer all questions
Suggested Exam Length: 50-60 minutes

Student Input (Pre-exam)

How confident are you about this exam?

What topic am I worried about before I look at the exam? Why?

What strategies did you use to study for this exam? What was the best one?

Which activities in class did you most enjoy for this topic?

Student Reflection (Post-exam)

How happy were you with your result?

What were the hardest questions? Why?

Is there any exam technique I should change/use again for my next exam?

What topics should I look over again?

(a)

Explain three factors a consumer should consider when investing their income.

1.

2.

3.

(b)

Aoife is choosing between two mortgage options.

Mortgage	Interest Rate	Monthly Repayment	Cashback	Type of Rate
Option A	4.4%	€1,240	€3,000 upfront	Fixed
Option B	3.7%	€1,115	None	Variable

(i) Recommend either **Option A or Option B**.

(ii) Give **two reasons** for your choice.

1.

2.

(c)

Circle TRUE or FALSE for each of the following statements about how consumers can identify reliable sources of financial information:

Statement	TRUE / FALSE
Social media influencers are a reliable source of financial advice.	TRUE / FALSE
Regulated financial providers must follow consumer protection rules.	TRUE / FALSE
Promises of high returns with no risk are usually trustworthy.	TRUE / FALSE
Independent and regulated sources are more reliable than online hype.	TRUE / FALSE

(d)

Outline three factors a consumer should consider when switching between savings products.

1.
2.
3.

(e) (i)

Explain three factors that can negatively impact a person's credit rating.

1.

2.

3.

(e) (ii)

Outline two consequences of having a poor credit rating.

1.

2.

(f) Outline two possible consequences for consumers if the financial services industry was under-regulated.

1.

2.

(g) Match each **type of fraud** with the correct **description**.

Fraud Type	Description
A. Phishing	1. Fake phone calls pretending to be a bank
B. Smishing	2. Emails pretending to be trusted organisations
C. Vishing	3. Text messages asking for personal details
D. Card skimming	4. Devices used to steal card details at ATMs

(h) Choose TWO of the following financial products and explain how a consumer can manage the risk involved with each:

Pension, Mortgage, Credit-based products (loans or credit cards), Crypto finance

1.

2.

(i) Compare Central Bank Digital Currency (CBDC) and cryptocurrency under TWO of the following headings:

Control, Regulation, Stability

1.
2.

Chapter 18 Marking Scheme – Total 104 marks

(a)

MS: 15 marks - 3 × 5 marks (2 + 3)
Explain three factors a consumer should consider when investing their income.

Risk

Risk refers to the possibility that the value of an investment may fall as well as rise. A consumer should consider how much risk they are willing to accept, as higher-risk investments can lead to losses as well as higher potential returns.

Return on investment (ROI)

Return on investment is the profit a consumer expects to earn from an investment. Consumers should compare potential returns to decide whether the possible reward is worth the level of risk involved.

Time frame

The time frame is how long a consumer plans to leave their money invested. Long-term investments can usually tolerate more risk, while short-term goals require safer options to avoid losses when the money is needed.

Inflation

Inflation reduces the purchasing power of money over time. A consumer should invest in products that aim to earn returns higher than inflation to protect the real value of their income.

(b)

Mortgage	Interest Rate	Monthly Repayment	Cashback	Type of Rate
Option A	4.4%	€1,240	€3,000 upfront	Fixed
Option B	3.7%	€1,115	None	Variable

Aoife is choosing between two mortgage options.
(i) Recommend either Option A or Option B.
(ii) Give two reasons for your choice.
MS: 10m (i) 2m for choosing an option then 8m 2 @ 4m (2+2)

(ii) **Option A should be recommended**
Option A offers a **fixed interest rate**, which gives Aoife certainty about her monthly repayments.
This protects her from future interest rate increases and makes budgeting easier over the mortgage term.

Cashback incentive
Option A provides a €3,000 cashback payment upfront.
This can help Aoife cover legal fees, moving costs, or other expenses associated with buying the home.

Option B should be recommended
Option B offers a **lower interest rate** of 3.7 percent, resulting in lower monthly repayments of €1,115.
This improves affordability and reduces financial pressure in the short to medium term.

Variable rate
The variable rate may drop, which means Aoife would not be stuck on a higher rate if mortgage rates become cheaper.

(c)

MS: 8m - 4 @ 2m

Social media influencers are a reliable source of financial advice. FALSE

Regulated financial providers must follow consumer protection rules. TRUE

Promises of high returns with no risk are usually trustworthy. FALSE

Independent and regulated sources are more reliable than online hype. TRUE

(d)

Outline three factors a consumer should consider when switching between savings products.
MS: 12m - 3 × 4 marks (2 + 2)

Interest rates (AER)
A consumer should compare the AER offered by different savings products.
A higher AER means the consumer will earn more interest on their savings over time.
Terms and access
Consumers should consider how easily they can access their savings.
Some accounts restrict withdrawals or require notice, which may not suit short-term savings goals.
Incentives and convenience
Some savings products offer incentives such as cashback or bonuses, while others offer branch or online convenience.
Consumers should choose a product that suits their preferences and financial habits.

(e)

(i) Explain three factors that can negatively impact a person's credit rating.
(ii) Outline two consequences of having a poor credit rating.
MS: 23m – (i) 15 marks - 3 × 5 marks (2 + 3) (ii) 8 marks - 2 × 4 marks (2 + 2)

(i) Missed or late repayments

Failing to make loan or credit card repayments on time negatively affects a person's credit record.
This shows lenders that the person may be unreliable when managing credit.

High levels of outstanding debt

Owing large amounts of money compared to income can damage a person's credit rating.
Lenders may see this as a sign that the person is over-reliant on borrowing.

Defaults or unpaid credit agreements

Leaving loans or credit cards unpaid for a long period can seriously harm a credit rating.
This indicates that the person has not met their financial obligations.

Frequent credit applications

Applying for credit many times in a short period can negatively affect a credit rating.
Lenders may view this as a sign of financial difficulty.

(ii) Limited access to credit

A poor credit rating can make it difficult to get approved for loans or credit cards.
Lenders may view the borrower as high risk.

Higher interest rates

A person with a poor credit rating may still access credit but at higher interest rates.
This increases the overall cost of borrowing over time.

Difficulty renting or buying a home

Landlords and mortgage providers often check credit history.
A poor credit rating can result in applications being refused or extra conditions being applied.

(f)

Outline two possible consequences for consumers if the financial services industry was under-regulated.
MS: 8m – 2 @ 4 (2+2)

Higher financial risk for consumers
If the financial services industry is under-regulated, providers may offer unsafe or unsuitable products.
This increases the risk of consumers losing money with little or no protection.

Lack of consumer protection or compensation
Without proper regulation, consumers may not be covered by compensation or guarantee schemes.
If a financial provider fails, consumers may have no legal protection or way to recover their money.

Increase in fraud and misleading practices
Under-regulation can allow dishonest providers to operate more easily.
This increases the risk of scams, misleading advice, and financial exploitation of consumers.

(g) Match each type of fraud with the correct description.
MS: 8m – 4 @ 2m each

A → 2
B → 3
C → 1
D → 4

(h) Choose TWO of the following financial products and explain how a consumer can manage the risk involved with each:
Pension, Mortgage, Credit-based products (loans or credit cards), Crypto finance
MS: 10m 2 @ 5m each (2+3)

Pensions
Pensions involve investment risk as fund values can rise or fall over time.
Consumers can manage this risk by choosing pension funds that match their age, goals, and risk tolerance, and by reviewing and rebalancing their pension regularly.

Mortgages
Mortgages are long-term commitments and can become unaffordable if interest rates rise or income falls.
Consumers can manage this risk by choosing fixed-rate mortgages, avoiding borrowing the maximum amount, and switching lenders if better rates become available.

Credit-based products (loans or credit cards)
Credit-based products can lead to high-interest debt if not managed carefully.
Consumers can manage this risk by setting spending limits, making repayments on time, and paying off balances in full where possible.

Crypto finance
Crypto assets are highly volatile and can lose value quickly.
Consumers should only invest money they can afford to lose and avoid making decisions based on social media hype.

(I) Compare Central Bank Digital Currency (CBDC) and cryptocurrency under TWO of the following headings:
Control, Regulation, Stability
MS: 10m 2 @ 5m each (2+3)

Control

Central Bank Digital Currency is issued and controlled by a central bank.
Cryptocurrency is decentralised and not controlled by any government or central authority.

Regulation

CBDC is fully regulated and protected within the financial system.
Cryptocurrency is largely unregulated and offers limited consumer protection.

Stability

CBDC is designed to maintain a stable value similar to cash.
Cryptocurrency is highly volatile and can rise or fall sharply in value over short periods.