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PRACTICE QUESTIONS

Chartered Insurance Institute (CII)

VFWGBPXQ

AWA - Award in Financial Planning (Arabic)

EDITION	QUESTIONS	FORMAT
Demo	9	Limited Edition PDF

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Before you begin

What this is

9 practice questions for Chartered Insurance Institute (CII) `VFWGBPXQ`, each with its answer key and an explanation. Answer a question before you read its key — the explanation is worth more once you have committed.

If something looks wrong

Send us three things and we will check it:

- the exam code, `VFWGBPXQ`
- the question number
- the email address on your order

Write to **support@mometrix.net**. We reply within one business day.

QUESTION 1 SINGLE CHOICE

Which of the following best describes the primary purpose of personal financial planning?

A To maximise an individual's tax liabilities through complex investment schemes

B To ensure that financial resources are allocated to meet an individual's goals while managing risk

C To focus exclusively on retirement provision to the exclusion of other life events

D To eliminate all forms of financial risk faced by an individual

ANSWER B

WHY Personal financial planning is the process of identifying an individual's objectives and arranging their financial resources to meet those goals, while managing the risks involved. It is holistic and not limited to tax, retirement or risk elimination.

QUESTION 2 SINGLE CHOICE

Which of the following is typically considered a core component of a comprehensive financial plan?

A Cash flow management and budgeting

B Selection of a national lottery provider

C Cancellation of all existing insurance policies

D Avoidance of all forms of borrowing

ANSWER A

WHY Cash flow management and budgeting is a foundational element of a financial plan because it ensures the individual has sufficient liquid resources to meet day-to-day needs and to fund longer-term objectives. The other options are not standard components of financial planning.

QUESTION 3 SINGLE CHOICE

At the initial fact-find stage of the financial planning process, the adviser should primarily:

A Recommend specific products before gathering any information

B Collect comprehensive information about the client's personal and financial circumstances and objectives

C Focus solely on the client's tax position

D Decline to engage with the client until product literature has been provided

ANSWER **B**

WHY The fact-find is the information-gathering stage. The adviser must collect comprehensive details about the client's circumstances, attitude to risk, existing arrangements and goals before any recommendation is made. Recommending products at this stage would breach the principles of good advice.

QUESTION 4 SINGLE CHOICE

A protection needs analysis for a client with dependants would primarily focus on identifying:

A The investment products with the highest projected returns

B The level of cover required to replace income and settle liabilities in the event of death, critical illness or long-term incapacity

C The most tax-efficient offshore bond available

D The best performing collective investment scheme over the past five years

ANSWER **B**

WHY Protection needs analysis determines the amount of life, critical illness and income protection cover required so that dependants' needs and outstanding liabilities can be met if the client dies or suffers serious illness. Investment performance and offshore bonds are not the focus of this analysis.

QUESTION 5 SINGLE CHOICE

Which of the following statements correctly describes the relationship between investment risk and potential return?

A Lower risk investments always produce higher long-term returns

B Higher risk investments have the potential for higher returns, but also for greater losses

C Risk and return are unrelated in well-diversified portfolios

D Cash deposits offer the highest long-term real returns

ANSWER **B**

WHY A core principle of investment is that the potential for higher returns is generally accompanied by higher risk, including the risk of capital loss. Cash and lower-risk assets typically produce lower long-term real returns than higher-risk assets such as equities.

QUESTION 6 SINGLE CHOICE

When constructing a retirement plan for a client, the adviser must first establish:

A The projected inflation rate over the next fifty years

B The client's desired retirement age, lifestyle and required level of retirement income

C The provider with the lowest charges in the market

D The current value of the state pension only

ANSWER **B**

WHY Retirement planning begins with the client's objectives: the age at which they wish to retire, the lifestyle they want and the income they will need. Without this information, neither the required capital sum nor the appropriate contribution level can be calculated.

QUESTION 7 SINGLE CHOICE

Why is tax efficiency an important consideration when constructing a financial plan?

A Because tax rules never change once introduced

B Because tax liabilities directly reduce the net return available to the client to achieve their objectives

C Because all investments are completely tax-free in the UK

D Because tax planning removes the need for any investment risk assessment

ANSWER **B**

WHY Tax reduces the net returns available to clients, so understanding the tax treatment of different products and allowances is essential to maximise the resources available to meet objectives. Tax rules do change, not all investments are tax-free, and tax planning does not replace the need for risk assessment.

QUESTION 8 SINGLE CHOICE

Under the CII's Code of Ethics and the FCA's Conduct Rules, an adviser must:

A Prioritise their own commission over the client's interests

B Act with integrity, due skill, care and diligence, and treat customers fairly

C Recommend products only from a single provider regardless of suitability

D Avoid documenting any advice given to the client

ANSWER **B**

WHY The CII Code of Ethics and FCA principles require advisers to act with integrity, due skill, care and diligence, and to treat customers fairly. Putting personal remuneration first, restricting recommendations to one provider, or failing to document advice would breach these standards.

QUESTION 9 MULTIPLE CHOICE

Which of the following are recognised elements of a comprehensive financial plan? (Choose two.)

A **Cash flow and budgeting**

B **Protection and risk management**

C Selection of a national lottery number

D **Retirement and estate planning**

ANSWER **A · B · D**

WHY Cash flow/budgeting, protection/risk management and retirement/estate planning are all core elements of a financial plan. Choosing lottery numbers is not a financial planning activity.