



PAUL ARCHER

CEMAP 2

TESTS AND ACTIVITIES PACK

CeMAP[©] 2

Tests and Activities Pack 2020/2021

Paul Archer



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The Pack's Contents

1	CeMAP 2 Multiple Choice Tests	7
	CeMAP 2 Unit 3 – 3A Test	7
	CeMAP 2 Unit 3 – 3A Answers.....	21
	CeMAP 2 Unit 3 – 3B Test	23
	CeMAP 2 Unit 3 – 3B Answers.....	31
	CeMAP 2 Unit 4 – 4A Test	33
	CeMAP 2 Unit 4 – 4A Answers.....	41
	CeMAP 2 Unit 4 – 4B Test	43
	CeMAP 2 Unit 4 – 4B Answers.....	52
	CeMAP 2 Unit 5 – 5A Test	54
	CeMAP 2 Unit 5 – 5A Answers.....	63
	CeMAP 2 Unit 5 – 5B Test	65
	CeMAP 2 Unit 5 – 5B Answers.....	74
	CeMAP 2 Unit 6 – 6A Test	76
	CeMAP 2 Unit 6 – 6A Answers.....	85
	CeMAP 2 Unit 6 – 6B Test	87
	CeMAP 2 Unit 6 – 6B Answers.....	96
	HLC Guided Multi Choice Tests	98

1 CeMAP 2 Multiple Choice Tests

CeMAP 2 Unit 3 – 3A Test

This 25-question test covers Unit 3 of CeMAP 2. If you want to mirror the actual exam, you'll want to take no longer than 30 minutes.

The examination board's tax sheet is on the next page and the answers appear after the test.

Good luck.

INCOME TAX	
RATES OF TAX	2020/2021
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
<i>*For other income less than £17,500 only. The starting rate for savings is a maximum of £5,000. Every £1 of other income above the Personal Allowance reduces the starting rate for savings by £1.</i>	
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
<i>§ Reduced allowance of £1 for every £2 of adjusted net income over and above £100,000</i>	

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	per week
Lower Earnings Limit (LEL)	£120
Primary threshold	£183
Upper Earnings Limit (UEL)	£962

Class 1	Employee	Employer
NICs rate	12%	13.8%
No NICs on the first (per week)*	£183	£169**
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 £120 per week. This £120 to £183 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 £3.05 where profits exceed £6,475 per annum.
Class 3 (voluntary)	Flat rate per week £15.30.
Class 4 (self-employed)	9% on profits between £9,500 - £50,000. 2% on profits above £50,000.

CAPITAL GAINS TAX

TAX RATES	2020/2021
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

2020/2021

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

2020/2021

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:

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

Quick succession relief:

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

CORPORATION TAX

2020/2021

Standard rate	19%
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VALUE ADDED TAX

2020/2021

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%

Important Note: For residential properties purchased between 8 July 2020 and 31 March 2021, Stamp Duty Land Tax does not apply up to £500,000. For purchases above £500,000, the band rates above apply as normal. Additional SDLT rules still apply as below.

- *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

2020/2021

Child Benefit	First child	£21.05
	Subsequent children	£13.95
	Guardian's allowance	£17.90
Basic State Pension	Single	£134.25
	Married	£268.50
Single Tier State Pension	Single	£175.20
Pension Credit	Single person standard minimum guarantee	£173.75
	Married couple standard minimum guarantee	£265.20
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

- 1 Which of the following is correct in relation to estate agents?
 - A Fees are usually higher when an estate agent has the sole agency.
 - B Fees are usually lower when an estate agent has the sole agency.
 - C They are not permitted to charge the vendor a fee if no sale is made.
 - D Where a multiple agency exists, the fee is shared equally between several estate agents.

- 2 Clive's mortgage application, made in December 2019, is unregulated because it is a:
 - A bridging loan.
 - B debt consolidation.
 - C home improvement loan.
 - D commercial mortgage.

- 3 In the property-buying process, what step may the vendor take if the purchaser withdraws after exchange of contracts?
 - A Insist that the purchase proceeds on the terms agree
 - B Insist that the purchaser's deposit is paid as compensation.
 - C Sue the purchaser for breach of contract.
 - D Sue, the purchaser's solicitor for professional negligence.

- 4 A survey report on Tony's house has recommended the involvement of a tree surgeon. What aspect of his property needs attention?
- A Foundations.
 - B Gas supply.
 - C Ring mains.
 - D Roofing.
- 5 A builder is planning to buy a terraced house, in cash, at a property auction. If this is due to take place on 15 June, by what latest date should he have the cash available for the deposit?
- A 15 June.
 - B 22 June.
 - C 29 June.
 - D 15 July.
- 6 Hazel paid a £5,600 deposit following her successful bid at a property auction, but due to an unexpected change in her circumstances, she was unable to proceed with the purchase. How much of her deposit will normally be returned to her?
- A None of it.
 - B Only £560.
 - C Only £5,040.
 - D All of it.
- 7 Which of the following is correct in relation to considering a mortgage request from a limited company?
- A A lender will often seek personal guarantees from the directors as additional security for the loan.
 - B A loan cannot be made to the company itself because it is not legal entity.
 - C Any mortgage will be held in the names of the directors.
 - D The loan is made to the directors.

- 8 A person of unsound mind who requires housing funded by a mortgage:
- A is able to borrow in his or her own right.
 - B must be represented by a person appointed by the Court of Protection.
 - C needs to appoint an lasting power of attorney to another individual.
 - D should appoint a specific power of attorney to another individual.
- 9 Sam bought a newly-constructed house with NHBC Buildmark scheme protection dating from June 2012. When is the insurance under the scheme due to expire?
- A July 2014.
 - B July 2015.
 - C July 2018.
 - D July 2022.
- 10 John has exchanged contracts to buy a property in England. If he subsequently does NOT complete the purchase, how, if at all, would he be affected?
- A He would not be affected.
 - B He could be sued by the estate agent on behalf of the vendor.
 - C He could be sued by the vendor for any losses incurred plus interest.
 - D His liabilities are limited only to the monies already paid.

- 11 When providing mortgage advice, a mortgage adviser will detail his fees, charges and confirm the level of service that will be provided by issuing
- A a certificate of approval in principle.
 - B an Initial Disclosure Document.
 - C a mortgage offer.
 - D a suitability report.
- 12 Nick is selling his house and using estate agent Jennifer, solicitor Mark and surveyor Howard. Under the principles of agency, who is deemed the principal in the transaction?
- A Howard.
 - B Jennifer.
 - C Mark.
 - D Nick.
- 13 The personal representative of an estate:
- A can borrow funds to administer the estate.
 - B is appointed by a grant of probate.
 - C is responsible for distributing the estate in accordance with the will.
 - D is named in the deceased's will.
- 14 What minimum percentage of a residential property must be used as a dwelling by a borrower if any loan secured against it by means of a first legal mortgage is to be regulated by the MCOB Rules?
- A 20%.
 - B 25%.
 - C 40%.
 - D 50%.

- 15 The Mortgage Conduct of Business rules ban 'unsolicited real-time promotions'. What does this cover?
- A Cold calling.
 - B Direct mail.
 - C Requests for referrals.
 - D Off-the-page advertising.
- 16 Steven and Mary own a flat situated in a purpose built block comprising 12 identical properties. They are keen to purchase the freehold interest but for this to be possible, the Commonhold and Leasehold Reform Act 2002 requires that:
- A all other qualifying leaseholders in the block must be party to the transaction.
 - B the entire block must be only for residential use.
 - C the lease must have at least 21 years to run.
 - D the lease must have originally been granted for a term exceeding 21 years.
- 17 From what date were mortgage advisers obliged to conform to the Mortgage Conduct of Business Rules?
- A 1 July 2004.
 - B 1 August 2004.
 - C 30 September 2004.
 - D 31 October 2004.

- 18 Which of the following is true in relation to mortgage lending to housing associations?
- A A lender will grant a mortgage provided that the housing has been designed for individuals wishing to purchase a home.
 - B Any partnership for a housing development must include the local authority.
 - C Security is usually taken by the lender over the land being developed.
 - D Usually, there is only one lender involved in large housing developments such as inner-city regeneration schemes.
- 19 Ellen has lived in her property since 1979 and has 32 years remaining on the lease. In relation to any rights, she might have under the Leasehold Reform Act 2002, which of the following is correct? Ellen:
- A cannot extend the lease.
 - B is able to convert the building and use it for commercial purposes.
 - C may extend the lease indefinitely so that the property will always remain in the family.
 - D will be able to purchase the freehold interest on the property.
- 20 Which of the following pieces of information in respect of a plot of registered land would be found in the proprietorship register?
- A The class of title.
 - B The title number.
 - C Any beneficial easement.
 - D A plan of the land.

- 21 Gill made an offer of £85,000 to purchase a leasehold flat in a small purpose-built block, but her mortgage application has been declined. Which of the following is the most likely reason for this?
- A The block was built more than 50 years ago.
 - B The flat is in urgent need of internal redecoration.
 - C The lease makes no provision for payment of ground rent.
 - D The lease on the flat has 38 years to run.
- 22 Two legal mortgages are secured on Emily's home. Which of the following determines the order of their priority?
- A The registration date.
 - B The amount borrowed.
 - C The interest rates applicable.
 - D The length of the remaining mortgage term.
- 23 Which of the following is true of legal mortgages?
- A Borrowers have no legal entitlement to pay back a mortgage loan early.
 - B A legal mortgage gives the lender more effective legal rights in comparison to an equitable mortgage.
 - C Most residential mortgages have more than one borrower but only one lender.
 - D If repossession proceedings have commenced, the borrower is never entitled to repay the loan.
- 24 Which party is responsible for the identification of the legal title of a property on behalf of the lender?
- A The estate agent.
 - B The mortgage adviser.
 - C The purchaser's solicitor.
 - D The vendor's solicitor.

- 25 The main role of an estate agent is to
- A bring a property to market.
 - B complete a Building Survey.
 - C draw up a contract of sale.
 - D provide a valuation for mortgage purposes.