

Chartered Banker

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UK Financial Services

Assignment 1

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Important Assignment Information

ASSIGNMENT LENGTH

For assignments submitted on or after **1st September 2008**, there is a **maximum** word count of **2,500 words**.

From that date, if you fail to adhere to the maximum word count, a deduction will be made to your final assignment mark. Specifically, if you exceed the 2,500 limit, you will be deducted **1%** for every **100 words** or **part of 100 words** over the limit.

For example, if you write a total of **2,614** words, a **2%** deduction will be made to your mark. For clarification, the word count includes all references and attached appendices.

PASS COMPENSATION AWARD

In recognition of the importance attached to the assignments, an award of **Pass Compensation** will be made to you if you score between 45% and 54% in the final exam and if you complete the required assignment(s) under the following conditions:

1. The assignment mark must be 60% or above – where two assignments are required, then the average mark must be 60% or above **and**
2. Assignments must be in the hands of the Tutor **at least** one month prior to the **chosen examination date for each subject**.

For example, if you enrol to sit a **full** credit subject examination on **15th December**, you must have sent **both** assignments to your tutor by **15th November**.

Similarly, if you enrol to sit a **half** credit subject examination on **2nd March**, you must have sent the **sole** assignment to the tutor by **2nd February**.

Please also note the following:

- (a) Where an assignment is marked at less than 60%, this may show up as **'Fail'** in the web-based student record – this is purely with reference to the Pass Compensation award and does not necessarily mean it is a sub-standard submission
- (b) You are **not** permitted to **re-submit** an assignment in order to gain a higher mark
- (c) In the event that you fail an exam and have not completed the required assignment(s), you can subsequently complete the required assignment(s) – these will then count towards any re-sit examination undertaken. Submission dates for these assignments must comply with the relevant timescales as stated in **2** above.

Question 1

- (a) Explain the key differences between the law of intestacy in Scotland and that which applies in England & Wales.

(10 marks)

- (b) Using the Case Study data below, exemplify your understanding of the principles relating to the above to calculate what each party is due from the estates and on what basis.

- (i) James from Dundee, recently died and left the following assets in his estate. He did not leave a Will, but was adamant that that his wife Anne and his two adult daughters, Emily and Eve should share everything equally. In addition to his daughters, James had a son, Cedric, who died in 2006. Cedric had two sons, Paul and Peter.

James's parents are both deceased, but he has a brother, Roy and a sister, Julie, who are still alive.

ASSET	NET VALUE
House	£256,000
Bank	£42,000
Shares	£20,300
Furnishings	£14,500
Car	£4,000
	£336,800

(6 marks)

- (ii) Mary from Doncaster, recently died. She did not leave a Will and was survived by her civil partner, Andrew, and her adult daughter, Jean. Mary left the following assets in her estate.

ASSET	NET VALUE
House	£152,000
Bank	£20,400
Shares	£15,100
Furnishings	£12,500
	£200,000

(4 marks)

(TOTAL 20 MARKS)

Question 2

Germaine Clarkson-Smith, a very wealthy, if not especially 'clued-up' investor, wanted an appointment to see you tomorrow afternoon to enquire about some gilt-edged stock that she holds. Unfortunately, you are unavailable until next week and so she has asked if you can write to her to answer her queries.

She has advised your assistant that she specifically wants to know the following:

- She recently bought some gilts, but the cost of the purchase was greater than she had anticipated – why would this be?
- Why does the price of these investments keep changing?
- She is thinking about buying some more gilts – the interest rate on the stock is 5.5% and the price is currently £121.64. What return will she actually be getting on this investment if she buys at this price?
- What is my taxation position regarding the interest paid on these investments?

Compose a reply to Ms Clarkson-Smith.

(TOTAL 10 MARKS)

Question 3

(a) Fully explain the 'principle of indemnity' and give examples of how a claim may be dealt with by insurers.

(5 marks)

(b) Explain the principle of 'utmost good faith' and, by research, outline the facts of the court case which is acknowledged to have produced the original rationale behind this important principle.

(5 marks)

(TOTAL 10 MARKS)

Question 4

Barry and Carrie have recently married and are looking to buy their first home together.

Both are in stable employment situations, with Barry earning £25,000 as a computer programming assistant, whilst Carrie earns £28,500 in her senior nursing post.

They have decided that they will take out a mortgage and link this to a repayment method which will give them the possibility of accumulating an additional sum as a 'nest egg' over and above the loan amount. In relation to potentially repaying the mortgage loan, they have also stated that they would like some form of 'guaranteed' return on their chosen repayment vehicle, although they have stated that the overall monthly cost of that vehicle is a limiting factor for them. Also, given their concern about costs, they would like to be able to accurately budget over the next few years.

- (a) What is the maximum amount that Barry and Carrie can expect to be able to borrow from their mortgage lender? **(1 mark)**
- (b) Which repayment vehicle would best-suit the couple? **(1 mark)**
- (c) For the chosen repayment vehicle in (b) above, explain to the customers how it actually operates along with the key advantages and disadvantages. **(14 marks)**
- (d) Which mortgage product would best-suit the couple? **(1 mark)**
- (e) For the chosen mortgage product in (d) above, explain to the customers how the CAT standards will limit any charges imposed by their lender. **(3 marks)**

(TOTAL 20 MARKS)

TOTAL ASSIGNMENT MARKS – 60