The Governance Institute

Subject no. 52B

Level 4 Award in International Finance and Administration
Level 4 Subsidiary Certificate in International Finance, Accounting and Administration
Level 4 Subsidiary Certificate in International Finance, Investment and Administration
Level 4 Certificate in International Finance and Administration

Paper 1

International Finance and Administration

Sample assessment material

January 2015 **Time allowed: 3 hours**

Do not open this examination paper until the presiding officer or an invigilator tells you to.

You must not take this paper out of the examination room.

The examination paper contains **30** questions and is divided into **four** sections. You must attempt **all questions** in Section A and Section B, **two questions** in Section C and **two questions** in Section D.

Section A contains 20 marks, Section B contains 50 marks, Section C contains 30 marks and Section D contains 30 marks. There are **130 marks** available in total for the paper.

You should allow yourself **approximately** 30 minutes in total to answer the questions in Section A, 70 minutes in total to answer the questions in Section B and 20 minutes for each of the questions attempted in Sections C and D.

You may continue your answers on a separate sheet of paper if necessary. Separate answer sheets are available from the invigilator.

Note: Unless otherwise specified, you should assume that an Act or an organisation referred to in the questions is a UK Act or organisation.

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Section A

*Answer **all** the questions in this section.*
Continue your answers on a separate sheet of paper if necessary.

1. Inheritance tax is also known as:
   *(Tick **one** box only)*

   A. ☐ Wealth tax

   B. ☐ Regressive tax

   C. ☐ Withholding tax

   D. ☐ Estate tax

(1 mark)

2. What is a *de facto* director?

_____

(1 mark)

3. A special notice may be required to call a general meeting. The resolution must be notified to members in advance.

   How many days in advance is the legal requirement for notification?

_____

(1 mark)

4. Which legal phrase refers to the words that are said 'by the way'?

_____

(1 mark)

5. With a discretionary trust, the trustee has discretion to distribute only the income of the trust fund.

Is this **true** or **false**?

*(Tick **one** box only)*

☐ True

☐ False

(1 mark)

6. What is a Limited Liability Partnership (LLP)?

_____

_____

_____

_____

(2 marks)

7. In relation to the creation of a trust:

*(Tick **one** box only)*

A. ☐ A trust can only be created by oral declaration.

B. ☐ A trust may be created *inter vivos* by the settlor during their lifetime.

C. ☐ A trust cannot be created constructively.

D. ☐ A trust can only be created by an instrument in writing.

(1 mark)

8. Under English law, how long is the maximum statutory period that property can be tied up in trust?

_____

(1 mark)

9. The purpose of having a letter of wishes in place when creating a trust is to allow the settlor to legitimately avoid a tax liability.

Is this **true** or **false**?

*(Tick **one** box only)*

☐ True

☐ False

(1 mark)

10. Explain the nature of the relationship between the trustee and the beneficiaries of a trust.

_____

_____

_____

_____

(2 marks)

11. List **four** types of asset which a UK individual may own which would not be subject to UK capital gains tax upon its disposal.

i _____

ii _____

iii _____

iv _____

(4 marks)

12. What is a transfer price?

_____

(1 mark)

13. Under the Criminal Justice Act 1993, insider dealing occurs when:

*(Tick **one** box only)*

A. ☐ an individual with price-sensitive information uses this information in relation to price-affected securities in order to make a profit or avoid a loss

B. ☐ an individual with price-sensitive information uses this information in relation to any securities in order to make a profit or avoid a loss

C. ☐ an individual or a company with price-sensitive information uses this information in relation to price-affected securities in order to make a profit or avoid a loss

D. ☐ an individual or a company with price-sensitive information uses this information in relation to any securities to make a profit or avoid a loss

(1 mark)

14. Which legal case established that a trust may be set aside as a sham trust?

_____

(1 mark)

15. What is the name of the body that works to find solutions to what it deems to be 'harmful tax practices'?

_____

(1 mark)

_____

TOTAL FOR SECTION A = 20 MARKS

Section B

*Answer **all** the questions in this section.*
Continue your answers on a separate sheet of paper if necessary.

16. Explain how a unit trust operates.

_____

_____

_____

_____

_____

_____

_____

_____

(4 marks)

17. State **four** types of trust company business services that may be provided by a trust company in an offshore centre.

i _____

_____

ii _____

_____

iii _____

_____

iv _____

_____

(4 marks)

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18. Describe the differences between the ‘arising basis’ and ‘remittance basis’ of taxation.

(6 marks)

19. Explain what is meant by a ‘separate legal personality’ with regard to a limited company.

(6 marks)

20. Explain the process for the 2-4-6 cheque clearing timescale for a potential depositor.

(6 marks)

21. Explain how private trust companies (PTCs) can be operated.

(6 marks)

22. Explain the importance of regulating organisations involved in financial services and investment.

(6 marks)

23. Outline the disadvantages of a trust to a prospective settlor.

(6 marks)

24. Explain what a risk-based approach to customer due diligence is and what it involves.

(6 marks)

TOTAL FOR SECTION B = 50 MARKS

Section C

*Answer **two** questions only.*
Continue your answers on a separate sheet of paper if necessary.

25. Discuss why certain features of offshore centres make them particularly vulnerable to the risk of abuse by those wishing to launder the proceeds of crime.

(15 marks)

26. Discuss the distinctions between civil law and common law jurisdictions and why this may affect clients wishing to set up trusts in offshore financial centres.

(15 marks)

27. Discuss the advantages and disadvantages of setting up an offshore captive insurance company.

(15 marks)

TOTAL FOR SECTION C = 30 MARKS

Section D

*Answer **two** questions only.*
Continue your answers on a separate sheet of paper if necessary.

28. You are approached by Sasha, who is considering setting up a trust for the benefit of her young family.

    Sasha has heard that once appointed, the trustee has great powers over the trust.

    Evaluate whether it would be good idea for Sasha to have a protector in place to provide a check on the trustee's powers.

(15 marks)

29. Andy has just come into an inheritance and is thinking of investing this money in equities of unlisted companies.

Explain the function and purpose of different types of shares issued by unlisted companies that may be suitable for Andy, including how they are evidenced and transferred.

(15 marks)

30. Geoff is an unsecured creditor of ABC Ltd, a small family company. He wants to know what will happen if the company ceases trading.

In this context, explain to Geoff the difference between voluntary and compulsory liquidation procedures.

(15 marks)

TOTAL FOR SECTION D = 30 MARKS

TOTAL FOR PAPER = 130 MARKS

The scenarios included here are entirely fictional. Any resemblance of the information in the scenarios to real persons or organisations, actual or perceived, is purely coincidental.

END

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