

### Lesson 3 – Financial Services and Payment Methods

#### Question 3.1

Which **one** of the following financial services is **not** usually offered by a building society?

	✓
<b>Savings account</b>	
<b>Mortgage on commercial property</b>	✓
<b>Mortgage on domestic property</b>	

#### Question 3.2

A firm of solicitors needs to send £250,000 to another solicitor today on behalf of a client to finalise a deal to buy business premises.

Which **one** of the following payment methods is the most suitable for the purpose of making the payment through the banking system?

	✓
<b>Standing order</b>	
<b>Direct debit</b>	
<b>CHAPS</b>	✓

#### Question 3.3

An overdraft facility may be offered on which **one** of the following types of bank or building society account?

	✓
<b>Mortgage account</b>	
<b>Current account</b>	✓
<b>Deposit account</b>	

**Question 3.4**

A business has credit accounts with over 300 suppliers. It sends payments of varying amounts to suppliers on the 15<sup>th</sup> of each month and on the last Friday of each month.

Which **one** of the following payment methods would be most suitable to the business for the purpose of transferring funds directly from its bank current account directly to the bank accounts of its suppliers?

	✓
<b>BACS direct credit</b>	✓
<b>Standing order</b>	
<b>CHAPS</b>	

**Question 3.5**

James is a farmer. On 1<sup>st</sup> April each year he makes a payment of a fixed amount of £60.00 from his bank current account to Farmers Monthly Magazine.

Which **one** of the following payment methods would be most suitable to James for the purpose of making the fixed annual payment of £60.00?

	✓
<b>BACS direct credit</b>	
<b>CHAPS</b>	
<b>Standing order</b>	✓

**Question 3.6**

Indicate below the number of days it takes a cheque to pass through the bank’s central clearing system?

	✓
<b>3 days</b>	✓
<b>4 days</b>	
<b>8 days</b>	

**Question 3.7**

A builder wants to buy a new dumper truck at a cost of £10,000 for use in his business, but doesn’t have sufficient funds available to buy the truck.

Which **one** of the following facilities would be most suitable to the builder for the purpose of borrowing money from the bank for the purpose of financing the purchase of the dumper truck?

	✓
<b>Mortgage</b>	
<b>Overdraft</b>	
<b>Business loan (term loan)</b>	✓

**Question 3.8**

Which **one** of the following payment methods is designed for use by someone who regularly makes payments of less than £30 in cash (notes and coins), but is finding the need to carry cash an inconvenience?

	✓
<b>Contactless payment (Tap and Go)</b>	✓
<b>Credit card</b>	
<b>Cheque</b>	

**Question 3.9**

Amir is at university and finds he needs to budget his spending as he doesn't want to get into debt.

Which **one** of the following would be most suitable to Amir considering his circumstances?

	✓
<b>Credit card</b>	
<b>Overdraft facility</b>	
<b>Prepayment card</b>	✓

**Question 3.10**

Anya has a current account with a building society. The building society is open for business from Monday to Friday each week. She pays a cheque of £250.00 into her current account on Monday 1 September 201X.

On which **one** of the following dates would Anya be safe to draw on the cheque and be guaranteed that the cheque will not bounce?

	✓
<b>2 working days later - Wednesday 3 September 201X</b>	
<b>4 working days later- Friday 5 September 201X</b>	
<b>6 working days later – Tuesday 9 September 201X</b>	✓

**Question 3.11**

Which **one** of the following payment methods would be most suitable to a business wanting to collect varying amounts at regular intervals from its customers?

	✓
<b>Direct debit</b>	✓
<b>Standing order</b>	
<b>Faster payments</b>	

**Question 3.12**

Today’s date is 5 December 201X. Your name is Tina Murray and you are the proprietor of a hairdressing salon trading in the name of Hairport. You work in and manage the salon and also act as bookkeeper. You have sole responsibility for issuing and signing business cheques.

Complete the cheque below to be issued to a supplier Hairflair Ltd. The amount payable is £1,430.60. You are also required to complete the cheque counterfoil:

Date: <u>5 December 201X</u> Payee: <u>Hairflair Ltd</u>   <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 10px auto;">                     Amount <b>£1,430.60</b> </div>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"><b>Millennium Bank Plc</b></td> <td style="width: 40%; text-align: right;">20-25-60</td> </tr> <tr> <td>27 High Street, Anytown AS2 4S1</td> <td style="text-align: right;"><u>5 December 201X</u></td> </tr> <tr> <td colspan="2">Pay: <u>Hairflair Ltd</u> only</td> </tr> <tr> <td style="text-align: center; border-right: 1px solid black;"> <b>One Thousand and Thirty Pounds</b> </td> <td style="text-align: center;"> <b>Four Hundred 60p</b> </td> </tr> <tr> <td style="border-right: 1px solid black;"></td> <td style="text-align: right; border: 1px solid black; padding: 5px;"> <b>£1,430.60</b> </td> </tr> <tr> <td colspan="2" style="text-align: right; padding-top: 10px;"> <u>Tina Murray</u> </td> </tr> <tr> <td style="text-align: center;">176108</td> <td style="text-align: center;">176108      20-25-60      39590763</td> </tr> </table>	<b>Millennium Bank Plc</b>	20-25-60	27 High Street, Anytown AS2 4S1	<u>5 December 201X</u>	Pay: <u>Hairflair Ltd</u> only		<b>One Thousand and Thirty Pounds</b>	<b>Four Hundred 60p</b>		<b>£1,430.60</b>	<u>Tina Murray</u>		176108	176108      20-25-60      39590763
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**Question 3.13**

Catering Equipment Ltd supplied goods on 2 October 201X to the value of £1,125.50, allowing them 30 day's credit.

On 31 October 201X Catering Equipment Ltd sent a statement of account Continental Catering, requesting payment of the invoice for the goods supplied.

The following cheque was received by Catering Equipment Ltd on 6 November 201X:

<b>Highlands Bank Plc</b>		<b>03-20-02</b>
50 King Street, Ascot AS4 5RT		<u>3 November 201X</u>
Pay: <u>Catering Cuisine Ltd</u>	Account Payee	only
One Thousand One Hundred	and	£1152.50
Twenty Five Pounds and 50p		Continental Catering
156101	03-20-02	1921588

**REQUIRED:**

Examine the above cheque, review each of the questions below and for each question place tick in either the 'yes' or 'no' box?

Statement	Yes ✓	No ✓
<b>Is the cheque in date?</b>	✓	
<b>Has the correct payee name been entered on the cheque?</b>		✓
<b>Is the amount written in words on the cheque correct?</b>	✓	
<b>Do the amounts written in words and figures on the cheque correspond?</b>		✓
<b>Has the cheque been signed?</b>		✓

**Question 3.14**

A business has an overdrawn balance on its bank current account. Based on the balance on the current account, which one of the following statements describes the relationship of the bank to the business?

	✓
<b>The bank is a debtor to the business as the bank owes the business money</b>	
<b>The bank is a creditor to the business s the business owes the bank money</b>	✓

**Question 3.15**

Which **one** of the following plastic card payment methods would allow the cardholder to spread the cost of goods or services they purchase over several months by paying the card balance in instalments?

	✓
<b>Debit card</b>	
<b>Credit card</b>	✓
<b>Prepayment card</b>	

**Question 3.16**

Sam is the owner of a fashion boutique. She allows customers to pay for the goods they buy in the boutique in cash (notes and coins), or by plastic card (debit card and credit card).

Which **one** of the following banking services allows Sam to pay the cash (notes and coins) received from customers into the business bank current account outside the bank’s normal opening hours?

	✓
<b>Telephone banking service</b>	
<b>Internet banking service</b>	
<b>Night-safe facility</b>	✓

**Question 3.17**

Which **one** of the following payment methods allows businesses and individuals to make and receive online payments without the need to exchange bank account or credit card details?

	✓
<b>BACS</b>	
<b>Direct debit</b>	
<b>PayPal</b>	✓

**Question 3.18**

For which **one** of the following periods of time, from the issue date entered on a cheque, is a cheque treated by a bank as being valid?

	✓
<b>3 months</b>	
<b>6 months</b>	✓
<b>12 months</b>	

**Question 3.19**

Francis owns a small building firm. He has recently taken on some work for a main contractor. Francis needs to buy materials to use on the contract, but has insufficient funds in the business bank current account to pay for the materials. Once the contract is underway Francis will be paid in stages by the main contractor and the monies he lays out in materials will soon flow back into the business bank account.

Which **one** of the following services offered by his bank would be most suitable to Francis for the purpose of financing his short-term cash flow problem?

	✓
<b>Bank loan (term loan)</b>	
<b>Bank overdraft</b>	✓
<b>Mortgage</b>	

### Question 3.20

In the table below you are presented with payments to be made by three businesses. You are also provided with a list of payment methods commonly used by businesses. You are required to match the payment method from the list given against the payments to be made, thereby selecting what you consider to be the most suitable payment method for each of the payments.

This task is to be completed by entering a payment method from the list into the appropriate box headed up '**Most Suitable Payment Method**' in the table beneath the list:

#### Payment methods:

- Faster payments service
- Business debit card
- Petty cash (notes and coins)

Payments	Most Suitable Payment Method
Payment of £75.00 to a local garage for fuel for the delivery van	Business debit card
Payment of £3.84 to the local post office for a book of six first class postage stamps	Petty Cash (notes and coins)
A one off payment of £1,200.00 to a company for a supply of goods required urgently, which they will supply immediately provided they receive payment before they dispatch the goods	Faster payments service