

QUALIFIED FINANCIAL ADVISER (QFA) LOANS EXAM 1 PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. What does the average clause in a property insurance policy do?**
 - A. It increases payout if underinsured
 - B. It allows policy cancellation
 - C. It limits liability if sum insured is less than value
 - D. It ensures the policyholder receives the full reinstatement value
- 2. The PRIMARY use of the APRC in relation to housing loans is to:**
 - A. enable borrower to compare relative cost of different competing loans.
 - B. hide additional costs associated with the loan.
 - C. enable the borrower to work out the monthly repayments on the loan.
 - D. illustrate the benefit of mortgage interest tax relief.
- 3. During a hire purchase agreement, which statements are true?**
 - A. (ii) only.
 - B. (iii) only.
 - C. (i) only.
 - D. (i) and (iii) only.
- 4. Which statement about the Rule of 72 is correct?**
 - A. It is an exact formula for doubling money at a given rate.
 - B. It estimates the number of years to double by dividing 72 by the rate.
 - C. It applies only to inflation.
 - D. It uses continuous compounding to double.
- 5. Which statement correctly differentiates the annual percentage rate (APR) from the nominal rate quoted on a loan?**
 - A. The APR includes interest plus most loan fees, while the nominal rate is the stated interest rate before fees.
 - B. The APR is the same as the nominal rate when no fees apply.
 - C. The nominal rate includes all fees while APR excludes them.
 - D. APR is only used for credit cards, not loans.

- 6. Name several common loan features a Qualified Financial Adviser should explain to clients.**
- A. Redraw, offset, extra repayments, line of credit or redraw, repayment frequency, and ability to split fixed/variable portions.
 - B. Only fixed-rate terms and no extra repayments.
 - C. The exact property valuation method.
 - D. Government grants for loan approval.
- 7. Which of the following describes collateral security in a mortgage context?**
- A. The property being bought is the only security.
 - B. A guarantor's personal pledge forms part of the security.
 - C. The guarantor is the sole security.
 - D. Another asset provided as security in addition to the mortgage.
- 8. Which statement describes a wayleave?**
- A. A covenant prohibiting a business to be carried out within a premises.
 - B. Hunting and fishing rights on the land of another.
 - C. A right of way across land to carry in gas pipes and lay cables.
 - D. A right of way enjoyed by a property owner over the lands of another.
- 9. How does an offset account influence interest payable on a linked loan?**
- A. It automatically extends the loan term.
 - B. It fixes the interest rate for the full term.
 - C. Funds in the offset account reduce the loan principal on which interest is charged, lowering interest.
 - D. It increases monthly repayments without changing principal.
- 10. Which statement correctly defines LVR and its impact?**
- A. LVR is calculated as annual income divided by loan amount.
 - B. LVR equals property value ÷ loan amount.
 - C. LVR equals loan amount ÷ property value; higher LVR indicates greater risk, can trigger LMI and influence interest rates and approval.
 - D. LVR is a fixed percentage determined by the lender and never changes.

Answers

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1. C
2. A
3. C
4. B
5. A
6. C
7. D
8. C
9. C
10. C

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Explanations

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1. What does the average clause in a property insurance policy do?

- A. It increases payout if underinsured
- B. It allows policy cancellation
- C. It limits liability if sum insured is less than value**
- D. It ensures the policyholder receives the full reinstatement value

The average clause works to ensure the insurer only pays a proportional share of a loss when you've underinsured. If the property's actual value is higher than what you've insured for, the payout is reduced in the same proportion as the sum insured is to the actual value. Example: if the property is worth 500,000 but you insure it for 350,000 and you suffer a loss of 100,000, the insurer would pay $350,000/500,000 \times 100,000 = 70,000$. You'd cover the remaining 30,000 yourself. This mechanism discourages underinsurance and makes the payout depend on how properly you've valued and insured the property. It does not increase the payout for underinsurance, nor does it guarantee full reinstatement value or permit easy cancellation.

2. The PRIMARY use of the APRC in relation to housing loans is to:

- A. enable borrower to compare relative cost of different competing loans.**
- B. hide additional costs associated with the loan.
- C. enable the borrower to work out the monthly repayments on the loan.
- D. illustrate the benefit of mortgage interest tax relief.

APRC provides a standard way to compare the true cost of different housing loans. By including both the interest rate and all upfront and ongoing fees over the loan term, it shows the overall percentage cost, allowing you to compare offers on an apples-to-apples basis. It isn't meant to hide costs or obscure charges; the idea is transparency so you can see which loan actually costs more in total. It also doesn't directly tell you your monthly repayments—that depends on the loan amount, term, and nominal rate. And it isn't about illustrating mortgage interest tax relief. So the primary use is to enable the borrower to compare relative cost of different competing loans.

3. During a hire purchase agreement, which statements are true?

- A. (ii) only.
- B. (iii) only.
- C. (i) only.**
- D. (i) and (iii) only.

In a hire purchase, you can use and enjoy the goods during the term, but you don't own them until you've completed all payments. The seller keeps legal title while you're paying, and at the end you typically gain ownership by exercising the purchase option or paying the final amount specified. This means statements that say ownership passes immediately, or that the hirer bears none of the risks or responsibilities until after ownership, aren't correct. The only true point is that the hirer has the right to use the goods during the agreement (possession and use), while ownership remains with the seller until final payment.

4. Which statement about the Rule of 72 is correct?

- A. It is an exact formula for doubling money at a given rate.
- B. It estimates the number of years to double by dividing 72 by the rate.**
- C. It applies only to inflation.
- D. It uses continuous compounding to double.

The Rule of 72 is a quick estimation for how long it takes an investment to double given a steady annual return. The idea is that the approximate number of years to double is found by dividing 72 by the rate (in percent). This works because the exact doubling condition is $(1 + r)^t = 2$, which leads to $t = \log(2)/\log(1 + r)$. For small rates, $\log(1 + r) \approx r$, so $t \approx 0.693/r$. Since r is a percent, this becomes about 69.3 divided by the rate, and 72 is used because it gives convenient mental math and reasonable accuracy across common rates. It's an approximation and assumes discrete annual compounding, not continuous compounding, and it applies to any steady rate, not just inflation. So dividing 72 by the rate is the best description of the rule.

5. Which statement correctly differentiates the annual percentage rate (APR) from the nominal rate quoted on a loan?

- A. The APR includes interest plus most loan fees, while the nominal rate is the stated interest rate before fees.**
- B. The APR is the same as the nominal rate when no fees apply.
- C. The nominal rate includes all fees while APR excludes them.
- D. APR is only used for credit cards, not loans.

The main idea here is that APR shows the true annual cost of borrowing by combining the interest with most loan-related fees, while the nominal rate is just the stated interest rate before any fees are added. Why this is the best description: APR is designed to reflect what you actually pay each year on a loan, including costs like origination fees, points, and certain closing charges. That means if there are fees, the APR will be higher than the nominal rate, giving you a clearer basis to compare different offers. If there are no fees, the APR and the nominal rate align, which is why the two can coincide in a no-fee scenario. Why the other ideas are less complete: saying APR is the same as the nominal rate only in the absence of fees is technically true but doesn't capture the purpose of APR as a tool for comparing true borrowing costs. Saying the nominal rate includes all fees is incorrect, since the nominal rate is just the stated interest rate before fees. And stating APR is only used for credit cards ignores that APR is used for many loan products as a standard way to express annual borrowing cost.

6. Name several common loan features a Qualified Financial Adviser should explain to clients.

A. Redraw, offset, extra repayments, line of credit or redraw, repayment frequency, and ability to split fixed/variable portions.

B. Only fixed-rate terms and no extra repayments.

C. The exact property valuation method.

D. Government grants for loan approval.

The main idea is to help clients understand features that affect how a loan behaves and how they manage money over time. Common features a Qualified Financial Adviser should explain include a redraw facility (the option to make extra repayments and then access those funds later), an offset account (using a savings or transaction account to reduce the interest charged on the loan), extra repayments (the ability to pay more than the scheduled amount to shorten the loan term), access to a line of credit or redraw across accounts (flexible borrowing against any extra repayments), the chosen repayment frequency (monthly, fortnightly, or weekly) and how that changes interest accrual and term, and the option to split the loan between fixed and variable portions (balancing predictability with flexibility). These features matter because they directly impact how much interest you pay, how quickly you can pay off the loan, and how easily you can adapt if your finances change. Other options aren't typical loan features to explain in this context: the exact property valuation method is part of the lending process but not a client-facing loan feature, and government grants are external assistance rather than a loan feature. Focusing only on fixed-rate terms and no extra repayments is too narrow and ignores the practical tools that affect flexibility and repayment design.

7. Which of the following describes collateral security in a mortgage context?

A. The property being bought is the only security.

B. A guarantor's personal pledge forms part of the security.

C. The guarantor is the sole security.

D. Another asset provided as security in addition to the mortgage.

Collateral security means pledging an extra asset to back the loan, in addition to the primary security of the mortgaged property. The home provides the main protection for the lender, but collateral security adds another layer of protection by giving recourse to other assets if the borrower defaults. This can include cash, shares, another property, or other valuable assets. The other descriptions don't fit because they describe using only the property as security, or a personal guarantee, which is a different form of protection rather than an additional asset pledged as collateral.

8. Which statement describes a wayleave?

A. A covenant prohibiting a business to be carried out within a premises.

B. Hunting and fishing rights on the land of another.

C. A right of way across land to carry in gas pipes and lay cables.

D. A right of way enjoyed by a property owner over the lands of another.

A wayleave is a permission granted by a landowner to a utility company to lay and maintain pipes, cables, or other services across or under the land. It is specifically about enabling infrastructure work and access for installation and ongoing maintenance, while the landowner still owns the land. This is why the option describing a right of way across land to carry in gas pipes and lay cables best fits, as it directly references the utility infrastructure being laid and accessed. The other descriptions refer to a covenant restricting business activity, hunting or fishing rights, or a general right of way for the landowner to cross someone else's property, none of which capture the utility-focused nature of a wayleave.

9. How does an offset account influence interest payable on a linked loan?

- A. It automatically extends the loan term.
- B. It fixes the interest rate for the full term.
- C. Funds in the offset account reduce the loan principal on which interest is charged, lowering interest.**
- D. It increases monthly repayments without changing principal.

An offset account reduces the interest charged by lowering the balance on which interest is calculated. The funds in the offset are treated as if they're part of your loan's principal, so interest is charged on loan funds minus the offset amount, usually calculated daily. For example, if you have a 500,000 loan and 100,000 sits in the offset, interest is charged as if you owe 400,000. At a given rate, you'd pay less interest than if the offset balance were zero. Your regular payment still applies, but more of each payment goes toward reducing the loan balance rather than paying interest, which can help you pay off the loan sooner. This doesn't automatically extend the loan term, doesn't fix the interest rate, and doesn't by itself increase monthly repayments. It simply lowers interest payable by reducing the principal amount on which interest is calculated.

10. Which statement correctly defines LVR and its impact?

- A. LVR is calculated as annual income divided by loan amount.
- B. LVR equals property value ÷ loan amount.
- C. LVR equals loan amount ÷ property value; higher LVR indicates greater risk, can trigger LMI and influence interest rates and approval.**
- D. LVR is a fixed percentage determined by the lender and never changes.

LVR measures the loan relative to the property's value. It is calculated by dividing the loan amount by the property value. This ratio directly reflects risk to the lender: the higher the LVR, the greater the risk if property prices fall or the borrower defaults. That increased risk can trigger Lenders Mortgage Insurance (LMI) and influence both the interest rate offered and whether the loan is approved. The correct statement matches this definition and impact. The other options don't fit because they either misuse the components of the ratio (income divided by loan amount, or the inverse ratio of property value divided by loan amount) or describe LVR as fixed, which it isn't—LVR can change with different loan amounts or property values.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

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We wish you the very best on your exam journey. You've got this!

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