

**INSTITUTE OF BANKERS IN MALAWI**

**DIPLOMA IN BANKING EXAMINATION**

**SUBJECT: ECONOMIC ENVIRONMENT (IOBM D211)**

**Date: Tuesday, 24th November 2020**

**Time Allocated: 3 hours (13:30 – 16:30 Hours)**

**INSTRUCTIONS TO CANDIDATES**

1 This paper consists of **TWO** Sections, A and B.

2 Section A consists of 4 questions; each question carries 15 marks.

Answer **ALL** questions.

3 Section B consists of 4 questions; each question carries 20 marks. Answer **ANY TWO** questions.

4 You will be allowed **10 minutes** to go through the paper before the start of the examination, you may write on this paper but not in the answer book.

5 Begin each answer on a new page.

6 **Please write your examination number on each answer book used. Answer books without examination numbers will not be marked.**

7 All persons writing examinations without payment will risk expulsion from the Institute.

8 If you are caught cheating, you will be automatically disqualified in all subjects seated this semester.

9 DO NOT open this question paper until instructed to do so.

**SECTION A (60 MARKS)**

Answer ALL questions from this section

**QUESTION 1**

1. What is the compliance cost? *(3 marks)*
2. Discuss in detail **four** obstacles of privatisation. *(12 marks)*

**(Total 15 marks)**

**QUESTION 2**

1. What is a corporate tax and what is the means by which it is calculated? *(5 marks)*
2. Discuss the relationship between the price speculative demand for money and interest rate expectations. Use bonds as an example. *(10 marks)*

**(Total 15 marks)**

**QUESTION 3**

1. Discuss why the labour market is described as a segmented market? *(6 marks)*
2. Discuss **three** causes of cost push inflation. *(9 marks)*

**(Total 15 marks)**

**QUESTION 4**

1. What is public sector? *(2 marks)*
2. List **five** non-wage benefits associated with remuneration of labour. *(5 marks)*
3. Discuss **two** advantages and **two** disadvantages of direct withholding of income tax from payrolls by employers. *(8 marks)*

**(Total 15 marks)**

**SECTION B (40 MARKS)**

Answer **ANY TWO** questions from this section

**QUESTION 5**

1. Malawi recently went through a population census. Describe **two** problems possibly encountered during the exercise. *(6 marks)*
2. What is the difference between the monetary economy and the barter economy?

*(6 marks)*

1. List **four** characteristics of an economic boom. *(8 marks)*

**(Total 20 marks)**

**QUESTION 6**

1. Discuss the **four** main focus objectives of governments that support the concept of sustainable development. *(12 marks)*
2. Discuss the balance of payments and the components it is made up of. *(8 marks)*

**(Total 20 marks)**

**QUESTION 7**

1. What **three** things do national income accounts measure. *(6 marks)*
2. Why is there a need for balance between consumption and investment? *(6 marks)*
3. Takondwa earns K200,000 per month. His income is taxed on a formula of 5% from K0 up to K49,999, 10% from K50,000 to K99,999 and 15% over K100,000. Calculate the average tax rate that Takondwa is paying. *(8 marks)*

**(Total 20 marks)**

**QUESTION 8**

1. The Kwacha experienced a minor depreciation against the United States Dollar in 2018. What is the difference between currency depreciation and devaluation?

*(5 marks)*

1. Distinguish between a progressive, proportional and regressive income tax.

*(6 marks)*

1. Describe **three** forms in which the public sector can be organised. *(9 marks)*

**(Total 20 marks)**

**END OF EXAMINATION PAPER**