

**INSTITUTE OF BANKERS IN MALAWI**

**DIPLOMA IN BANKING EXAMINATION**

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

**Date: Tuesday, 16th May 2017**

**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. With the aid of a diagram, explain **four** points why and how we get the backward bending labour supply curve. *(9 marks)*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Number of workers | Total Physical Product (number of dresses) | Marginal Physical Product | Price per dress | Marginal Revenue Product |
| 0 | 0 | 0 | 2000 |  |
| 1 | 10 | 10 | 2000 |  |
| 2 | 20 | 10 | 2000 |  |

**Required:**

Calculate the missing Marginal Revenue product per week. *(6 marks)*

**(Total 15 marks)**

**QUESTION 2**

1. Discuss Liquidity Reserve Requirement (LRR). *(5 marks)*
2. With an aid of diagram, show the effect of government borrowing to finance additional expenditure on the money market. *(10 marks*)

**(Total 15 marks)**

**QUESTION 3**

1. Mention **three** problems encountered in measuring the total population and labour force. *(3 marks)*
2. Discuss any **four** differences between the labour market and the goods market.

*(12 marks)*

**(Total 15 marks)**

**QUESTION 4**

1. Define economic development? *(2 marks)*
2. List **five** social welfare statistics that can be used to measure the quality of life.

*(5 marks)*

1. Explain **four** sources of economic growth. *(8 marks)*

**(Total 15 marks)**

**SECTION B (40 MARKS)**

Answer ANY **TWO** questions from this section

**QUESTION 5**

1. Define black economy? *(2 marks)*
2. List four main objectives of macroeconomic policy and how they can be measured.

*(8 marks)*

1. Discuss whether the Human Development Index (HDI) is the best way of comparing the standard of living in different countries. Give **five** reasons. (*10 marks)*

**(Total 20 marks)**

**QUESTION 6**

1. Discuss **four** instruments used to enforce monetary policy in Malawi. *(16 marks)*
2. Explain **two** reasons why an increase in unemployment may reduce tax revenue.

*(4 marks)*

**(Total 20 marks)**

**QUESTION 7**

1. Discuss the conflict between healthy economic growth and low inflation. *(5 marks)*
2. With the aid of a diagram, differentiate cost push inflation and demand pull inflation.

*(15 marks)*

**(Total 20 marks)**

**QUESTION 8**

1. (i) Discuss a mixed economy. (*5 marks)*

(ii) List **four** elements of a mixed economy in relation to the variety of freedoms.

(5 *marks)*

1. List the **four** main types of economic system. *(4 marks)*
2. Explain any **three** roles of the Reserve Bank of Malawi as the bankers’ bank.

*(6 marks)*

**(Total 20 marks)**

**END OF EXAMINATION PAPER**