

**INSTITUTE OF BANKERS IN MALAWI**

**DIPLOMA IN BANKING EXAMINATION**

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

**Date: Tuesday, 13th November 2018**

**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. List **four** characteristics of an economic boom. *(8 marks)*
2. What is sustainable economic development? *(3 marks)*
3. List **two** things, which national income accounts measure. *(4 marks)*

**(Total 15 marks)**

**QUESTION 2**

1. Using examples differentiate between direct/non market oriented policy instruments from market oriented policy measures. *(12 marks)*
2. In economic development, what are the **three** building blocks of most growth models? *(3 marks)*

**(Total 15 marks)**

**QUESTION 3**

1. What is the repo rate? *(5 marks)*
2. Mention **four** ways in which the Reserve Bank acts as a banker to the government.

*(4 marks)*

1. The government can deposit funds with the Reserve Bank of Malawi and withdraw funds from its account with the Reserve Bank of Malawi.

**Required**

Describe the effect of each transaction on money supply in the economy.  *(6 marks)*

**(Total 15 marks)**

**QUESTION 4**

1. Describe the different factors of production. *(12 marks)*
2. List economic decisions that are meant to solve **three** fundamental problems in economics. *(3 marks)*

**(Total 15 marks)**

**SECTION B (40 MARKS)**

Answer ANY **TWO** questions from this section

**QUESTION 5**

1. What is nationalisation? *(5 marks)*
2. What is the impact of deflationary policies on aggregate demand and output? Include a diagram in your answer. *(6 marks)*
3. Discuss the **three** main methods of privatisation? (*9 marks)*

**(Total 20 marks)**

**QUESTION 6**

1. What is economic growth and how is it measured? *(4 marks)*
2. List **four** interacting parts of economic methodology. (4 marks)
3. Describe **four** advantages and **four** disadvantages of economic growth. *(12 marks)*

**(Total 20 marks)**

**QUESTION 7**

1. What is a tax? (*4 marks)*
2. Mention **six** functions of taxes.  *(6 marks)*
3. What is an ad valorem tax? Give **three** examples. *(5 marks)*
4. Draw a clearly labelled diagram showing marginal tax on the production of a good.

*(5 marks)*

**(Total 20 marks)**

**QUESTION 8**

1. Banks are required to hold at least a certain percentage of the value of total liabilities to the public in the form of approved liquid assets.

**Required**

List **four** approved liquid assets.

*(4 marks)*

1. What are the **three** most important services rendered by banks? *(6 marks)*
2. Describe the use and importance of the Reserve Asset Position. *(10 marks)*

**(Total 20 marks)**

**END OF EXAMINATION PAPER**