

**INSTITUTE OF BANKERS IN MALAWI**

**DIPLOMA IN BANKING EXAMINATION**

**SUBJECT: FINANCIAL PLANNING PRACTICE (IOBM – D210)**

**Date: Sunday, 13th May 2018**

**Time Allocated: 3 hours (08:00 – 11:00 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. Mention the **four** circumstances in which a person will be deemed lacking capacity to benefit under a will. *(8 marks)*
2. Define what you understand by the term “deemed property” and give at least **five** examples of property that would be considered to be deemed property. *(7 marks)*

**(Total 15 marks)**

**QUESTION 2**

1. Outline **seven** points to explain some of the benefits of financial planning. *(7 marks)*
2. Briefly explain the **four** determinants of economic growth and state why each factor is critical to the economy. *(8 marks)*

**(Total 15 marks)**

**QUESTION 3**

1. Explain what you understand by the term “currency devaluation” *(3 marks)*
2. A tobacco farmer has entered into export arrangements with a Japanese buyer to buy $250,000 worth of tobacco at the time the exchange rate is MK735/$
   1. How does currency devaluation affect the business of an exporter who invoices his clients in foreign currency assuming the rate is now MK750/$. Support your answer by calculating how much the exporter receives following the devaluation. *(6 marks)*
   2. Would your answer be different if the invoices were in local currency? Using the rate of MK750/$ show your workings to support your answer. *(6 marks)*

**(Total 15 marks)**

**QUESTION 4**

1. Why are investments in derivatives not suitable for conservative investors?

*(5 marks)*

1. Mention any **four** stages of the economic business cycle and select the stage you can best place the Malawi economy. Support your answer with examples by quoting A specific economic indicators. *(10 marks)*

**(Total 15 marks)**

**SECTION B (40 MARKS)**

Answer **ANY TWO** questions from this section

**QUESTION 5**

1. Briefly explain how a retirement annuity works. *(2 marks)*
2. What are some of essential elements a client should consider when putting funds in a retirement annuity. Your answer should also comment how these elements hinge on investment strategic elements such as term, risk, liquidity, tax and inflation. *(10 marks)*
3. Explain the concept of a “Buy & Sell agreement “and state whether it is beneficial in a partnership arrangement *(8 marks)*

**(Total 20 marks)**

**QUESTION 6**

Write brief notes to compare the different features of the following:

1. Voluntary and Compulsory annuities. *(10 marks)*
2. Capital disability and income disability benefits. *(10 marks)*

**(Total 20 marks)**

**QUESTION 7**

Discuss the objective of carrying out medical and financial underwriting? Your answer should also include the possible outcomes that may arise as a result of these two processes. **(Total 20 marks)**

**QUESTION 8**

1. Give the **two** unique circumstances in which an insurance organization may seek re-insurance and give examples of the risks covered under each of these circumstances. *(4 marks)*

Explain the key elements that form part the calculations for coming up with an insurance premium of an individual? *(10 marks)*

1. You are running an induction course for Credit Officers and you have been asked to make a presentation on credit life cover.

**Required:**

State the circumstances in which a bank would not be successful to push a claim against the credit life cover in the event of death of the borrower. *(6 marks)*  **(Total 20 marks)**

**END OF EXAMINATION PAPER**