

**INSTITUTE OF BANKERS IN MALAWI**

**DIPLOMA IN BANKING EXAMINATION**

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

**Date: Sunday, 28th April 2013**

**Time Allocated: 3 hours (08:00- 11:00 am)**

**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 when 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.**

7 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 **four** stages through which business activities go through. *(8 marks)*
2. If there is a general rise in the price of goods and services in country due to the devaluation of the currency.

Explain **three** measures that the government can put in place to control the rise of inflation. *(6 marks)*

1. Briefly explain the term “Balance of payment” *(1 mark*)

**(Total 15 marks)**

**QUESTION 2**

1. What do you understand by the term “premium”? *(1 mark)*
2. State and explain **four** factors which would affect the amount of premium to be paid by a policy holder that would be paid for any given amount of insurance*.*

*(12 marks)*

1. State any **two** assumptions that are made when constructing premium rates.

*(2 marks)*

**(Total 15 marks)**

**QUESTION 3**

1. State and explain **five** factors that would help in making an assessment of the client’s risk profile. *(10 marks)*
2. Explain any **two** factors that would stir economic growth in a country. *(4 marks)*
3. What is the function of an actuary? *(1 mark)*  **(Total 15 marks)**

**QUESTION 4**

1. State **three** differences between whole life insurance and term insurance.

*(3 marks)*

1. State **two** reasons why one would require life cover. *(2 marks)*
2. Term assurance as an independent policy is no longer as widely offered on a level monthly premium basis as was the case in the 1990s. State **five** reasons why this is not the case now. *(10 marks)*

**(Total 15 marks)**

**SECTION B (40 MARKS)**

Answer **ANY TWO** questions from this section

**QUESTION 5**

1. Define the term insurance contract and state **four** elements that are contained in an insurance contract *(10 marks)*
2. Mention any **four** formalities which must be taken into account when formulating a will. *(4 marks)*

The Drugs and Drug Trafficking Act has been promulgated to curtail the laundering of money through assurance officers.

1. State **four** ways in which the Act defines the crimes of drug dealings. *(4 marks)*
2. What is a debt redemption plan? *(2 marks)*

**(Total 20 marks)**

**QUESTION 6**

1. Write short notes on the following:
2. Pension fund.
3. Provident funds.
4. Retirement annuity funds. *(9 marks)*

1. State any **five** benefits of pension fund. *(5 marks)*
2. Mention **two** major advantages of transferring pension benefits to a preservation fund as opposed to a retirement annuity funds.

*(6 marks)*

**(Total 20 marks)**

**QUESTION 7**

1. The cost of your monthly groceries is K600. Assuming the rate of inflation is 9%, how long will it take for you to spend K1200 for the same items? Show your calculation clearly. *(5 marks)*
2. State and describe **five** factors that can affect investment strategy. *(5 marks)*
3. Outline the **five** different types of investment portfolios you know and give your reasons why clients would opt to put their stake in any of these portfolios.  *(10 marks*

**(Total 20 marks)**

**QUESTION 8**

1. Personal investment planning covers quite a wide spectrum and it could be very difficult to know where to start.

Outline the steps that can be followed in planning for personal investment.

*(13 marks)*

1. State any **three** challenges that would arise if a person dies without a valid will.

*(3 marks)*

1. Mention **four** elements which will be the basis of a legally accepted insurance agreement that will make the agreement meet the standard CONSENSUS AD IDEM. *(4 marks)*

**(Total 20 marks)**

**END OF THE EXAMINATION PAPER**