

**INSTITUTE OF BANKERS IN MALAWI**

**DIPLOMA IN BANKING EXAMINATION**

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

**Date: Sunday, 3rd November 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**

Briefly explain the important considerations an investor or a financial planner must bear in mind when formulating an investment strategy.

1. Risk
2. Term of Investment
3. Liquidity
4. Taxation
5. Inflation

**(Total 15 marks)**

**QUESTION 2**

Investors keep a spread of investments in varied portfolios depending on their level of risk aversion.

Describe at least **five** different types of portfolio investments you know and give examples of the rough spread between cash, equities and investments.  **(Total 15 marks)**

**QUESTION 3**

1. Explain any **three** types of policies that are exempted from forming part of an individual’s deceased estate for general distribution where a person dies intestate. *(9 marks)*
2. What is a postnuptial agreement/contract? *(2 marks)*
3. How are postnuptial agreements significant to married couples? *(4 marks)*

**(Total 15 marks)**

**QUESTION 4**

1. Define mortality profit and use a simplistic illustration to show how mortality profit is calculated.  *(4 marks)*
2. State the **three** assumptions which are used to arrive at a premium payable on a particular policy

*(9 marks)*

1. What is a debt redemption plan? *(2 marks)*

**(Total 15 marks)**

**SECTION B (40 MARKS)**

Answer **ANY TWO** questions from this section

**QUESTION 5**

1. Define the term “annuity”. *(2 marks)*
2. Mention the **two** major types of annuities and explain tax is treated differently on each one *(9 marks)*

1. Describe the **three** key risk elements which a financial planner must bear in mind.  *(9 marks)*

***(Total 20 marks*)**

**QUESTION 6**

1. Explain in detail the measures that governments usually deploy to control inflation. *(8 marks)*
2. Write short notes on the determinants of economic growth in a country.

*(12 marks)*

**(Total 20 marks)**

**QUESTION 7**

1. Draw some differences between the money market and the capital market. Your answer should give brief comments on the following areas:
   1. Maturity periods
   2. Financial instruments used in these two markets
   3. Institutions
   4. Purpose of loans
   5. Degree of risk *(15 marks)*
2. Give at least **five** services which governments provide to its citizens using revenue collected from taxes.  *(5 marks)*

**(Total 20 marks)**

**QUESTION 8**

It has now become fashionable for most families to write Wills as the best way of preserving their family hard earned investments against property grabbing.

1. Mention at least **seven** points to consider which if not observed could nullify a well documented Will. *(16 marks)*
2. What is the main purpose of a Partnership Assurance? *(4 marks)*

**(Total 20 marks)**

**END OF THE EXAMINATION PAPER**