

**INSTITUTE OF BANKERS IN MALAWI**

**DIPLOMA IN BANKING EXAMINATION**

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

**Date: Sunday, 14th May 2017**

**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 and explain any **five** elements which must be present for a binding insurance contract. *(10 marks)*
2. What do you understand by the term “insurable interest”and provide any **three** ways in which it may exist. *(5 marks)*

**(Total 15 marks)**

**QUESTION 2**

1. Outline **eight** formalities which are supposed to be followed when making a valid will.  *(8 marks)*
2. Describe **three** problems which may arise when a person dies without making a valid will. *(6 marks)*
3. In insurance law of contract define the term “consensus ad idem”. *(1 mark)*

**(Total 15 marks)**

**QUESTION 3**

1. Mention and clearly explain **five** important factors which should be considered when developing an investment strategy. *(10 marks)*

1. State any **five** investment products. In each product provide one investment risk associated with it. *(5 marks)*

**(Total 15 marks)**

**QUESTION 4**

1. State **eight** requirements a pension fund organization will have to meet in order to obtain approval from the commissioner*. (8 marks)*
2. Give your recommendation on the type of Insurance policy to take if one is taking a short business trip abroad. *(2 marks)*
3. Mention **two** categories of tax payers that are exempted from provisional tax liability. *(2 marks)*

1. Define the term **“**reinsurance” and state **two** methods of arranging it. *(3 marks)*

**(Total 15 marks)**

**SECTION B (40 MARKS)**

Answer ANY **TWO** questions from this section

**QUESTION 5**

“Robust financial planning avoids objections by asking structured questions, listening to the answers, which would build value and creates a desire for a solution”.

**Required:**

1. Explain **three** reasons that make prospective clients give objections against a sale of a new financial product. *(6 marks)*
2. What advice would you give to a sales agent who is faced with an objection from a client he is fully convinced would benefit from a particular financial product?

*(9 marks)*

1. i) Define money laundering. (*1 mark)*

ii) Mention the **four** circumstances in which individuals or companies can risk prosecution for committing a Money Laundering offence. *(4 marks)*

**(Total 20 marks)**

**QUESTION 6**

Peter Saopa is a consultant in financial planning. Before offering any advice Peter needs clear understanding of the risk profile of his client. This will give him the idea of the sort of solutions to suggest to the client.

**Required:**

1. In line with the above assertion explain **six** factors that will help Peter to assess his client’ risk profile. *(12 marks)*

1. Explain **three** ways in which the government controls inflation. *(6 marks)*
2. Name any **two** types of hard assets. *(2 marks)*

**(Total 20 marks)**

**QUESTION 7**

1. Explain how the following factors will influence economic growth of a country:
2. Country’s population growth.
3. Level of technology.
4. Capital.
5. Stability of the economy. *(8 marks)*
6. Give brief explanation of the following types of life assurance policy value
7. Cash/ surrender value
8. Paid up value.
9. Death claim value.
10. Loan value.
11. Maturity value. *(10 marks)*

1. Define annuityin life assurance policy. *(2 marks)*

**(Total 20 marks)**

**QUESTION 8**

1. For the determination of estate duty to be paid, state **five** types of properties that will be deemed to form part of an individual’s estate. *(5 marks)*

1. Give **five** examples of property that would qualify for exemption in the calculation of deceased estate duty. *(5 marks)*
2. Explain any **two** roles of each of the following professionals in an insurance company:
3. Underwriter
4. Actuary *(8 marks)*

1. Describe the insurance principle of utmost good faith.*(2 marks)*

**(Total 20 marks)**

**END OF EXAMINATION PAPER**