

**INSTITUTE OF BANKERS IN MALAWI**

**DIPLOMA IN BANKING EXAMINATION**

**SUBJECT: INTERNATIONAL TRADE FINANCE (IOBM – D202)**

**Date: Tuesday, 6th May 2014**

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

**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 DO NOT open this question paper until instructed to do so.

**SECTION A (60 MARKS)**

Answer **ALL** questions from this section.

**QUESTION 1**

1. Explain **three** advantages of international trade. (6marks)
2. Explain by giving **three** reasons why some Malawian firms will be in favour of trade restrictions? (9marks)

**(Total 15 marks)**

**QUESTION 2**

1. Explain how exchange rates are quoted by giving examples.

(4 marks)

1. Mention two ways in which a Central Bank can intervene in the foreign exchange market. (4marks)
2. Explain two risks faced by banks when dealing with foreign exchange. (4marks)
3. Explain how a bank would mitigate the risks (3marks)

**(Total 15 marks)**

**QUESTION 3**

1. Explain the following Contract Agreements in International Trade
2. Consignment-
3. Counter- trade
4. Switch Trading
5. Buy back or compensation transaction
6. Simple barter (10 marks)

1. Explain why Malawi has Exchange Control Regulations affecting exports and how control over exports is maintained? ( 5 marks)

**(Total 15 marks)**

**QUESTION 4**

1. Describe the following documents used in international trade;
2. Commercial invoice
3. Customs invoice
4. A bill of lading. (6marks)
5. Explain **two** reasons why some countries apply exchange controls. 4marks)
6. Explain the impact of quotas and Tariffs on Trade. (5marks)

**(Total 15 marks)**

**SECTION B (40 Marks)**

Answer **ANY** questions from this section

**QUESTION 5**

1. What is an avarized Bill? (2marks)
2. State the procedures involved in avarization of bills (10marks)
3. Mention the main features of a bill of exchange. (8 marks)

**(Total 20 marks)**

**QUESTION 6**

1. Trade Mark Limited is your customer and would like to purchase some machinery from ABC Limited in Zambia. However ABC is questioning or doubting the creditworthiness of your client. Explain how your bank would assist using a documentary credit. (4 marks)
2. Zathu Limited would like to import tractors from Kimono Industrial Machines based in Japan and would like to establish a letter of credit through your bank. State the procedures and processes that the client and the bank would undertake to establish a Letter of Credit. (14 marks)

1. Mention the main types of documentary credits (2marks)

**(Total 20 marks)**

**QUESTION 7**

1. Define a demand guarantee and state its uses (4marks)
2. What are the main features of Uniform Rules for Demand Guarantees? (6marks)
3. Mention **five** types of Guarantees and their uses (10marks)

**(Total 20 marks)**

**QUESTION 8**

You have been requested by your bank to make a presentation on the role of commercial bank and their services in international trade finance. Write down your presentation on the role and services available to facilitate international trade.

**(Total 20 marks)**

**END OF EXAMINATION PAPER**