

**INSTITUTE OF BANKERS IN MALAWI**

**CERTIFICATE IN BANKING EXAMINATION**

**SUBJECT: INTRODUCTION TO BANKING (IOBM – C104)**

**Date: THURSDAY, 16th May 2019**

**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 20 multiple questions, each question carries 2 marks.

Answer **ALL** questions.

3 Section B consists of 5 questions, each question carries 20 marks. Answer **ANY THREE** 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. All answer books without examination number 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 (40 MARKS)**

Answer **ALL** questions from this section by circling the right answers in the answer sheet provided.

1. Which of the following statements applies to a “bank certified cheque”?
   1. A cheque issued by a bank drawn on itself.
   2. A cheque issued by a customer to pay off a mortgage
   3. A cheque issued by the high court to pay beneficiaries of a deceased estate.
   4. A cheque issued by an organization to pay staff salaries.
2. A cheque guarantee card is a card that is issued by a bank to its customers with the aim of?
   1. improving trade relations between the bank and other merchants
   2. Giving an assurance to merchants that cheques accepted under guarantee card will be paid.
   3. Warning merchants to confirm with the bank if customer issues a cheque supported by cheque guarantee card.
   4. Alerting merchants to be more vigilant when accepting cheques.
3. Identity the correct set of holders of a cheque who can cross a cheque
   1. The drawer, Payee or any subsequent holder
   2. The drawer or payee only
   3. The payee and endorsee only
   4. The drawer, Payee, any holder or the banker.
4. What is the significance of crossing a cheque?
   1. To prevent the holder of the cheque from cashing over the counter
   2. To transfer title in the underlying negotiable instrument
   3. To prevent fraud and forgeries
   4. To guard against money laundering.
5. The motive which drives holding of money to take advantage of market imperfections is called?
   1. Transactional motive
   2. Speculative motive
   3. Precautionary motive
   4. Forward looking motive
6. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_is one of the reasons why interest charged on long term debt is high compared to short term debt.
   1. Reputation risk
   2. Inflation risk
   3. Concentration risk
   4. Fraud risk
7. Conducting extensive investigations and collecting more information when opening bank accounts is called\_?
   1. Customer profiling
   2. Customer screening
   3. Customer investigation
   4. Customer verification
8. This is the sole reason why most people prefer investing in money market instruments;
   1. Liquidity, the instruments will mature within 1 year
   2. Security, the instruments are none negotiable
   3. Profitability, the instruments earn high interest rates
   4. Dependability, there is always someone ready to buy the instruments
9. Why is internal customer care critical to the success of an organization?
   1. It enhances the organizations image
   2. It promotes the culture of job rotation
   3. It reduces suspicions of favoritism
   4. It promotes transparency in the organization.

1. Mention one measurable step that an organization should observe to ensure that good service standards are maintained.
   1. Time it takes to serve customers
   2. Number of queries received
   3. Ensuring that the level of profitability is either maintained or increasing
   4. Maintaining a record of how many customers are closing accounts
2. Which of the following items is key when assessing a loan application?
   1. Character of the customer
   2. Number of accounts across the various banks
   3. Quality of the assets offered as collateral
   4. Experience of the borrower
3. This is the facility offered by banks to keep valuable assets or documents on behalf of their customers at a fee.
   1. Night safe facilities
   2. Cheque deposit boxes facilities
   3. Cashing Credit facilities
   4. Safe custody facilities
4. The statement is one of the evils of money laundering to an economy
   1. It makes international trade business difficult
   2. It creates mistrust among financial players in an economy.
   3. It makes it impossible for investors to speculate with a degree of certainty
   4. It fuels inflation and can be a cause for distortions in an economy.
5. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_is a term used to define the benefit enjoyed by communities, countries or regions by focusing on specialization.
   1. Competitive advantage
   2. Comparative advantage
   3. Fair trading advantage
   4. Constructive trading advantage
6. One of the unique features of modern-day money compared to original form of money during barter trade is called
   1. General acceptability
   2. Medium of exchange
   3. Intrinsic value
   4. Measure of value
7. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_is the technical term that is used to describe the person to whom a Bill of Exchange is drawn
   1. Drawee
   2. Drawer
   3. Payee
   4. Acceptor
8. Below is the unique difference between a bill of exchange and an ordinary cheque
   1. A bill of exchange is drawn on a banker while a cheque is drawn on anyone.
   2. A cheque is payable of a determinable future date while a bill of exchange is payable on demand
   3. A cheque needs to be accepted by the acceptor while a bill of exchange does not need to be accepted
   4. A cheque is drawn on a banker while a bill of exchange is drawn on anyone
9. Which of the following is a Money Market Instrument?
   1. Stocks
   2. Mortgages
   3. Corporate bonds
   4. Bankers Acceptances
10. It is one of the disadvantages of a non- independent Central Bank to the country
    1. Lack of effectiveness
    2. Lack of absolute power
    3. Others outside the organization can easily stop the bank’s action
    4. It becomes very difficult to remove officers if need arise.
11. Which of the following is a feature of a “callable back”?
    1. Interest rate is variable
    2. Interest is capitalized monthly
    3. Customer can access half of the funds before maturity
    4. There is no limit to the number of calls a customer can make.

**SECTION B (60 MARKS)**

Answer **ANY THREE** questions from this section

**QUESTION 2**

1. Give at least **four** reasons why you think internal customer care is important to any organization in the service industry. *(8 marks)*
2. What are the **six** critical points which must exist for internal customer care to work effectively? *(12 marks)*

**(Total 20 marks)**

**QUESTION 3**

1. Prepare a draft presentation outlining at least **four** advantages of operating a current account. (8 *marks)*
2. Mention the **four** parties who have the right to cross a cheque and the circumstances in which they can cross the cheque. *(12 marks)*

**(Total 20 marks)**

**QUESTION 4**

1. Give at least **five** reason why you would recommend that the Central Bank must be independent from government control. *(10 marks)*

1. Mention at least **five** things which customers dislike and must be avoided by frontline staff. *(10 marks)*

**(Total 20 marks)**

**QUESTION 5**

Zabvuta Bank has been fined K50,000,000 by the Reserve Bank of Malawi following an on-site examination that revealed several breaches on Money Laundering, Proceeds of Serious Crime and Terrorist Financing Act 2006 Act. You are therefore requested to assist Zabvuta Bank by doing the following:

1. Write a report on what the bank should do to address any lapses and avoid future penalties. *(14 marks)*
2. Mention the **three** areas which laundered money can negatively affect banks and financial institutions. *(6 marks)*

**(Total 20 marks)**

**QUESTION 6**

Mention the **five** critical steps and processes which a bank must put in place or observe in order to fully comply with KYC requirements. **(Total 20 marks)**

**END OF THE EXAMINATION PAPER**