

**INSTITUTE OF BANKERS IN MALAWI**

**CERTIFICATE IN BANKING EXAMINATION**

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

**Date: Monday, 9th May 2016**

**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 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.

1. One of the following statements does **not** qualify as an advantage of a Foreign Currency Denominated account (FCDA)
   1. As an opportunity to hold foreign currency accounts
   2. Hedge against local currency devaluation
   3. A remedial measure for exchange rate fluctuations.
   4. Easy access to foreign currency when making import payments
2. The following statement is **untrue** for barter trade
   1. It depended on double coincidence of wants
   2. It thrived on central bank interventions
   3. It was difficult to decide on relative values
   4. It posed divisibility problems
3. What is the term given to a crossing made by a bank using a bank date stamp?
   1. General crossing
   2. Qualified crossing
   3. Special crossing
   4. Restrictive crossing
4. Precautionary motive refers to the motive of holding money with the following view in mind:
   1. To pay for goods and services at a future date
   2. To protect oneself against theft
   3. To avoid borrowing at high interest rates
   4. To protect against unknown future emergencies.
5. Identify a process that has nothing to do with the stages of money laundering
   1. Placement
   2. Customer screening
   3. Layering
   4. Integration
6. What source of revenue that is **not** derived from normal banking business?
   1. Interest income
   2. Commission and fees
   3. Dividends
   4. Return on investment &securities
7. Which of the following approaches helps to control credit creation in an economy?
   1. Deregulation
   2. Financial intermediation
   3. Reduced lending
   4. Segmentation
8. What role does the Reserve Bank of Malawi play to assist commercial banks when they are short of funds?
   1. Supervision of commercial banks
   2. Regulatory role
   3. Supportive role
   4. Lender of last resort
9. What do you understand by the term “Liquidity Reserve Requirement”?
   1. A statutory requirement imposed on commercial banks to keep a certain percentage of the deposits at the central bank
   2. A statutory requirement imposed on commercial banks to lend money to government to maintain liquidity
   3. A statutory requirement imposed on commercial banks to lend to each other so that the economy does not experience liquidity shortage.
   4. A statutory requirement imposed on commercial banks to keep a certain percentage of funds for lending to other businesses in the economy
10. One of the indicators below would **not** assist the authorities to track down money launderers;
    1. Newly opened account receiving large deposits which are not in line with nature of business
    2. A sudden repayment of a problematic loan after getting pension benefits
    3. Large transfers/deposits into an account followed by an immediate withdrawal
    4. Issuance of several cheques drawn and paid on the same day.
11. In a banker-customer relationship, the bank is a …………..when the customer’s account in overdrawn.
    1. Creditor
    2. Debtor
    3. Surety
    4. Guarantor
12. Under Know Your Customer (KYC) the banker will carry out ……………… to know the source of income when opening a new account.
    1. Customer screening
    2. Customer identification
    3. Customer profiling
    4. Customer acceptance policy procedures
13. …………………refers to the role played by banks and other financial institutions to mobilized funds from people with surplus funds and lend it to deficit units.
    1. Financial intermediation
    2. Financial deregulation
    3. Financial integration
    4. Financial discipline
14. ………………… is the method of presenting a cheque to obtain payment from another bank on the same day.
    1. Express clearance
    2. Instant clearance
    3. General Clearance
    4. Special clearance
15. A holder of a cheque without a crossing can still cross the cheque by writing two parallel transverse lines across the face of the cheque.
    1. True
    2. False
    3. True but he must sign for material change
    4. False unless he advises the bank
16. This statement is a true reflection of one of the obligations of a banker.
    1. To give reasonable notice prior to closing the customer’s account.
    2. To provide internet services
    3. To install ATM machines in all outlets
    4. To provide dispensers for cold water for its customers
17. One of these is **not** a true characteristic of money
    1. Portability
    2. Homogeneity
    3. Divisibility
    4. Accessibility
18. The Central Bank can use one of the following techniques to influence banks to comply with certain requirements without issuing directives.
    1. Discounting
    2. Liquidity Reserve Requirement
    3. Moral suasion
    4. Open Market Operations
19. What is the penalty that can be meted on an individual for failure to observe KYC procedures?
    1. Pay a fine of K100,000 plus 2 years’ imprisonment
    2. Pay a fine of K100,000 or 2 years’ imprisonment
    3. Pay a fine of k2,000,000 plus 2 years’ imprisonment
    4. Pay a fine of K2, 000,000 or 20 years’ imprisonment
20. The Reserve Bank of Malawi has confirmed the successful bid of K200,000 with a yield of K16,000 on maturity. How much will your bank remit to the Reserve Bank of Malawi.
    1. K184,000
    2. K216,000
    3. K200,000
    4. K16,000

**SECTION B (60 MARKS)**

Answer **ANY THREE** questions from this section

**QUESTION 2**

1. What is the difference between a loan and an overdraft?  *(6 marks)*
2. Explain seven guiding principles for lending that a banker would consider when assessing a request for a loan to determine whether a customer qualifies for that loan or not? *(14 marks)*

**(Total 20 marks)**

**QUESTION 3**

1. Why is it important for a bank to provide its customers with statements for their bank accounts? Mention at least **four** reasons. *(4 marks)*
2. What is the difference between a general crossing and a special crossing?

*(4 marks)*

1. Draw **three** sample cheques and place your crossing of the face of each cheque with some words inside the crossing. State the meaning of the words you have put in each crossing. *(12 marks)*

**(Total 20 marks)**

**QUESTION 4**

1. Explain in your own words what you understand by the term” barter trade”

*(2 marks)*

1. Outline any **four** functions of the Reserve Bank of Malawi. *(4 marks)*
2. Using the characteristics of money, explain why barter trade cannot be ideal as a mode of payment in the present day world. *(14 marks)*

**(Total 20 marks)**

**QUESTION 5**

1. With the help of a diagram, write brief notes to explain the importance of financial intermediation and highlight the parties involved. *(12 marks)*
2. “Lack of sound KYC principles can subject banks and financial institutions to serious risks”. Explain any **four** risks that you are aware of that would affect these institutions. *(8 marks)*

**(Total 20 marks)**

**QUESTION 6**

1. Define customer care. *(2 marks)*
2. Explain any **four** hints of good customer care. *(8 marks)*
3. Explain **five** signs of great attitude in customer service. *(10 marks)*

**(Total 20 marks)**

**END OF THE EXAMINATION PAPER**