

**INSTITUTE OF BANKERS IN MALAWI**

**CERTIFICATE IN BANKING EXAMINATION**

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

**Date: Monday, 9th November 2015**

**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)**

1. What term is used to define a subject concerning money, the accumulation of money through deposits and other related services?
2. Money laundering
3. Financial intermediation
4. Banking
5. Lending.
6. Which one is a general function of a bank?
7. Provision of status reports
8. Training SMEs in financial transactions
9. Provide car park to customers
10. Collect commissions on loans and deposits.
11. What principle is based on the idea that everyone stands to benefit if people and communities specialize in production of goods in which they have an advantage in terms of cost of production.
12. Principle of comparative advantage
13. Principle of competitive advantage
14. Principle of costing advantage
15. Principle of production advantage.
16. One of the problems with barter trade was
17. Accountability
18. Durability
19. Reconciliation
20. Divisibility.
21. What category of money can be expanded without restriction on the money stock?
22. Fiat money
23. Credit money
24. Full bodied money
25. Representative full bodied money.
26. Which Act defines a cheque as a Bill of Exchange drawn on a banker, payable on demand?
27. Bill of Exchange Act 1989
28. Banking Act 1989
29. Bill of Exchange Act 1882
30. Banking Act 1882.
31. In a Bill of Exchange, who is a drawee?
32. The person to whom or to whose order the money is to be paid
33. The person addressing and signing the Bill
34. The person to whom the Bill is addressed
35. The person accepting the Bill.
36. Among the people who can cross a cheque, who can cross the cheque to himself.
37. The drawer
38. The payee
39. Any holder
40. The banker.
41. What market is best for short term maturity securities?
42. Money market
43. Capital market
44. Primary market
45. Secondary market.
46. What does the abbreviation LRR stand for?
47. Liquidity Reserve Requirement
48. Liquidity Ratio Requirement
49. Loans Ratio Requirement
50. Lowest Reserve Ratio.
51. Assuming Bank A has a deposit level of MWK10,000,000,000.00. What is the minimum amount that the bank needs to deposit with the Central Bank. Assuming LRR is at 15.5%.
52. MWK8,450,000,000.00
53. MWK1,500,000,000.00
54. MWK1,550,000,000.00
55. MWK666,666,666.67
56. What RBM policy is aimed at controlling price stability, associated with inflation and deflation?
57. Fiscal Policy
58. Monetary Policy
59. Inflation policy
60. Price stabilization policy.
61. What period (s) is Treasury Bills classified in:
62. 91 days only
63. 73 days and 146 days only
64. 91 days, 182 days and 273 days only
65. 90 days, 180 days, 270 days and 360 days only.
66. The Reserve Bank of Malawi has floated Treasury Bills and your bank has been successful in a bid worth MWK100,000,000 of which its yield is K8,000,000. How much are you going to remit to Reserve Bank of Malawi?
67. MWK92,000,000
68. MWK100,000,000
69. MWK108,000,000
70. MWK8,000,000
71. What name is given to the cost of borrowing on the part of commercial banks from the Central Bank?
72. Lending rate
73. Discount rate
74. OMO rate
75. REPO rate
76. What is one of the advantages of a non-independent Central Bank?
77. Decisions made are usually consistent
78. Bank officers feel secure with their jobs
79. There is confidence accorded to the bank by the public
80. They do not have absolute power.
81. In lending as a last resort, what security does RBM normally take?
82. Title deeds of bank premises
83. Treasury Bills
84. Certificate of deposit
85. Letters of undertaking.
86. What is the main role of the Malawi Stock Exchange?
87. Mobilizing deposits
88. Lending excess funds
89. Equity trading
90. Trading in mutual funds.
91. The following company is not listed on the stock exchange.
92. Malawi Savings Bank
93. Standard Bank Malawi Ltd
94. National Bank of Malawi
95. Illovo Sugar (Malawi) Ltd.
96. What name is given to a short term borrowing under which credit worthy borrowers are able to borrow directly from institutions, corporate bodies and other persons.
97. Negotiable Certificate of Deposit
98. Bankers Acceptance
99. Commercial paper
100. Term Loan.

**SECTION B (60 MARKS)**

Answer **ANY THREE** questions from this section

**QUESTION 2**

There is a debate on characteristics of money, especially in view of the newly introduced Malawi Kwacha notes and coins.

1. Based on the characteristics of money, prepare notes by taking a side on the debate. *(14 marks)*
2. In your presentation on the debate, highlight the key functions of money.

*(6 marks)*

**(Total 20 marks)**

**QUESTION 3**

The Executive arm of government has asked you to print more money notes and supply in the economy because it believes there is a high demand of money. As a Central Bank Governor, prepare a memo in response to the request as follows:

1. Defining the role of money. *(2 marks)*
2. Explain why money should be controlled.  *(4 marks)*
3. Analyze why people hold money in Malawi. *(9 marks)*
4. Based on your own analysis with supporting facts, advise Government on the best course of action. *(5 marks)*

**(Total 20 marks)**

**QUESTION 4**

1. Outline with explanations **five** core functions of the Reserve Bank of Malawi.

(*10 marks)*

(b) Explain what an OMO is and its function. *(4 marks)*

(c) Briefly highlight **four** advantages of having the Reserve Bank of Malawi independent.  *(4 marks)*

(d) Briefly highlight **two** advantages of having a non-independent Reserve Bank of Malawi.  *(2 marks)*

**(Total 20 marks)**

**QUESTION 5**

You have been given a group task on the need of financial intermediaries in Malawi.

In your presentation to the tutor, highlight the following:

1. Define financial intermediation. (*2 marks)*
2. Outline and briefly explain **six** types of financial intermediaries in Malawi.

*(15 marks)*

1. Make a normative statement on whether we need the financial intermediaries in Malawi or not, supporting the statement with at least **two** reasons.  *(3 marks)*

**(Total 20 marks)**

**QUESTION 6**

Write an article for the Bankers Magazine on the topic “changing patterns in banking” highlighting the following:

1. The noticeable changes in banking in Malawi, since the 1960s.  *(4 marks)*
2. Clearly explain **four** factors influencing the change*. (16 marks)*

**(Total 20 marks)**

**END OF THE EXAMINATION PAPER**