

**INSTITUTE OF BANKERS IN MALAWI**

**CERTIFICATE IN BANKING EXAMINATION**

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

**Date: Thursday, 16th November 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 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. The following is a classification of money.
2. Fiat Money
3. United States Dollars
4. Coins
5. Soiled notes
6. What name is given to loans to individuals or businesses for purchasing land, where the land serves as the collateral?
7. Corporate bonds
8. Stocks
9. Mutual funds
10. Mortgages
11. The following is a number that is found on the top right corner of a cheque, 02:04:10. What do 10 represent?
12. Area code of issuing branch of a bank
13. Bank identification number
14. Branch number
15. Company registration number
16. Which act defines a bank in Malawi?
17. The Malawi Banking Act 1989
18. The Reserve Bank Act 1994
19. The Act of Parliament 1964
20. The Anti Money Laundering Act 2000
21. What name is given to regulations issued by the Reserve Bank of Malawi in regulating movement of funds outside the country?
22. Exchange control regulation
23. Monetary policy regulation
24. Foreign exchange regulation
25. Dealing regulations
26. What name is given to an instruction in writing from a customer requesting a bank to make transfers of a fixed amount on regular basis between accounts?
27. Premium payment
28. Standing order
29. Loan repayment
30. Monthly charge
31. Complete the following statement: ‘The term ……… is used to describe the process of collecting payment for cheques deposited into the accounts of our customers which are issued by customers of other banks.
32. Clearing
33. Cheque deposits
34. MALSWITCH
35. ECCH
36. Which of the following is not a commercial banking service?
37. Loans and advances
38. Insurance service
39. Payment services
40. Buying and selling shares
41. Companies that obtain funds from banks and other sources at concessional rates and sell the funds to borrowers at premium rates are called:
42. Finance companies
43. Discount houses
44. Mutual funds companies
45. Asset Management companies
46. The Reserve Bank of Malawi has decreased the bank rate from 27% to 25%, what is the likely impact on the money market?
47. Banks will become more liquid
48. Banks will reduce the base rates
49. Banks will reduce their deposits at RBM
50. Banks will negotiate for the initial rate
51. Give an example of a capital market.
52. Auction floors
53. Commodity market
54. Stock exchange market
55. All of the above
56. Why are interest rates on capital markets very high?
57. The instruments are undertaken for big projects
58. The instruments are often on high demand
59. The instruments are associated with high risks
60. The instruments are composed of big amounts
61. Which of the items below is not one of the main sources of revenue for Banks?
62. Revenue from loans
63. Returns on investment and securities
64. Revenue from fees and charges
65. ATM cards
66. What is the main danger of a liberalized economy?
67. Stability in the local currency cannot be guaranteed
68. Excess demand is unavoidable
69. Financial institutions will make extraordinary profits
70. The economy will collapse
71. A 91 day REPO where the discount house offers the investor the option of accessing half of his money before maturity is called:
72. Call money
73. Negotiable certificate of deposit
74. Callable back
75. Loan guarantee
76. In a bill of exchange, who is a drawer?
77. The person to whom the bill is addressed.
78. The person addressing and signing the bill
79. The person to whom the money is to be paid
80. The person accepting the bill
81. What period (s) are treasury bills classified in?
82. 91 days only
83. 73 days and 146 days only
84. 91 days, 182 days and 273 days only
85. 90 days, 180 days, 270 days and 360 days only
86. What term is given to an endorsement on a cheque made by a person who acts merely as an agent of the beneficiary?
87. Qualified endorsement
88. Restrictive endorsement
89. Simple endorsement
90. Special endorsement
91. The ability by the central bank to influence commercial banks to comply to expected patterns without enforcements or directives is called;
92. Discounting
93. Negotiation
94. Open market operations
95. Moral suasion
96. The tremendous changing pattern in banking can be attributed to, among other things;
97. Political changes
98. Financial inclusion
99. Financial deregulation
100. Democracy

**SECTION B (60 MARKS)**

Answer **ANY THREE** questions from this section

**QUESTION 2**

As a consultant, you have been hired by HJ Bank to address an orientation class specifically of the financial system.

**Required:**

Prepare notes on the following:

1. Briefly define financial system.  *(2 marks*)
2. Explain what is meant by financial intermediation and give examples of the different groups of players in the financial intemediation process. *(6 marks)*
3. Mention and describe the different classifications of financial markets and the further sub-classifications you can find within these markets. *(12 marks)*

**(Total 20 marks)**

**QUESTION 3**

Reserve Bank of Malawi is one of the most important institutions in the financial sector. Write brief notes mentioning at least 10 roles which the Reserve Bank of Malawi plays in support of this statement. **(Total 20 marks)**

**QUESTION 4**

The economy is experiencing hyperinflation, and they are some calls to abandon the use of money and engage in barter trade.

**Required:**

Write a paper addressing the following:

1. What is barter trade? *(4 marks)*
2. Explain **eight** problems that the economy can encounter by adopting barter trade? *(16 marks)*

**(Total 20 marks)**

**QUESTION 5**

(a) Mention and describe **four** circumstances in which an individual or institution can be accused of committing a money laundering offence *(8 marks)*

(b) Describe any **four** of the instruments under monetary policy which the authorities can use to effect monetary control in the country *(12 marks)*

**(Total 20 marks)**

**QUESTION 6**

(a) Define a commercial bank.  *( 2 marks)*

1. Provide **three** main sources of revenue for commercial banks?  *(6 marks)*
2. Explain **four** reasons why there is a great transformation in the banking and financial sector of late. *(12 marks)*

**(Total 20 marks)**

**END OF THE EXAMINATION PAPER**