

**INSTITUTE OF BANKERS IN MALAWI**

**CERTIFICATE IN BANKING EXAMINATION**

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

**Date: Thursday, 15th November 2018**

**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. A customer has the following as an obligation to his bankers.
   1. To give reasonable notice to the bank prior to closing his account.
   2. To pay reasonable fee for the services rendered by the bank.
   3. To remain faithful to current bankers and not have accounts in other banks
   4. To maintain balances in his account for a number of days before making withdraws.
2. This is one of the benefits enjoyed by current account holders.
   1. Earning favorable interest rates on above minimum account balances.
   2. Use of cheques and providing convenience when making payments
   3. Using balances in the account as collateral when borrowing from the bank
   4. Obtaining automatic overdraft anytime one desires.
3. These words refer to the process in which financial institutions connect people with excess funds to those in need of funds?
   1. Financial integration
   2. Financial Inclusion
   3. Financial segmentation
   4. Financial intermediation
4. Which of the following statement applies to a fixed deposit?
   1. The money may not be readily available because of contractual agreement
   2. Interest rate is the same as that applicable on any other deposit account
   3. Interest is paid on the minimum balance available.
   4. The deposit cannot be used as security for a loan
5. Why do customers prefer to maintain Foreign Currency Denominated accounts (FCDA)?
   1. It’s easy to draw foreign currency cash from local ATMs
   2. Customers can demand foreign currency notes without proof of travel.
   3. A remedial measure for exchange rate fluctuations.
   4. Merchants readily accept cheques drawn on a FCDA
6. “Special clearance” on a cheque happens when……
   1. The drawer has enough funds in the account to pay the cheque
   2. Details of cheque are given outside the clearing house.
   3. The payee requests his bankers to present the cheque to the drawer’s bank for immediate payment.
   4. The paying banker fails to confirm the cheque with the drawer.
7. This was one of the requirements for barter trade to succeed.
   1. Double coincidence of wants
   2. Central bank interventions
   3. Bills of Exchange Act
   4. Consumer Protection Act
8. What is the specific term given to a crossing on a cheque where the drawer places two parallel lines without putting any words?
   1. Qualified crossing
   2. Special crossing
   3. Restrictive crossing
   4. General crossing
9. What kind of endorsement does not require the endorser to specifying the name of a person to whom cheque is being endorsed?
   1. General endorsement
   2. Special endorsement
   3. Simple of Blank endorsement
   4. Restrictive endorsement
10. Speculative 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 tricksters
    3. To avoid borrowing at high interest rates
    4. To take advantage and gain from the market inefficiencies and imperfections
11. Which statement truly reflects features of Capital market instruments?
    1. Securities are designed for short term investments
    2. Interest rates are generally lower than money market instruments
    3. Interest rates are generally higher than money market instruments
    4. Securities are highly liquid
12. What is the term given to revenue which banks collect on loans?
    1. Interest Income
    2. Service fees
    3. Dividends
    4. Non-interest Income
13. What do you call the measures taken by the Reserve Bank of Malawi to control money supply?
    1. Open market Operations
    2. Imposing tariffs
    3. Controlling number of banks operating in the country through mergers
    4. Lender of last resort
14. In addition to directives, what does the Central Bank use to influence banks to comply with monetary policies?
    1. Money laundering rules and guidelines
    2. Uniform rules on bills of Exchange
    3. Moral suasion
    4. International trade policies
15. What do you call the rate used by the Reserve Bank when lending to commercial banks?
    1. Lending rate
    2. Discount rate
    3. Money market rate
    4. Treasury bill rate
16. What is “Liquidity Reserve Requirement”?
    1. A statutory requirement imposed on commercial banks to lend money to government to maintain liquidity
    2. A statutory requirement imposed on commercial banks to lend to each other so that the economy does not experience liquidity shortage.
    3. A statutory requirement imposed on commercial banks to keep a certain percentage of funds for lending to the poor.
    4. A statutory requirement imposed on commercial banks to keep a certain percentage of the deposits at the central bank
17. What is one of the advantages of an independent central bank?
    1. Decisions are usually consistent with the needs of the economy
    2. They do not have absolute power.
    3. It becomes very difficult to remove officers if the need arise
    4. Other outside organizations can easily stop the bank’s action
18. Select an instance that would suggest money laundering activities on an account.
    1. Newly opened account receiving large deposits not in line with nature of business
    2. A sudden repayment of a problematic loan after getting pension benefits
    3. A customer issuing cheques against uncleared funds
    4. A customer always requesting special clearances on cheque deposits
19. When opening a new account, “customer profiling” helps financial institutions obtain information that assist to:
    1. Avoid opening accounts without initial opening account balances
    2. Prevent bank employees from suppressing customer deposits
    3. Detect mis-posted transactions
    4. Decipher whether future activities on an account are normal or irregular.
20. What is one attribute of great attitude required of a banker in customer service?
    1. Thorough knowledge of the services and products of a bank
    2. Minimum professional qualifications in banking
    3. Willingness to see the best in others
    4. Speed and accuracy when service customers

**SECTION B (60 MARKS)**

Answer **ANY THREE** questions from this section

**QUESTION 2**

1. What are the **three** known obligations of a customer to his bankers. *(6 marks)*
2. Mention any **four** duties of a banker towards customers in a normal banker-customer relationship. *(8 marks)*
3. Outline **three** exceptions under the general rule of confidentiality where a banker can disclose the affairs of a customer. *(6 marks)*

**(Total 20 marks)**

**QUESTION 3**

1. Explain at least **four** features of a Savings Account. *(8 marks)*
2. State **three** advantages you would give a tobacco farmer to open a Foreign Currency Denominated Account (FCDA). *(6 marks)*
3. Give **three** disadvantages which you would give to forewarn a new customer who wants to open a current account. *(6 marks)*

**(Total 20 marks)**

**QUESTION 4**

1. Give the definition of a cheque as provided in the Bills of Exchange Act 1882.

*(2 marks)*

1. Mention **five** characteristics of money and explain how each of those characteristics directly addresses the shortfalls of barter trade. *(10 marks)*
2. Mention **four** features that differentiate a cheque from an ordinary “Bill of Exchange”. *(8 marks)*

**(Total 20 marks)**

**QUESTION 5**

1. Define Money Laundering. *(2 marks)*
2. Provide at least **six** indicators that can be used as pointers of money laundering activities on an account. *(6 marks)*
3. Mention the **four** circumstances in which a banker must fulfill KYC requirements when dealing with a prospective of existing customer. *(12 marks)*

**(Total 20 marks)**

**QUESTION 6**

1. Mention the **five** well known specific strategies that banks deploy in order to build customer loyalty. *(10 marks)*

1. Give at least **five** hints of good customer service. *(10 marks)*

**(Total 20 marks)**

**END OF THE EXAMINATION PAPER**