

**INSTITUTE OF BANKERS IN MALAWI**

**CERTIFICATE IN BANKING EXAMINATION**

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

**Date: Monday, 7th November 2016**

**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.

1. What specific name is given to a process of bringing together savers and borrowers?
2. Banking
3. Financial intermediation
4. Lending
5. Financial services
6. Which of the following is not a commercial banking service?
7. Loans and advances
8. Insurance service
9. Payment services
10. Buying and selling shares
11. In banking, a person who has some sort of account, either deposit or current account or similar relation is called;
12. Client
13. Banker
14. Customer
15. Stakeholder
16. The following is a number that is found on the top right corner of a cheque, 05:07:80. What does 80 represent?
17. Area code of issuing branch of a bank
18. Bank identification number
19. Branch number
20. Company registration number
21. On which financial market is one likely to find already issued stocks, shares and treasury bills trading?
22. Primary market
23. Capital market
24. Secondary market
25. Money market
26. Which act provides for the regulation of business of banking in Malawi?
27. Reserve Bank of Malawi Act 1989
28. Banking Act 1989
29. Exchange Control Act 1984
30. Capital Market Development Act 1990
31. The ability by the central bank to influence commercial banks to comply to expected patterns without enforcements or directives is called;
32. Moral suasion
33. Negotiation
34. Open market operations
35. Discounting
36. Of late there has been a tremendous change in the banking sector that is attributed to;
37. Political changes
38. Population changes
39. Financial deregulation
40. Climate changes
41. What period (s) are treasury bills classified in?
42. 91 days only
43. 73 days and 146 days only
44. 91 days, 182 days and 273 days only
45. 90 days, 180 days, 270 days and 360 days only
46. How does the purchaser of a treasury bill benefit from the deal?
47. Buy at a discount
48. Resell at a profit
49. Get a commission
50. Earn an interest
51. What name is given to an endorsement that is outlines the person to whom or whose order the cheque or bill of exchange is payable?
52. Qualified endorsement
53. Restrictive endorsement
54. Simple endorsement
55. Special endorsement
56. Of the following instruments, which one is less risky?
57. Commercial paper
58. Treasury Bill
59. Negotiable Certificate of Deposit
60. Call Money
61. What name is given to an investment account where funds deposited are available on arrangement or upon giving the required notice?
62. Fixed deposit
63. Savings account
64. Call account
65. Current account
66. Identify from the list below a company that is not a financial institution in Malawi.
67. Stoke Brokers Malawi Ltd
68. International Commercial Bank
69. Standard Bank Bureau De Change
70. New Finance Bank of Malawi
71. What is the minimum investment amount on a REPO?
72. K250,000
73. K10,000
74. K1,000
75. K100,000
76. Why are interest rates on capital markets very high?
77. The instruments are associated with high risks
78. The instruments are often on high demand
79. The instruments are high yielding
80. The instruments are composed of big amounts
81. The following is a classification of money.
82. Fiat Money
83. United States Dollars
84. Coins
85. Soiled notes
86. One of the following financial institutions is not listed on the Malawi Stock of Exchange.
87. Standard Bank (MW) Ltd
88. FDH Bank
89. National Bank of Malawi
90. Illovo
91. What name is given to companies that obtain funds from their customers and invest these funds?
92. Finance Houses
93. Insurance Companies
94. Asset Management Companies
95. Pension Funds
96. What is the major resultant effect of uncontrolled credit creation?
97. Discounted loans
98. Inflation
99. Depression
100. Increase in lending rates.

**SECTION B (60 MARKS)**

Answer **ANY THREE** questions from this section

**QUESTION 2**

Money laundering is an issue that pose a number of risks to financial institutions. Write a paper for a presentation at your staff departmental meeting on the topic, by tackling the following issues:

1. Define money laundering. *(2 marks)*
2. Explain the **three** stages of money laundering that banks need to be familiar with.  *(6 marks)*
3. Clearly explain the **four** risks that a bank might be exposed to for not adhereing to good banking standards such as KYC. *(12 marks)*

**(Total 20 marks)**

**QUESTION 3**

The banking sector can be classified as one that is highly competitive, with similar products and services across the industry. As a consultant of NFB (2016) bank, write a report to the CEO addressing the following:

1. **Three** factors that have led to intensive banking competition in the banking sector in Malawi. *(6 marks)*
2. Outline **eight** hints of good customer service. *(8 marks)*
3. Explain **any three** signs of great attitude that you will be expected from NFB Bank employees. *(6 marks)*

**(Total 20 marks)**

**QUESTION 4**

The Bankers Association of Malawi has approached you to make a presentation on a career in banking to students who are about to finish their Malawi school Certificate of Education. Prepare notes for the presentation addressing the following:

1. Define banking. *(2 marks)*
2. Outline **five** general functions of a bank.  *(5 marks)*
3. Clearly explain the process of financial intermediation. *(5 marks)*
4. Outline some of the products that banks deal in as follows:
   1. Treasury Bill
   2. Local Registered Stock
   3. Commercial paper
   4. Negotiable Certificate of Deposit *(8 marks)*

**(Total 20 marks)**

**QUESTION 5**

You have an appointment with a journalist from the Bankers magazine, who is writing an article on money supply and demand. Prepare some notes on the following:

1. Defining money and its role. *(2 marks)*
2. Definition of money supply and money demand. *(4 marks)*
3. The **three** categories of money and brief definitions.  *(3 marks)*

1. Outline with explanations the motives of people holding money. *(9 marks)*
2. An explanation why the central bank has to control the supply of money.

*(2 marks)*

**(Total 20 marks)**

**QUESTION 6**

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

*(10 marks)*

1. Explain the meaning of OMO and how it operates.  *(4 marks)*
2. Explain **three** advantages of having the Reserve Bank of Malawi as an independent organization. *(6 marks)*

**(Total 20 marks)**

**END OF THE EXAMINATION PAPER**