

**INSTITUTE OF BANKERS IN MALAWI**

**CERTIFICATE IN BANKING EXAMINATION**

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

**Date: Thursday, 26th November 2020**

**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. 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. Payment services
8. Donations through corporate social responsibility
9. Provide car park to customers
10. Trading in shares
11. A savings account, with a minimum balance requirement of K2, 000, what should be the balance in the account in order to withdraw exactly K50,000?
12. More than K50,000
13. At least K52,000
14. Less than K50,000
15. Exactly K50,000
16. What other name is given to a fixed deposit?
17. Investment Account
18. Fixed deposit account
19. Time deposit account
20. Savings account
21. 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?
22. Principle of comparative advantage
23. Principle of competitive advantage
24. Principle of costing advantage
25. Principle of production advantage
26. One of the problems with barter trade was?
27. Accountability
28. Durability
29. Reconciliation
30. Divisibility
31. Which professionals are associated with the origin of cheques?
32. Academicians
33. Bankers
34. Slave Traders
35. Goldsmiths
36. Which Act defines a cheque as a bill of exchange drawn on a banker, payable on demand?
37. Bill of Exchange Act 1989
38. Banking Act 1989
39. Bill of Exchange Act 1882
40. Banking Act 1882
41. In a bill of exchange, who is a drawee?
42. The person to whom or to whose order the money is to be paid
43. The person addressing and signing the bill
44. The person to whom the bill is addressed
45. The person accepting the bill
46. What is a stale cheque?
47. Postdated cheque
48. A cheque issued more than six months ago
49. A cheque that is torn
50. A cheque that is not properly signed
51. Among the people who can cross a cheque, who can cross the cheque to himself?
52. The drawer
53. The payee
54. Any holder
55. The banker
56. What market is best for short term maturity securities?
57. Money market
58. Capital market
59. Primary market
60. Secondary market
61. What does the abbreviation LRR stand for?
62. Liquidity reserve requirement
63. Liquidity ratio requirement
64. Loans ratio requirement
65. Lowest reserve ratio
66. On 22nd February 2019, Bank A had K7,500,000 as its liquidity reserve at the Central Bank. If LRR ratio is 5%, what were the Bank’s liabilities on the day in terms of deposits?
67. MWK375,000.00
68. MWK37,500,000.00
69. MWK7,125,000.00
70. MWK150,000,000.00
71. The ability by the central bank to influence commercial banks to comply to expected patterns without enforcements or directives is called;
72. Moral suasion
73. Negotiation
74. Open market operations
75. Discounting
76. The tremendous changing pattern in banking can be attributed to, among other things;
77. Political changes
78. Population changes
79. Financial deregulation
80. Climate changes
81. What is the major resultant effect of uncontrolled credit creation?
82. Discounted loans
83. Inflation
84. Depression
85. Increase in lending rates.
86. What period (s) are treasury bills classified in?

1. 91 days only
2. 73 days and 146 days only
3. 91 days, 182 days and 273 days only
4. 90 days, 180 days, 270 days and 360 days only
5. Bank C has a shortfall of K200mio on its LRR. What interest will it pay by borrowing from RBM for 4 days if the policy rate is at 14.5% and the Lombard rate is at 14.9%? Assuming number of days per year is 365.
6. K79,452.05
7. K326,575.34
8. K317,808.22
9. K81,643.84
10. In a Callable Back, what percentage of the investment is the investor allowed to access before maturity?

1. 10%
2. 90%
3. 75%
4. 50%

**SECTION B (60 MARKS)**

Answer **ANY THREE** questions from this section

**QUESTION 2**

The banking sector has recently been in the limelight, up to parliament proposing a bill on interest capping.

**Required**

Fearing that the banking sector can be greatly affected: explain briefly what is involved in capping and further highlighting the functions of a bank, while at the same time commenting on the issue. **(Total 20 marks)**

**QUESTION 3**

Money laundering remains a big challenge in an economy.

**Required**

1. In your own words, outline some of the things that can be considered as hints for a money laundering transaction. *(16 marks)*
2. Explain the difference between “Customer Information verification” and “Customer screening” stages under Know Your Customer (KYC) *(4 marks)*

**(Total 20 marks)**

**QUESTION 5**

Money is a key instrument in a financial system. Prepare notes for a class as follows:

1. Defining the role of money. *(1 mark)*
2. Explain why money should be controlled *(4 marks)*
3. Analyze why people hold money in Malawi *(9 marks)*
4. Explain **three** problems associated with monetary instability. *(6 marks)*

**(Total 20 marks)**

**QUESTION 7**

You have been given a group task on the need of financial intermediaries in Malawi. In your presentation to the tutor, highlight the following:

**Required**

1. Define financial intermediation. *(2 marks)*
2. Outline and briefly explain **six** types of financial intermediaries in Malawi. *(15 marks)*
3. 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 8**

Write an article for the Bankers Magazine on the topic ‘Changing patterns in banking’ highlighting the following:

**Required**

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**