

**INSTITUTE OF BANKERS IN MALAWI**

**ADVANCED DIPLOMA IN BANKING EXAMINATION**

**SUBJECT: LAW OF CREDIT AND SECURITY (IOBM – AD315)**

**Date: Thursday, 8th November 2015**

**Time Allocated: 3 hours (13:30 – 16:30 Hours)**

**INSTRUCTIONS TO CANDIDATES**

1 This paper consists of **TWO** Sections, A and B.

2 Section A consists of 4 questions, each question carries 15 marks.

Answer **ALL** questions.

3 Section B consists of 4 questions, each question carries 20 marks. Answer **ANY TWO** questions.

4 You will be allowed **10 minutes** to go through the paper before the start of the examination, 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. Answer sheets without examination numbers 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 (60 MARKS)**

Answer **ALL** questions from this section.

**QUESTION 1**

1. Define and explain how a mortgage operates. *(5 marks)*
2. Mention **five** conditions that are required in order for a security interest to attach otherwise than by operation of law. *(10 marks)*

**(Total 15 marks)**

**QUESTION 2**

1. Mention **three** conditions that are to be satisfied in order for the existence of the security interest to be consistent with the agreement between the parties.

*(7 marks)*

1. Mention **four** reasons why it is important to give notice to account debtor where the security is created by assignment or charge as opposed to transfer by novation. *(8 marks)*

**(Total 15 marks)**

**QUESTION 3**

1. What are the **three** characteristics of a floating charge as expounded in the case of *RE YORKSHIREWOOLCOMBERS ASSOCIATION LTD* (1903)? *(7 marks)*
2. Why is a floating charge important as compared to a mere contract? *(8 marks)*

**(Total 15 marks)**

**QUESTION 4**

1. Mention **four** crystallization events you know. *(8 marks)*
2. Briefly, explain subordination of security. *(7 marks)*

**(Total 15 marks)**

**SECTION B (40 MARKS)**

Answer **ANY TWO** questions from this section

**QUESTION 5**

1. Mention **three** advantages of a clean-shipped bill of lading. *(6 marks)*
2. Explain how letters of credit facilitate international trade. *(8 marks)*
3. Explain the use of mate’s receipts in international trade. *(6 marks)*

**(Total 20 marks)**

**QUESTION 6**

1. Briefly, explain initial legal checks that are to be undertaken before a guarantee is granted. *(16 marks)*
2. Mention **two** terms of a valid guarantee. *(4 marks)*

**(Total 20 marks)**

**QUESTION 7**

1. The United Nations Convention on International Multimodal Transport of Goods, 1980 has set rules that are to be followed to determine who should bear the loss once the goods conveyed in a container are lost or damaged. Explain how the Convention deals with this issue. *(9 marks)*
2. Mr White has secured a loan with one of the banks in town. He has decided to venture into container/combined transport using the Nacala Corridor. However, he is not certain as to what are the basic features of this business. Advise Mr White by outlining to him **four** features. *(8 marks)*
3. In international trade, the date of shipment is very important. What are the possible **two** assumptions that are considered when there is late shipment of goods. *(3 marks)*

**(Total 20 marks)**

**QUESTION 8**

Write brief notes on the following:

1. Security over future property. *(5 marks)*
2. Tracing receivables into proceeds. (*5 marks)*
3. Subrogation in guarantee. *(6 marks)*
4. Negotiability of a bill of lading. *(4 marks)*

**(Total 20 marks)**

**END OF THE EXAMINATION PAPER**