

**INSTITUTE OF BANKERS IN MALAWI**

**ADVANCED DIPLOMA IN BANKING EXAMINATION**

**SUBJECT: PERSONAL FINANCIAL PLANNING (IOBM – AD311)**

**Date: Sunday, 11th November 2018**

**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 books 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 Insurance and discuss what pure risk is? *(3 marks)*
2. Outline the **four** characteristics of insurance contracts. *(12 marks)*

**(Total 15 marks)**

**QUESTION 2**

1. Give **two** common investment goals that an investor require to achieve when doing investments. *(3 marks)*
2. Any investor before making any decisions in doing some investment must always follow the prerequisite steps.

**Required**

Discuss the **four** steps that an investor should embark on before making any investment. *(12 marks)*

**(Total 15 marks)**

**QUESTION 3**

1. Define estate planning. *(1 mark)*
2. Explain **four** common objectives of estate planning that will aid in providing health care and property decisions in transferring property*. (8 marks)*
3. Mention **three** risks associated with failing to plan for estate transfer. *(6 marks)*

**(Total 15 marks)**

**QUESTION 4**

Discuss **five** factors that may shape the outcome of an individual’s influence according to the study of ethics. *(15 marks)*

**(Total 15 marks)**

**SECTION B (40 MARKS)**

Answer ANY **TWO** questions from this section

**QUESTION 5**

Discuss **five** reasons why most people don’t save for retirement. **(***20 marks)*

**(Total 20 marks)**

**QUESTION 6**

Discuss the **four** stages of industry maturity in the life cycle analysis based on the following competitive positioning:

1. Dominancy
2. Strong
3. Favourable
4. Tenable
5. Weak *(20 marks)*

**(Total 20 marks)**

**QUESTION 7**

Suzan is applying for a personal loan from a local bank. As part of its standard procedure for loan assessment, the bank has asked her to provide financial information. Suzan provides the requested information as follows: Bank Deposits K10,000,000.00, Treasury Bills K11,000,000.00, 3-month Certificate of Deposit K10,000,000.00, Credit Card Balance K2,000,000.00, Listed Stocks K24,000,000.00, Life Insurance Cash Value K25,000,000.00, MPF Account Balance K70,000,000.00, Mortgage Loan K75,000,000.00 and Residential Flat K150,000,000.

**Required**

1. Identify the Assets and liabilities of Suzan and calculate Suzan’s net worth?

*(6 marks)*

1. Give **two** circumstances that should occur in order to increase Suzan’s net worth?

*(4 marks)*

1. Explain **three** systematic risk and **two** unsystematic risk that can be encountered in the process of doing investments. *(10 marks)*

**(Total 20 marks)**

**QUESTION 8**

Discuss porter’s **five** forces analysis that is used to describe the level of competition within an industry and business strategy development. *(20 marks)*

**(Total 20 marks)**

**END OF EXAMINATION PAPER**