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**INSTITUTE OF BANKERS IN MALAWI**

**DIPLOMA IN BANKING EXAMINATION**

**SUBJECT: FINANCIAL PLANNING PRACTICE (IOBM – D210)**

**Date: Sunday, 11th 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 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. Mention **three** methods of paying income tax*. (3 marks)*
2. State any **five** items included in the definition of remuneration used in the calculation of income tax. *(5 marks)*
3. Give **three** aspects that determine taxpayers’ taxable income. *(3 marks)*
4. Mention **four** benefits provided by pension funds.*(4 marks)*

**(Total 15 marks)**

**QUESTION 2**

1. Explain **three** measures the government takes to control the increase in inflation. *(6 marks)*
2. Discuss any **four** stages of business cycle. *(9 marks)*

**(Total 15 marks)**

**QUESTION 3**

1. Explain **four** factors that determine the amount of premium the policy-holder is required to pay for any given amount of life assurance policy. *(8 marks)*
2. Why is premium loaded in the substandard risks for the life assurance policies?

*(4 marks)*

1. Explain how the mortality profit is determined in life assurance business? *(3 marks)*

**(Total 15 marks)**

**QUESTION 4**

1. Describe the following terms:
   1. Ordinary shares  *(3 marks)*
   2. Preference shares *(3 marks)*
   3. Zero coupon bonds *(3 marks)*
2. Explain **three** types of funds falling within the ambit of the definition of pension.

*(6 marks)*

**(Total 15 marks)**

**SECTION B (40 MARKS)**

Answer **ANY TWO** questions from this section

**QUESTION 5**

1. You have been asked to prepare notes and give motivational talk on how to improve sales on XYZ plc. Prepare a step by step approach giving at least **six** points on what you will include in your report. *(6 marks)*
2. Briefly describe the basic principle that rules all the economic activities in Malawi.

*(6 marks)*

1. What is the difference between gross domestic product (GDP) and gross national product (GNP)?  *(4 marks)*
2. Explain the relationship between exchange rates and the balance of payment.

*(4 marks)*

**(Total 20 marks)**

**QUESTION 6**

1. Mention **five** rating categories of clients for investment consultancy services.

*(5 marks)*

1. Explain **five** criteria used to ascertain clients risk in profile of financial service solution. *(10 marks)*
2. Give **five** financial details about the client an investment consultant needs to establish. *(5 marks)*

**(Total 20 marks)**

**QUESTION 7**

1. Explain **three** differences between life assurance and whole life policies. *(9 marks)*
2. Explain **three** reasons why people require life cover for the whole of their lives?

*(6 marks)*

1. Give **three** disadvantages of personal accidents and sickness by annual contract.

*(5 marks****)***

**(Total 20 marks)**

**QUESTION 8**

1. Why is disability cover limited to the policy holder’s earnings? *(3 marks)*
2. Mr. Phiri is an engineer who works for XYZ plc, a cement manufacturing company. He has a disability benefit cover. His monthly taxable earnings are K600 000. He is involved in a fatal accident which keeps him out of work for one year. Calculate his maximum capital disability benefit. Show all your working. *(5 marks)*
3. Briefly explain **three** benefits excluded from the aggregation of the losses under Life Offices Association (LEA).  *(6 marks)*
4. Explain **three** methods in which Life Assurance Company arranges reassurance covers.  *(6 marks)*

**(Total 20 marks)**

**END OF EXAMINATION PAPER**