

**INSTITUTE OF BANKERS IN MALAWI**

**DIPLOMA IN BANKING EXAMINATION**

**SUBJECT: FINANCIAL PLANNING PRACTICE (IOBM –D215)**

**Date: Wednesday, 22nd 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 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. Briefly explain how each of the following factors affect the economic growth of a country
2. Population *(3 marks)*
3. Technology  *(3 marks*)
4. Capital *(3 marks)*
5. Mention **three** major advantages why most investors prefer to buy ordinary shares instead of preference shares. *(6 marks)*

**(Total 15 marks)**

**QUESTION 2**

1. Mention **three** assumptions that are considered when determining the rate of a premium before granting a life assurance contract to a prospective client. *(6 marks)*
2. Define an insurance contract.  *(3 marks)*
3. State **any three** conditions that are binding parties to an insurance contract.

*(6 marks)*

**(Total 15 marks)**

**QUESTION 3**

1. State **three** conditions that can invalidate parties to a contract on the basis of legal capacity. *(9 marks)*
2. Explain **three** differences between ordinary shares and preference shares. *(6 marks)*

**(Total 15 marks)**

**QUESTION 4**

1. An investor has the following spread of investments: Bonds and guaranteed investment 10% , Cash 5% and Equities 85%. What could be his prime motivation for putting 85% of his investments in Equities? (*5 marks)*
2. Explain the principle of ‘Pooling of risk” in insurance. *(5 marks)*
3. Why is financial underwriting important in the life insurance underwriting process? *(10 marks)* **(Total 15 marks)**

**SECTION B (40 MARKS)**

Answer **ANY TWO** questions from this section

**QUESTION 5**

1. You have been requested by your supervisor to make a presentation on Wills and Intestate succession to a group of visiting students studying Personal Financial Planning. Prepare notes on what you will be including on the following:
   1. Persons who are entitled to benefit under a Will. *(6 marks)*
   2. Individuals who cannot benefit under a will because of the role they played in the preparation of a Will or on the life of the testator. *(10 marks)*

1. Explain what you understand by the following terms:
   1. Substandard Risk *(2 marks)*
   2. Hazardous Risks *(2 marks)*

**(Total 20 marks)**

**QUESTION 6**

A financial planner must be aware of how the economic environment can affect client’s plans to achieve certain desired goals.

**Required**

Using your knowledge on the influences of the business cycle, comment on how each of the following economic factors responds during a recovery phase and a Recession Phase respectively;

1. Interest rates *(4 marks)*
2. Capital investment *(4 marks)*
3. Employment *(4 marks)*
4. General Standard of living *(4 marks)*
5. Inflation *(4 marks)*

**(Total 20 marks)**

**QUESTION 7**

You have been given the task to train new sales agents to sell financial products. You are aware that you need to equip them with skills to carry out need selling and why prospective clients give objections.

**Required**

1. Give **seven** reasons that prompt clients to give an objection to a sale. *(14 marks)*
2. Explain the difference between the terms “maturity value” and “death claim value in a policy document.  *(6 marks)*

**(Total 20 marks)**

**QUESTION 8**

In one of the group discussion on how insurance premiums are determined, some members passionately advanced the argument that insurance premiums are driven by desire to raise more money from clients other than anything else.

**Required**

Write a report to demonstrate your understanding on how premiums are determined and the major assumptions that are built in to arrive at the amount to be paid as a premium. (**Total 20 marks)**

**END OF EXAMINATION PAPER**