

**INSTITUTE OF BANKERS IN MALAWI**

**DIPLOMA IN BANKING EXAMINATION**

**SUBJECT: FINANCIAL PLANNING AND PRACTICE (IOBM-D210)**

**Date: Sunday, 12th November 2017**

**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**

Mention the **five** factors that can affect an investment strategy and advise what investors can do to reduce/minimize the impact of these factors on their investments  **(Total 15 marks)**

**QUESTION 2**

1. Mention **two** advantages for choosing to invest in property investments. (*4 marks*)
2. Define the term “derivatives “and give at least **two** reasons why investors may prefer to put their money in derivatives. *(6 marks)*
3. Explain the circumstances under which the Malawi Revenue authority will decide to levy Income Tax instead of Capital Gain Tax upon sale of certain assets. *(5 marks)*

**(Total 15 marks)**

**QUESTION 3**

1. Describe how a Pension Preservation fund operate and give at least **one** advantage of putting your investments in this fund. *(6 marks)*
2. What is the difference between health loading and an exclusion clause on an insurance policy? Give an example of circumstances in which each situation may apply. *(6 marks)*
3. Why is it important for everyone to have a Will? *(3 marks)*

**(Total 15 marks)**

**QUESTION 4**

Briefly explain the elements that should be present in an insurance document that must act as guiding principles for the creation of a valid insurance contract to avoid it being challenged by other parties or rejected by the insurance company.

**(Total 15 marks)**

**SECTION B (40 MARKS)**

Answer ANY **TWO** questions from this section

**QUESTION 5**

1. You have been requested to prepare notes and give a motivational talk on personal investment planning. Prepare a step by step approach giving at least **five** points on what you will include in the report. (*5 marks*)
2. Describe how Credit Life cover insurance works and explain its significance in as far as lending financial institutions are concerned. *(15 marks)*

**(Total 20 marks)**

**QUESTION 6**

Malawi is rated as one of the poorest countries in the world. Use the **four** determinants of economic growth to discuss some of the reasons why Malawi is not progressing well economically.

**(Total 20 marks)**

**QUESTION 7**

Write brief notes to highlight the rights of a long-term policy holder or a prospective policy holder and give a minimum of **four** points under each right to support your answer.

**(Total 20 marks)**

**QUESTION 8**

1. Define the term “assessable income” *(4 marks)*

1. Under what circumstances would a voluntary purchased annuity be exempted from tax? *(8 marks)*
2. Define what is meant by “estate duty” and mention the circumstances under which this type of duty is payable? (*8 marks*)

**(Total 20 marks)**

**END OF EXAMINATION PAPER**