

**INSTITUTE OF BANKERS IN MALAWI**

**ADVANCED DIPLOMA IN BANKING EXAMINATION**

**SUBJECT: INTERNATIONAL MONETORY ECONOMICS**

**(IOBM – AD302)**

**Date: Sunday, 6th November 2016**

**Time Allocated: 3 hours (08:00 – 11:00 am)**

**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 in this section

**QUESTION 1**

1. The balance of trade is one of the most misunderstood indicators of the economy. Discuss. *(5 marks)*
2. The international Monitory Funds (IMF) describes itself as “an organization of 187 countries (as of July 2010). State any **four** function from which Malawi as a developing country would benefit from the objectives of IMF. *(4 marks)*
3. Explain the three loan facilities that were established under Poverty Reduction and Growth Trust being implemented by through the reforms taking place at IMF.

*(6 marks)*

**(Total 15 marks)**

**QUESTION 2**

A number of developing countries face a number of challenges in their markets. Some of such challenges: Global Liquidity; Global Imbalance and Economic Growth. Please discuss such problems in relation to the Global Imbalance and Economic Growth.

**(Total 15 marks)**

**QUESTION 3**

Some developing countries experience rapid accumulation of debt which is accompanied by increasing capital flight if the private sector fears imminent devaluation and increase in taxes to service the debt. Mention and discuss any **three** factors that cause capital flight**.**

**(Total 15 marks)**

**QUESTION 4**

In the economic world, financial liberalization refers to the deregulation of domestic financial markets and liberalization of the capital account. Discuss the three classes of indices for measuring financial liberalization.

**(Total 15 marks)**

**SECTION B (40 MARKS)**

Answer **ANY TWO** questions from this section

**QUESTION 5**

The International Monitory Fund (IMF) was founded toward the end of World War II and it was aimed at building a framework for economic cooperation that would avoid a repetition of the disastrous economic policies that had contributed to the Great Depression of the 1930s and the global conflict that followed. As a country, how would Malawi benefit from the operations of IMF? Mention any **five.**

**(Total 20 marks)**

**QUESTION 6**

The Malawi kwacha has depreciated over the years against major foreign currencies and some economists have indicated that this trend may continue in the long run. As an Economist, provide **five** reasons as to why the Malawi Kwacha has depreciated to this extent.

**(Total 20 marks)**

**QUESTION 7**

1. With clear examples, describe the following economic terms: reschedule the debts; Debt swaps and Debts Cancellation. *(6 marks)*
2. Malawi Gross Domestic Product can be measured, among other methods, by using the Output/Production Method. Clearly, with an example, discuss this method taking into account value addition. *(14 marks)*

**(Total 20 marks)**

**QUESTION 8**

1. What do you understand by Capital Flight? *(10 marks)*
2. Discuss the effects of Capital Flight in a developing country. *(10 marks)*

**(Total 20 marks)**

**END OF EXAMINATION PAPER**