

**INSTITUTE OF BANKERS IN MALAWI**

**DIPLOMA IN BANKING EXAMINATION**

**SUBJECT: TREASURY MANAGEMENT 1 (IOBM – D201)**

**Date: Monday, 4th November 2013**

**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 sheets without examination numbers will not be marked.**

7 DO NOT open this question paper until instructed to do so.

**SECTION A (60 MARKS)**

Answer **ALL** questions from this section.

**SECTION A (60 MARKS)**

Answer ALL questions in this section

**QUESTION 1**

Alinane is a new dealer that has just joined you in the dealing room, and does not clearly understand about dealing limits. Prepare some notes, explaining **seven** limits that Alinane should be aware of.  **(Total 15 marks)**

**QUESTION 2**

Explain the following financial terms:-

1. Nostro *(3 marks)*
2. Negotiable Certificates of Deposit *(3 marks)*
3. Bill of exchange *(3 marks)*
4. Bankers’ acceptance *(3 marks)*
5. Open market operations *(3 marks)*

**(Total 15 marks)**

**QUESTION 3**

The following is an extract of rates from an Authorized Dealer Bank :

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **CURRENCY/**  **DATE** | | **CAD \*\*** | **GBP \*** | **EUR \*** | **JPY \*\*** | **MWK \*\*** |
| **01.11.2012** | **RATE/USD** | 1.0003 | 1.6127 | 1.2960 | 80.0200 | 313.2300 |
| **08.11.2012** | **RATE/USD** | 0.9111 | 1.5888 | 1.2960 | 80.0310 | 318.0000 |

**Note:** \* 1 unit of the currency = so many USD

\*\* 1 unit of USD = so many of the currency

1. Convert the following amounts to MWK
   1. JPY100,000 on the 8 November 2012
   2. GBP35 on the 1 November 2012 *(6 marks)*
2. Which currency has proved to be convenient with in terms of planning of the one week period and why? *(2 marks)*
3. If a dealer had $120,000 on his position on 1 November, which he kept up to the 8 November, what has happened to him as far as profit or losses are concerned? And by how much? *(3 marks)*
4. What can you comment about the CAD over the one week period in terms of its strength against the USD? *(4 marks)*

**(Total 15 marks)**

**QUESTION 4**

In a liberalized economy, do we still need the Central Bank? Explain what a liberalized economy is and the role of the Central Bank in such an economy.

**(Total 15 marks)**

**SECTION B (60 MARKS)**

Answer **ANY TWO** questions in this section

**QUESTION 5**

1. Mention and explain **four** factors that affect the movement of rates in an economy.

*(12 marks)*

1. Malawi adopted a free floating exchange rate regime. Explain how this is working in lieu of the Malawi economy based on the four factors above. Provide brief examples of the current situation. *(8 marks)*  **(Total 20 marks)**

**QUESTION 6**

1. Define Asset and Liability Management (ALM). *(4 marks)*
2. Explain the **four** goals of ALM. *(8 marks)*
3. The ALCO strategy process typically follows a special sequence that has **four** elements. Clearly outline what they are. *(8 marks)*  **(Total 20 marks)**

**QUESTION 7**

Prepare a paper on risk to be presented at the financial dealers AGM at Club Makokola. In the paper address the following:

1. A clear definition of risk and its impact on businesses. *(4 marks)*
2. Provide and explain with examples the **four** types of financial risk. *(12 marks)*
3. Provide an instrument or method on each of the above financial risk that will help reduce the impact of the risk.  *(4 marks)*

**(Total 20 marks)**

**QUESTION 8**

Write a proposal to the Treasury Manager on risk management program, addressing;

1. **Four** goals of any treasury risk management. *(8 marks)*

1. Explain **four** elements of the risk management program. *(12 marks)*

**(Total 20 marks)**

**END OF THE EXAMINATION PAPER**