

BANKIN LAW THEORY AND PRACTICE

I UNIT

K1 QUESTIONS

1. The minimum capital prescribed by RBI for starting a new commercial bank is
 - a. Rs.1000crore
 - b. **Rs.100crore**
 - c. Rs.10crore
 - d. Rs.1crore
2. Which financial institution provides refinance facilities
 - a. IFC
 - b. SFC
 - c. **IDBI**
 - d. SBI
3. Assets which are NPAS for a period not exceeding two years are
 - a. **Sub-standing assets**
 - b. Doubtful assets
 - c. Loss assets
 - d. Gross assets
4. Which bank met long term recruitment of agriculture
 - a. Nationalized bank
 - b. **Land developed bank**
 - c. Co-operative bank
 - d. RBI
5. -----are not performing assets
 - a. **Standing assets**
 - b. Doubtful assets
 - c. Loss assets
 - d. Gross assets
6. -----plays a vital role in economic development of a country
 - a. **Banking system**
 - b. Indigenous banks
 - c. Agriculture
 - d. Foreign trade
7. The----- do not have any contact with other section of the banking world
 - a. Nationalized bank

- b. Land developed bank
 - c. Co-operative bank
 - d. Indigenous banks**
8. ----- bank are the oldest banking institutions in the organized sector
- a. **Commercial bank**
 - b. Land developed bank
 - c. Co-operative bank
 - d. RBI
9. The -----is a federation of central co-operative banks
- a. Nationalized bank
 - b. Land developed bank
 - c. State Co-operative bank**
 - d. RBI
10. The RBI are established by
- a. Nationalized bank
 - b. Land developed bank
 - c. State Co-operative bank
 - d. Sponsor bank**
11. The hold about 8% of the total commercial banks asset India
- a. Nationalized bank
 - b. Foreign bank**
 - c. State Co-operative bank
 - d. Sponsor bank
12. The----- old private sector banks
- a. **22**
 - b. 12
 - c. 23
 - d. 8
13. The industrial finance corporation of India was set up in
- a. 1987
 - b. 1980
 - c. 1948**
 - d. 1999
14. The maximum amount of loan for a simple concerned is
- a. Rs.1000crore

- b. **Rs.60lakhs**
 - c. Rs.10crore
 - d. Rs.1crore
15. -----has enter refinancing function of RBI
- a. Nationalized bank
 - b. Foreign bank
 - c. **NABARD**
 - d. Sponsor bank
16. National housing bank was set up in
- a. Jan 2, 1987
 - b. **July 9, 1998**
 - c. Feb 22, 1948
 - d. Dec 4, 1999
17. The NABARD has ----- function
- a. 22
 - b. **3**
 - c. 23
 - d. 8
18. NABARD Came into existence in ----
- a. Jan, 1987
 - b. **July, 1982**
 - c. Feb, 1948
 - d. Dec, 1999
19. The management of NABARD is entrusted to
- a. **Board of directors**
 - b. Share holders
 - c. Deben char holders
 - d. Directors
20. Reserve bank of India started function from
- a. **Apr. 1, 1935**
 - b. July 9, 1998
 - c. Feb 22, 1948
 - d. Dec 4, 1999

II INIT

1. A person who is doing a banking business is called
 - a. Customer
 - b. **Banker**
 - c. Partner
 - d. Creditor

2. The word bank is originated from
 - a. **Germen word**
 - b. France word
 - c. English word
 - d. Italian word

3. A -----becomes bailed when he receives gold ornaments and important documents for safe custody
 - a. **Banker**
 - b. Partner
 - c. Share holder
 - d. Customers

4. The -----relationship is said to exist between
 - a. **Banker and customer**
 - b. Benefits and trustee
 - c. Principles and agent
 - d. Principle and customers

5. -----is not essential in the case of ordinary commercial debts
 - a. Banker
 - b. Partner
 - c. Share holder
 - d. **Time**

6. -----will be honored only when it is drawn according to recurrent of law
 - a. **Cheque**
 - b. Cash
 - c. Trust deed
 - d. Sale deed

7. The obligation to pay a ----- deepen upon the correctness of cheque
 - a. **Cheque**

- b. Cash
 - c. Trust deed
 - d. Sale deed
8. A-----liable to pay damages for wrongful dishonor for cheque
- a. Cheque
 - b. **Banker**
 - c. Trust deed
 - d. sale deed
9. Lien can be classified into -----type
- a. **2**
 - b. 3
 - c. 23
 - d. 8
10. A ----- lien is always a general lien
- a. Cheque
 - b. **Banker**
 - c. Trust deed
 - d. Sale deed
11. A----- has no general lien on safe custody deposits
- a. Cheque
 - b. **Banker**
 - c. Trust deed
 - d. Sale deed
12. A -----lien does not cover safe custody deposits
- a. Cheque
 - b. **Banker**
 - c. Trust deed
 - d. Sale deed
13. -----lien is otherwise called non-possessory lien
- a. **Negative lien**
 - b. Positive lien
 - c. General lien
 - d. Particular lien
14. -----is expected to maintain secrecy of his
- a. Cheque
 - b. **Banker**
 - c. Trust deed
 - d. Sale deed
15. -----is necessary to exercise a lien
- a. cheque
 - b. **No agreement**
 - c. Trust deed
 - d. sale deed
16. A minor is a person who has not attained the age of
- a. 2

- b. 3
 - c. 23
 - d. **18**
17. A minor can never be appointed
- a. Cheque
 - b. Banker
 - c. **Trustee**
 - d. Sale deed
18. A ----- has no capacity to enter into a contract
- a. **Lunatic**
 - b. Agent
 - c. Principal
 - d. Trustee
19. -----is an artificial person created by law
- a. **Joint stock company**
 - b. Partnership firm
 - c. Sole trading
 - d. Cooperating society
20. In India the contract by a drunken guard is
- a. **Void**
 - b. Voidable
 - c. illegal
 - d. Valid

III UNIT

1. ----- is document is used to deposit money into the bank account
- a. **Pay in slip**
 - b. withdrawn slip
 - c. cheque
 - d. pay in cash
2. . ----- must be obtained from a responsible person before opening an account
- a. Agreement
 - b. **a letter of introduction**
 - c. cash
 - d. cheque
3. The best suited deposit for a trading community is
- a. **Requiring deposit**
 - b. current a/c
 - c. cash
 - d. bankers
4. According to IBA the minimum period for which is a fixed deposit can be obtained is
- a. 2 years
 - b. 3 years
 - c. **7 years**

- d. 8 years
- 5. A saving bank account in a sole name of a minor can be opened provided he completed as
 - a. 2 age
 - b. **10 age**
 - c. 7 age
 - d. 8 age
- 6. Before opening a deposit an account the -----should observe certain precautions
 - a. **Bankers**
 - b. customers
 - c. agent
 - d. trustee
- 7. Every new ----- is excepted to give three are more specimen signature`
 - a. Bankers
 - b. **customers**
 - c. agent
 - d. trustee
- 8. A letter of introduction service as a precacition against
 - a. **Fraud**
 - b. customers
 - c. agent
 - d. trustee
- 9. All banks have been directed by
 - a. **RBI**
 - b. SBI
 - c. TDBI
 - d. FDI
- 10. A-----is an account which is generally opened by business people for their convenience
 - a. **Current a/c**
 - b. joint a/c
 - c. deposit a/c
 - d. capital a/c
- 11. Every ----- becomes the property of bank
 - a. **Deposit**
 - b. savings
 - c. reserve
 - d. fixed deposit
- 12. . A-----has no rights to draw cheque on this deposit account
 - a. Bankers
 - b. **customers**
 - c. agent
 - d. trustee
- 13. The creation of credit is one of the important functions of

- a. Industrial
 - b. **commercial**
 - c. co-operative
 - d. state
14. -----are able to multiple credit when deposits are mad which them
- a. Industrial
 - b. **commercial banks**
 - c. co-operative
 - d. state
15. . The volume of credit creation is more during
- a. **Prosperity**
 - b. stagnation
 - c. cash
 - d. bank
16. Where the cash reserve ratio is 10% the deposit multiples is
- a. **10**
 - b. 3
 - c. 23
 - d. 18
17. -----deposit being cash to the banking system
- a. **Primary**
 - b. secondary
 - c. Cash
 - d. Bank
18. During business prospective banks good expand
- a. Down
 - b. **More**
 - c. Middle
 - d. Stranded
19. a bill drawn and delivered conditionally is called -----bill
- a. Down
 - b. **Escrow**
 - c. Middle
 - d. stranded
20. The **right of set off** is also known as
- a. **the right of combination of accounts**
 - b. right to settle accounts
 - c. right to claim
 - d. right to participate

IV UNIT

1. crossing firing refers to -----

- a. **Accommodation bill**
 - b. shares certificate
 - c. Negotiable instrument
 - d. Draft
2. There is no formality complied with the transfer.....
 - a. Accommodation bill
 - b. shares certificate
 - c. **Negotiable instrument**
 - d. Draft
3. ----- can be easily transferred from one person to other
 - a. Accommodation bill
 - b. shares certificate
 - c. **Negotiable instrument**
 - d. Draft
4. . ----- contains a promise by the debtors to the creditor to pay a certain a sum of money after a certain date.
 - a. **promissory note**
 - b. Draft
 - c. cheque
 - d. bill
5. a-----a must be in writing and it must be duly stamped.
 - a. Accommodation bill
 - b. shares certificate
 - c. Negotiable instrument
 - d. **promissory note**
6. An order cheque can be transfer by -----and delivery.
 - a. Trust deed
 - b. **Endowment**
 - c. Bill
 - d. Bearer cheque
7. In -----the endorser negatives his liability
 - a. **Sans resource**
 - b. cheque
 - c. Agreement
 - d. Bill
8. The -----is liable only if he is served with a notice of dishonor.
 - a. **Endorser**
 - b. Banker
 - c. Trustee
 - d. Customer
9. Negotiable gives to the transferee ----- title of the transfer
 - a. **Better title**
 - b. Same title
 - c. No title
 - d. Last title
10. Which endorsement is not a valid one-----

- a. **partial endorsement**
 - b. Full endorsement
 - c. Consideration endorsement
 - d. Facultative endorsement
11. An order cheque can be converted into a bearer cheque by means of -----
- a. **Blank endorsement**
 - b. Special endorsement
 - c. Conditional endorsement
 - d. Endorsement
12. When instrument is paid in due course the endorser is relieved from liability-----
- a. **Liability**
 - b. Indemnity
 - c. contingency
 - d. Profitability
13. An endorsement in block letters is not a ----- endorsement
- a. conditional
 - b. **Regular**
 - c. Irregularly
 - d. special
14. A cheque in the name of a deceased person must be endorsed by his -----
- a. **Legal representative**
 - b. Account payee
 - c. Irregularly
 - d. special
15. In -----cheque does not operate as an assignment of a debt.
- a. **England**
 - b. India
 - c. Bangalore
 - d. Canada
16. possession of a -----is a conclusive evidence of the true ownership
- a. **Bearer cheque**
 - b. Bill
 - c. Endorsement
 - d. Indemnity
17. a -----need not ordinarily pay attention to the endorsement on a bearer cheque
- a. **banker**
 - b. Customer
 - c. Trustee
 - d. Agent
18. An ----- means transfer of legal title to a property.
- a. Sale deed
 - b. **Assignment**
 - c. Trustee deed
 - d. Contract
19. A Company who accepts demand deposits is called
- a. Joint stock company

- b. **Banking Company**
 - c. Manufacture
 - d. IT Company
20. Fixed deposit is otherwise called as
- a. Accrued deposit
 - b. Time deposit
 - c. Recurring deposit
 - d. Demand deposit

V UNIT

1. -----refers to a banking transaction routed through internet
 - a. Tele banking
 - b. **e-banking**
 - c. Cash
 - d. Cash
2. banking without direct resource to the bank is called -----banking
 - a. Tele banking
 - b. e-banking
 - c. **Virtual**
 - d. Cash
3. e-banking is basically -----based
 - a. Tele banking
 - b. e-banking
 - c. Virtual
 - d. **Internet**
4. In paperless banking transition many problems of -----are involved
 - a. Tele banking
 - b. **Security**
 - c. Virtual
 - d. Internet
5. the important delivery channel of e-banking is
 - a. **Internet banking**
 - b. Security
 - c. Virtual
 - d. internet
6. The biggest constrain in e-banking is -----
 - a. banker
 - b. **Start-up cost**
 - c. Trustee
 - d. Agent
7. The growth and expansion of internet and technology have faculties the emergency of -----
 - a. bearer cheque
 - b. **e-commerce**
 - c. Endorsement
 - d. Indemnity

8. -----is knowledge based
- Tele banking
 - e-banking**
 - Virtual
 - internet
9. Today bank is
- Tele banking
 - Security
 - Virtual banking
 - Internet
10. -----or more of a science than at
- e-banking
 - Security
 - Virtual banking**
 - Internet
11. -----means the contact of banking electronically
- e-banking**
 - Security
 - Virtual banking
 - Internet
12. online payment for transactions actually performed through -----
- banker
 - Internet**
 - Trustee
 - agent
13. The-----prepares the e-cheque in his computer with the help of special software.
- drawer**
 - Banker
 - Customer
 - Trustee
14. -----facilities performing of banking transaction by customer sound the clock globally.
- e-banking**
 - Security
 - Virtual banking
 - Internet
15. ----- may also destroy the basic business pricing models
- e-banking
 - Security
 - Virtual banking
 - Internet**
16. The user of ----- needs a computer and time to log on to the site
- e-banking**
 - Security
 - Virtual banking
 - Internet

17. ----- is a new system of payments evolved in Indian banking environment

- a. NEFT
- b. **RTGS**
- c. NPA
- d. NSI

18. All payments under ----- or irrevocable and final

- a. NEFT
- b. **RTGS**
- c. NPA
- d. NSI

19. E-banking involves ----- support environment

- a. **24 hours**
- b. 11 hours
- c. 5 hours
- d. 14 hours

20. Digital signature of ----- is compulsory

- a. **Drawee**
- b. Banker
- c. Trustee
- d. Bailed

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UNIT – I
K2 QUESTIONS

1. Who is Indigenous Bankers?

Indigenous bankers lend money, act as money changers and finance internal trade by means of internal bill of exchange.

2. What is scheduled banks?

If any banks comes under the second schedule of the reserve bank of india is called schedule bank

3. Expand IFCI?

Industrial Finance Corporation of India.

4. State any one form of financial assistance provided by SFC.

Granting of loans or advances and subscribing to the debentures of industrial concerns, repayable within a period of not exceeding twenty years.

5. When was IDBI is established?

IDBI was established on 1st July, 1964.

6. Expand NABARD.

National Bank for Agricultural and Rural Development.

7. State any one functions of National Housing Bank.

To provide guarantee and underwriting facilities to housing finance institutions.

8. Which financial institutions provides refinance facilities?

Industrial Development Bank of India.

9. What are the functions of RBI?

Monopoly of note issue, Banker to government, Adviser to the government, Controller of credit.

10. State any three credit control methods.

Minimum margin for lending against specific securities, Ceiling on the amount of credit for certain

UNIT – II
K2 QUESTIONS

1. Who is banker?

A person who is doing the banking business is called a banker.

2. Define banker.

“A banker is one who in the ordinary course of his business honours cheques drawn upon him by persons from and for whom he receives money on current accounts.”

3. Who is customer?

A customer is someone who has an account with a bank

4. Write any two bankers duty.

He can allow a minor to open a saving bank account provided the minor is 10 years of age or above and can sign uniformly

5. Write any two rights of banker.

Right to lien, Right of set off

6. What is banker's lien?

Bankers most undoubtedly have a general lien on all securities deposited with them as bankers by a customer's

7. What are the types of customer?

Individuals, Joint Hindu family, Partnership firm, Joint stock companies

8. What is banking?

A bank is a financial institution that accepts a deposit from a public and lending activities can be performed either directly or indirectly through capital markets

9. What is a banker's duty to maintain secrecy of customer's account?

A banker is expected to maintain secrecy of his customer's account

10. What is meant by statutory obligation?

The drawee of a cheque having sufficient funds of the drawer in his hands properly applicable to the payment of such cheque must pay the cheque

UNIT – III

K2 QUESTIONS

1. What is KYC regulation?

All banks have been directed by the RBI to get complete identity of their customers under 'Know Your Customer' norms.

2. What is recurring deposit?

It is one form of saving deposit.

3. What are all the forms of advances?
Loans, Cash credit system, Overdraft, Bills purchased and discounted.
2. Define unsecured loans.
Unsecured loans as “unsecured loan or advances means a loan or advance not so secured”.
3. What is overdraft?
Banker is allowed to withdraw over and above his credit balance in the current account up to an agreed limit.
4. What is cash credit?
A cash credit is an arrangement by which the customer is allowed to borrow money up to a certain limit.
5. What is money at call and short notice?
It is given to speculators and stock brokers for extremely short period ranging from 24 hours to two or three days.
6. What is discounting of bills?
When a bank discounts a bill of exchange of a customer for a short period of 90 days or less,
7. Write any three limitations of credit creation.
Adequate cash reserve, Availability of securities, Quantity of money in circulation.
8. Define secured loan.
It is a loan or advances made on the security of assets the market values of which is not at any time less than the amount of loan or advance”.

UNIT – IV

K2 QUESTIONS

1. Define negotiable instrument.
One, in which the property is acquired by any one, who takes it bonafide and for value,
2. Define promissory note.
“An instrument in writing containing an unconditional undertaking, signed by the maker, to pay a certain sum of money only to or to the order of a certain person or to the bearer of the instrument”.
3. Define cheque.

“A bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand”.

4. What is Bill of exchange?

It is an order from the credit to the debtor, to pay a certain sum, to a certain person, after a certain period.

5. What is crossing?

Where a cheque bears across its face, an addition word: ‘and company’ or any abbreviation thereof, between two parallel transverse lines.

6. Define special crossing.

a special crossing as follows, “where a cheque bears across its face, an addition of the name of a banker, with or without the words ‘not negotiable’

7. Who can cross a cheque?

The drawer of a cheque can cross it at the time issuing it.

8. Define endorsement.

“where the maker or holder of negotiable instrument signs the same, for the purpose of negotiation, on the back or face thereof.

9. What is allonge?

subsequent endorsement may be made on that paper. The paper so attached is known as “Allonge”.

10. What is banker’s cheque?

A banker cheque is one which is drawn by a banker upon himself.

UNIT – V

K2 QUESTIONS

1. What is e-banking?

It enables the consumer to perform the basic banking transactions by sitting at their office or home

2. What are the types of electronic delivery channels?

ATMs, Smart cards, Telebanking, internet banking

3. Expand ATM.

Automated Teller Machine.

4. What are the facets of e-banking?

Customer to bank e-banking, Bank to bank e-banking, Electronic central banking

5. What is bank to bank e-banking?

This form of e-banking is for transacting inter-bank transactions such as money-at-call, etc.

6. Define electronic cheque .

“A cheque in the electronic form means a cheque which contains the exact mirror image of a paper cheque,”.

7. Expand RTGS.

Real-Time Gross Settlement.

8. Expand NEFT.

National Electronic Funds Transfer.

9. What is net banking?

Online banking is assessable via a computer/tablet or a mobile phone. It is also known as internet banking.

10. What is payment banking?

It can carry out most banking operations but can't advance loans or issue credit cards.

I UNIT
K3 QUESTIONS

1. Explain Banking System in India.
2. Write down about State Financial Corporation.
3. List out the functions of the NABARD.
4. Enumerate the functions of National Housing Bank.
5. Discuss the methods of credit control.

II UNIT
K3 QUESTIONS

1. What do you understand by the term 'banker'?
2. Bring out the types customer.
3. What is the relationship between debtor and creditor?
4. Write down the role of banker as agent.
5. Discuss about the special relationship between the banker and customer.

III UNIT
K3 QUESTIONS

1. Explain current account.
2. Distinguish between current account and savings bank account.
3. What are the different forms of bank's advances?
4. Distinguish between loans and advance.
5. Explain credit creation.

IV UNIT
K3 QUESTIONS

1. What is negotiable instrument? Explain its different kinds.
2. Describe the features of a negotiable instruments.
3. Distinguish between cheque and draft.
4. Define general crossing. What are its essentials?
5. Illustrate the significances of endorsement.

V UNIT
K3 QUESTIONS

1. Explain e-banking.
2. Describe mobile banking and its features.
3. Explain advantages and disadvantages of mobile banking.
4. Illustrate the security measures of e-banking.
5. List down the popular e-banking transactions

I UNIT

K4/K5 QUESTIONS

1. Describe the structure of cooperative banking in India.
2. Describe the functions of various development banks operating in India.
3. Discuss the role of NABARD in the field of agricultural finance.
4. Explain the main functions of the RBI.
5. Explain the functions of RRB

II UNIT

K4/K5 QUESTION

1. Evaluate the origin of banking.
2. Define the term 'banker' and 'customers' and bring out the relationship that exists between them.
3. Briefly explain the rights of a banker?
4. Criticise obligation of banker and customer.
5. Explain the various types of customer

III UNIT

K4/K5 QUESTIONS

1. Briefly explain general precautions.
2. Determine the principles of sound leading.
3. Classify the multiple creation of credit.
4. Analyse the limitations of credit creation.
5. Analyse the techniques of credit creation

IV UNIT

K4/K5 QUESTIONS

1. Classify the negotiable instrument.
2. Explain the different kinds of crossing with examples and bring out their significance.
3. Classify the types of endorsement.
4. Give a specimen of a cheque and discuss its features
5. Explain the features of Bill of exchange

V UNIT

K4/K5 QUESTION

1. Distinguish between traditional banking and e-banking.
2. Discuss the various models of e-banking.
3. Analyse advantages and disadvantages of e-banking and its features.
4. Explain RTGS and NEFT and its operations.
5. Explain the facets of E-banking