BANKING THEORY LAW AND PRACTICES -17UCO411

K1 LEVEL QUESTIONS

UNIT: I

1. A bank which is not included in the second schedule of the reserve bank of India is known as……………………

a. a)Industrial bank c)scheduled bank

b. **b) Non scheduled bank** d) cooperative bank

2. The state cooperative bank is the federation of ……………. Cooperative bank

a)Central c)district

b)Primary d)rural

3. Abbreviation of NABARD is

a)National business for agricultural and rural development

b) National bank for agricultural and rural development

c) National bank for association and rural development

d)Nominal bank for agricultural and rural development

4. Minimum capital prescribed by the RBI for starting a new commercial bank is

a)Rs.1,000 crore c)**Rs.100 crore**

b)Rs.10 crore d)Rs.1 crore

5. What financial institution provides refinance facilities?

a)IFC b)SFC c)**IDBI** d)HDFC

6. Assets which are NPAs for a period for a period not exceeding two years are:

a) Sub-standard assert c) doubtful assets

b)Loss assets a)all the above

7. Which bank meets the long term requirements of agriculturists?

a)primary cooperative societies c)state cooperative banks

b) **Land development banks** d) all the above

8. A ……………….. is a federation of primary credit society

a) **Central coop. bank** b) state coop. bank

c) District coop. bank d) all the above

9. An asset which ceased to yield income is called

a) **Re finance facilities** b) loan facilities

c) Deposit facilities d) none of these

10. Which type of banking is created to do service of rural people

a) Branch banking b) rural banking

c) Social banking d) **chain** banking

UNIT-II

1. In India, the negotiable instruments are governed by the negotiable instruments act of________________

a) 1881 b)1991 c)1988 d)1899

2. The following one is a negotiable instrument, negotiable by usage or custom:

a)Bill of exchange c)accommodation Bill

b) Promissory note d) **share warrant**

3. The document drawn by a debtor on the creditor agreeing o pay a certain sum is called

a) Cheque b) bills of exchange c) **promissory note** d) draft

4. The most important feature of a negotiable instrument is:

a)Free transfer b)transfer free from defects c)**both (a) & (b)** d) none

5. In the case of a negotiable instrument, the following person generally gets a good title

a)finder of a lost instrument b)holder of a stolen instrument

c) Holder in due course d)holder of a forged instrument

6. Which are types of negotiable instrument?

a) Promissory note b) bills of exchange c) cheque **d) All**

7. A document which contains a forged endorsement is called.

a) Forged instrument b) true instrument

c) Lost Instrument d) negotiable instrument

8. ---------- contains an order form from the creditor to the debtor

a) Bill of Exchange b) promissory note c) cheque d) demand bill

9. -------instruments drawn and payable in India

a) Inland instruments b) foreign instruments

c) Demand instrument d) clean instruments

10.------ instruments clearly identified as bill or promissory note

a) Inland instruments b) foreign instruments

c) Demand instrument **d) clean instruments**

UNIT-III

1. A---------- is federation of primary credit societies

   a)central co-op bank b) State Co-op Bank

   c) District Co-o Bank d) Primary Co-op bank

2. The minimum capital prescribed by the RBI for starting a new commercial bank is:

   a)Rs.1000 cr b)**Rs100 crs** c)10 crs Rs.120 cr

3. Assets which are NPAs for a period not exceeding two years are:

   a)sub-standard b)doubtful assets c)loss assets d) standard assets

4. Which financial institution provides refinance facilities?

   a)IFC b)SFC **c)IDBI** d)SIDBI

5. Which bank meets the long term requirements of agriculturists?

   a)primary co-op societies b)Land development bank

   c**) State co-op banks** d) district co-op banks

6. An asset which ceased to yield income is called

   a)**Refinance facilities** b)finance facilities

   c) Lending facilities d) advance facilities

7. A general provision of -------% of the outstanding is required for sub-standard assets

   a)20% **b)10**% c)25% d)35%

8. The Popular type of investment company in India is

   a) Investment counsel company b) holding company

   c) **Investment trust company** d) All of the above

9. The NBFCs which must be compulsorily registered with the RBI must have a new owned fund of---------

   a)**Rs.50 lakhs and above** b)Rs.5 crores and above

   c) Rs.25 lakhs and above d) Rs.15 lakhs and above

10. The Maximum period for which deposits can be obtained by a NBFC is

    a)5 years b)3 years c)8 years **d)10 years**

UNIT-IV

1. What is the amount to be held in the issue department?

   a)Rs.151 crores b)**Rs.115 crores** c)Rs.511 crores d)Rs.551 crores

2. What is the period for which the ways and means advances are granted to central and state Governments?

   a)**3 month** b) one month c)6 months d)9 months

3. The present bank rate is

   a)6.5% b)**6%** c)7% d)7.5%

4. The RBI is the banker to the government when it :

   a)Controls the credit b)advices the government

   c) **issues loans and treasury bills on behalf of the government** d) all the above

5. RBI started functioning from

   a)**1st April, 1935** b)1st April, 1939 c)1st April, 1938 d) 1st April, 1944

6. Expand KYC

   a) Know Your Customer b) Know my customer

   c) Know your consumer d)know your businessman

7. What are the not instruments of credit control?

   a) The bank rate or discount rate policy b) open market operation

   c) Variable reserve ratio **d) Deposit rate**

8. What are the functions of note issue is maintained through two departments. What are the two departments?

   a)Issue department b)banking department c) RBI **d) a and B**

9. Expand CAS

   a)Credit Authorization Scheme b)Cash authorization scheme

   c) Credit acceptance scheme d) Cash acceptance scheme

10. When was CAS introduced?

    a) November 1955 **b) November 1956** **c) November1966** **d) November 1855**

UNIT-V

1. **----** cards provide the customers with revolving loan or credit limit base on their agreement.

a) **Credit card** b) debit card c) ATM Card d)charge card

2. ------cards provide you with convenience of purchasing power based on your agreement to pay the full amount of charges due each month.

a) Credit card b) debit card c) ATM Card **d) charge card**

3. ---------- card called as platinum cards

a) **Premium card** b) debit card c) ATM Card d) charge card

4. ---------- cards are used to get cash and complete other transactions at a bank machine.

a) Credit card b) debit card c**) ATM Card** d) charge card

5. --------- is that the customer cannot spend money they do not have

a) Credit card **b) debit card** c) ATM Card d) charge card

6. ------are called as stored value.

a) Credit card b) debit card c) ATM Card **d) Smart Cards**

7. RTGS Expand -------

a)Real time Gross settlement b)Reel type gross settlement

c)Rea type gross settlement d) real type gross statement

8. NEFT stands for

a) National Electronic Funds Transfer b) National Electronic Field Transfer

c) International Electronic Fund Transfer d) National Email Fund Transfer

9. ---------- cards can be used to pay for just about anything and any where the customer purchase.

a) **General purpose credit card** b) debit card c) ATM Card d) charge card

10. --------- can be used only in a specific store or group of stores.

a) **Single purpose credit card** b) debit card c) ATM Card d) charge card

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K2 LEVEL QUESTIONS

UNIT-I

1. What do you understand by the term banker?

A person who is doing banking business is called as banker

2. What is banker's lien?

Another special feature of the relationship exiting between a banker and his customer is the banker and his customer is that a banker can exercise the right of lien on all goods and securities entrusted to him as a banker.

3. What do you know about bank charges?

The term bank charges covers all charges and fees made by a bank to their customers in common parlance the term often relates to charge in respect of personal current accounts, checking accounts.

4. Can a money lender be called a banker?

Lenders are business or financial institutions that lend money with the expectation that it will be paid back. Lender is paid interest on the loan as a cost of the loan.

5. Define customer.

He must have some short of an accounts even a single transaction may consist him as a customer

Frequency of transaction is participated but not insured a/c

6. What is liquidity?

Liquidity refers to the ability of an asset to convert into cash without loss within short time

7. Define loan.

In case of loan the banker advances a lump sum for a certain period of an agreed rate of interest the entire amount is paid on an occasion either in cash or by credit draw any time

8. Define advances.

Loans and advances may be either on personal security of borrower or on the security of some tangible assets

9. Define overdraft.

A cash credit defers from an overdraft in one respect. A cash credit is used for long-term by business man in doing regular business whereas overdraft is made occasionally and for short duration

10. Define cash credit.

Cash credit provides can elastic from of borrowing since the limit fluctuate according to the needs of the business.

UNIT-II

1. What is a negotiable instrument?

Negotiable instrument means promissory note bill of exchange or cheque payable either to order or to bearer.

2. Who is drawee in case of need?

He is person who is willing to take up the liability on a bill, in case the bill is likely to be dishonored either due to non-acceptance or non-payments. In India the bill must be presented to the drawee in case of need before treating it has to dishonored. The bill is not dishonored at any cost. In England he is called Reference in case of need.

3. Define Lost instrument.

Lost instrument bond definition when you use a financial instrument such as cheque and request that issue replaces it.

4. Define forged instrument.

A force instrument used across all industries to measure the force during a push or pull test.

5. Define Bills of Exchange.

Unlike a promissory note, the bill of exchange contains an order from the creditors to the debtors to pay a certain sum to a certain person, after a certain period. The person who draws it is called the drawer and the person on whom it is drawn is called the "drawer" or "acceptor" and the person to whom the amount is payable is called the "payee".

6. What is mean by promissory note?

Instrument in writing a bill or a promissory note must be in writing only oral or promise do not make a valid instrument.

7. What is mean by cheque?

A cheque is a document that orders a bank to pay a specific amount of money from a person account to the person in whose name the cheque has been issued.

8. What is accommodation bill?

Bill of exchange endorsed by a reputable third party (called an accommodation party or accommodation endorser) acting as a guarantor, as a favor and without compensation. The bill then can be discounted on the financial strength of the guarantor who remains liable until the bill is paid. Also called accommodation note, accommodation paper, and wind bill.

9. Who is called lunatics?

All conduct made by lunatics are void expect those made during lucid intervals. Therefore no banker would knowingly like to open an account in the name of person of unsound mind because it would involve him

10. Who is called minors?

A person who has not completed his 18th year of age is considered to be a minor. But in those cases where guardian to the person or property of the minor is appointed by the court of property.

UNIT-III

1. Write a note on Lead Bank scheme.

Lead bank scheme administrated by RBI since 1969, a bank leads the consortium of all banks in the area. The role of lead bank is to coordinate the efforts of all banks in the area for credit expansion.

2. What is differential interest scheme?

An instrument rate differential is a difference in interest rate between two currencies in a pair if one currency has interest rate of 3 percent and the other has interest rate of 1 percent it has 2 percent interest rate differential.

3. Define village adoption scheme.

Village adoption scheme a model for rural development the study describes as a model for emerging the rural economy in India and to slow down rural urban migration which research has shown to be harmful to both.

4. Write a note on Lead Bank scheme.

A lead bank is a bank that oversees the arrangement of loan syndication. The lead bank receives an additional fee for this service,

5. Write a note on national housing bank.

The national housing bank (NHB) was set upon July 9,1988 as an apex institution to mobilize resources for housing sector and to promote housing finance institutions , both on regional and rural level

6. Write a note on Capital Adequacy norms.

Capital adequacy ratio is the bank's capital in relation to its weighted assets and current liabilities. The basic norms stipulated a capital to weighted assets of 8%.

7. Define non-performing assets.

In this connection one should know the meaning of non-performing assets it is nothing but an asset which ceased to yield income from the bankers point of view the important asset are cash credit, O.D term loans, bills purchased and discounted.

8. Define Provisioning of Loans and advances.

Money provided by the bank to entities for fulfilling their short term requirements is known as advances. Loan is a kind of debt while advances are credit facility granted to customers by banks.

9. Define EXIM bank.

Export-Import bank of India is a specialized financial institutions wholly owned by government of India, setup 1982 for financing facilitating and promoting foreign trade of India.

10. Define NABARD.

National Bank for Agriculture and Rural Development (NABARD) is an apex development financial institution in India, headquartered at Mumbai with regional offices all over India. The Bank has been entrusted with "matters concerning policy, planning and operations in the field of credit for agriculture and other economic activities in rural areas in India". NABARD is active in developing financial inclusion policy.

UNIT-IV

1. Write a short note on RBI.

Reserve Bank of India has its objectives the maintenance of internal and external value of our currency and also promotion of economic growth with reasonable price stability.

2. Define National Clearing House.

To facilitate smooth operation of the functions of bank an arrangement has to be made to transfer money from one bank to another. This is usually done through the mechanism of a clearing house, where banks present cheque and other such instruments for clearing.

3. Define Lender of last resort.

The RBI acts a lender of last resort or emergency fund provider to the other member banks as such if the commercial banks are not able to get financial assistance from any other sources.

4. Define custodian of foreign exchange reserves.

The RBI acts as the custodian of foreign exchange reserve. Adequate may help maintenance foreign exchange rates in order to minimize the undue fluctuations in the rates it may buy, sells foreign currencies depending upon the situations.

5. Define monopoly of note issue

The central bank [in India the RBI] has the monopoly of issuing currency notes which are legal tender. In India the RBI is empowered to issue notes of all denominations except one rupee note.

6. What are the subsidiaries of SBI?

Indian banking system thus passed under the direct control of the government. Later the State Bank of India act was passed in 1959 enabling the State Bank of India to take over eight former state associated banks as its subsidiaries.

7. What are the NRI services offered by SBI?

State Bank of India is the largest commercial bank in India with a network of over 24000 branches spread across the length and breadth of India. SBI offers a wide range of banking products and services to corporation and retail customer.

8. Write any two central banking functions of SBI.

- **Banker to the government.**
- **Banker to banks in a limited way**.

9. Write a note on Kissan credit cards scheme.

The Kissan credit card scheme is a credit scheme introduced in August 1998 by Indian banks. This model scheme was prepared by the national bank for agriculture and rural development on the recommendations.

10. Define Premium cards.

Premium card as defined in credit card glossary the Federal Reserve System. A credit card that offers high credit limits and often has additional feature like product warranties, travel insurance or emergency services

UNIT-V

1. Define NEFT.

NEFT-National Electronic Fund Transfer

It is a electronic payment system where one can electronically transfer from any bank, branch to any individual, from or corporate banking an account with any other bank branch in the country

2. Define RTGS.

RTGS-Real Time Gross Settlements

Efficient and reliable provides irrevocable clearing and settlement of financial transaction between central bank and participants

3. Define micro finance.

Rural regional banks have started playing a significant role in the field of micro finance also for instance the NABARD has permitted the pandyangrama bank (PGB) to act as self help promoting institution (SHPI) in recognition of its performance in micro finance.

4. Define Payment banker.

Payment banks are a new model of banks concept realized by the Reserve Bank of India. These banks cannot issue loans and credit cards.

5. Define Core banking.

It is networking of branches which unable customers to operate with their accounts and avail banking services from any branch of the bank on CBS network regards of where he maintains his accounts

6. What is a credit?

Credit card is issued by an agency such as master or visa a credit card allows a certain period for making payment for the purchase which may vary from 30 to 45 days

7. Define debit card.

Debit card is issued by a bank which the card opener had his account the bank a/c in a debit card is debited immediately the moment the card is used so there is no credit period

8. Define ATM card.

The RBI has permitted RRB’s to set up ATM’s, issue debit and credit card and to handle pension/government business

9. Define limited purpose credit cards.

Limited purpose credit cards can be defined as a type of a credit card which can be used at stores or more specifically at particular locations and for specific purpose only.

10. What do you mean by charge card?

A charge card is a type of electronic payment card that charges no interest but requires the user to pay his/her balance in full upon receipt of the statement usually on a monthly basis.

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K3 LEVEL QUESTIONS

UNIT: I

1. Enumerate the banker and customer?
2. Explain the relationship between banker and customer?
3. Explain types and principles of sound lending?
4. Explain the principles of sound lending?
5. Enumerate the types of lending?
6. Explain do you mean by lien? Is there any negative lien?
7. Enumerate the period of limitation for a banking debt?
8. Explain lien as an implied pledge?
9. How will you assess damages in the case of a wrongful dishonor of a cheque?
10. Enumerate the circumstances for exercising lien?

UNIT: II

1. Explain the negotiable instruments?
2. Explain the term endorsement?
3. Explain the features of negotiable instrument?
4. Briefly explain the term fixed deposit receipt?
5. Explain the debtors and creditors relationship?
6. Enumerate the nonprofit organization?
7. Explain the procedure to minor to open the account?
8. Explain the procedure to lunatic to open the account?
9. Explain the procedure to illiterate person to open the account?
10. Explain the procedure to drunkard to open the account?

UNIT: III

1. List out the main agencies that provide industrial finance in our country.

2. List out the sources of RRB’s.

3. Examine the types of financial and promotional assistance given by IDBI.

4. Explain the benefits of SIDBI.

5. Enumerate the objectives of RRBs?

6. Give a brief note on the functions of development banks.

7. Enumerate the objectives of NABARD?

8. Write a note on SIDBI.

9. Discuss any two types of leasing companies.

10. Distinguish between commercial banks and non-banking financial companies.

UNIT: IV

1. Explain briefly the organizational structure of RBI.

2. Explain in detail the various functions of RBI.

3. Explain the methods of credit control followed by RBI.

4. Explain briefly about cash reserve ratio.

5. Write a short note on the evolution of SBI.

6. What are the objectives and functions of SBI?

7. What are the subsidiaries of SBI?

8. Write a short note on the functions of commercial bank.

9. Explain briefly about the departments in RBI.

10. What are the objectives and performance of nationalisation of commercial banks?

UNIT: V

1. Distinguish between overdraft and cash credit.

2. Distinguish between NEFT and RTGS.

3. Write the difference between debit card and credit card.

4. Give a specimen of a cheque.

5. Enumerate the importance of micro finance.

6. Describe the merits of core banking solutions.

7. What are the limitations of E-banking?

8. What are the components of E-banking?

9. Explain RTGS and NEFT.

10. Give a short note on E-banking.

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K4 LEVEL QUESTIONS

UNIT: I

1. Explain the special relationship between banker and customer.

2. Enumerate the General relationship between banker and customer.

3. Distinguish between general lien and particular lien and negative lien.

4.”The relationship between a banker and a customer is primarily that of a debtor and creditor”-Discuss

5. Distinguish between

a) A banking debt and a commercial debt

b) Dormant account and inoperative account

c) Handling charges and processing charges

d)Relationship banking and transaction banking

UNIT: II

1. Explain negotiable instruments?

2. Explain salient features of crossing?

3. Explain the procedures for opening the account for persons?

4. Explain deeply the fixed deposit account?

5. Deeply explain endorsement?

UNIT: III

1. Explain structure of banking system in India.

2. Define NABARD and its functions.

3. Explain briefly Regional Rural Banks.

4. Differentiate between public sector bank and private sector bank.

5. Explain the various services offered by SIDBI for the development of SME in India.

UNIT: IV

1. Explain the organisational structure of SBI.

2. Discuss the advantages and disadvantages of commercial banks.

3. Write a brief note on the credit policy of RBI.

4. Write a short note on the following in relation to the credit control by RBI:

   (a) Bank rate policy

   (b) Open market operations

   (c) Variation of cash reserve ratio

5. Write a short note on RBI

UNIT: V

1. Explain ATM in detail.

2. Discuss the merits and demerits of E-banking.

3. Explain briefly about micro finance.

4. Discuss the features, merits and demerits of core banking solution.

5. What are the points to be considered by the banker before honouring a cheques?