



Question Bank - Multiple Choice Questions (MCQs)

Unit 1: Laws relating to Banking in India

- 1) In which year was the Banking Regulation Act passed?
 - a) 1949
 - b) 1955
 - c) 1959
 - d) 1969

- 2) On which rate bases, overnight money is needed by bank from RBI?
 - a) MSF
 - b) Repo rate
 - c) Reverse repo
 - d) Bank rate

- 3) _____ are excluded from the Banking Regulation Act 1949.
 - a) Public and Private Sector Banks
 - b) Primary Agricultural Credit Society and cooperative land mortgage banks
 - c) SEBI
 - d) Regional Rural Banks

- 4) In which year, the Banking Regulation Act was amended to include cooperative banks under its purview by adding the Section 56.
 - a) 1964
 - b) 1965
 - c) 1986
 - d) 1987

- 5) The Reserve Bank of India is given the responsibility of regulating and supervising the _____ under Reserve Bank of India Act, 1934.
 - a) Insurance Companies
 - b) Transport Companies
 - c) Banking Financial Companies
 - d) Non-Banking Financial Companies



- 6) In the case of a banking company incorporated outside India balance-sheet and profit and loss account shall be signed by _____ of the company.
- Director of the principal office
 - Owner agent of the principal office
 - Manager or agent of the principal office
 - Central Government
- 7) Copies of balance-sheets and accounts to be sent to _____.
- RBI
 - Government of India
 - Registrar
 - Auditor
- 8) Who has the power to give directions to other Banking Companies?
- RBI
 - Government of India
 - Registrar
 - Auditor
- 9) Which section of Banking Regulation Act 1949 relates with the Power of Reserve Bank to issue directions in respect of stressed assets?
- Section 35AA
 - Section 35AB
 - Section 35B
 - Section 35 BB
- 10) Change of name by a banking company only happens with the approval of _____?
- RBI
 - Government of India
 - Registrar
 - Auditor
- 11) Form of Balance sheet of banking Companies includes Reserve & Surplus in
- Schedule 1
 - Schedule 2
 - Schedule 3
 - Schedule 4



- 12) Form of Balance sheet of banking Companies includes Fixed assets in
- Schedule 8
 - Schedule 9
 - Schedule 10
 - Schedule 11
- 13) Contingent Liabilities in case of banking Companies are included in_____.
- Schedule 9
 - Schedule 10
 - Schedule 11
 - Schedule 12
- 14) Banking company means any company which transacts the business of _____.
- Banking only
 - Banking & Insurance
 - Banking & Foreign Exchange
 - Banking & Manufacturing
- 15) Managing agent includes
- Secretaries and Treasurers
 - Where the managing agent is a company, and Director of such company, and any member thereof who holds substantial interest in such company
 - Where the managing agent is a firm, any partner of such firm
 - All of the above
- 16) Regional rural bank means a regional rural bank established under section 3 of the Regional Rural Banks Act, _____.
- 1974
 - 1975
 - 1976
 - 1977
- 17) Reserve Bank means the Reserve Bank of India constituted under section 3 of the Reserve Bank of India Act, _____.
- 1934
 - 1935
 - 1945
 - 1946



- 18) In case of banking company incorporated outside India, aggregate value of its paid-up capital and reserve shall not be less than Rs. _____.
- 5 Lakhs
 - 12 Lakhs
 - 15 Lakhs
 - 18 Lakhs
- 19) In case of an Indian banking company, the sum of its paid-up capital and reserves if it has places of business in more than one State shall not be less than
- 5 Lakhs
 - 12 Lakhs
 - 15 Lakhs
 - 18 Lakhs
- 20) According to Sec. _____, a banking company is not permitted to pay directly or indirectly by way of commission, brokerage, discount or remuneration on issues of its shares in excess of 2½% of the paid-up value of such shares.
- 10
 - 11
 - 12
 - 13
- 21) FATCA stands for
- Foreign Account Tax Compliance Act
 - Foreign Account Trade Company Act
 - Financial Account Tax Compliance Act
 - Fiscal Account Tax Compliance Act
- 22) As per the provisions of which act all financial institutions have to maintain a record for all form of transactions?
- Companies Act, 1956
 - Credit Information (Companies Regulation Act, 2005)
 - Information Technology Act, 2000
 - PMLA Act, 2002
- 23) Which of the following Act refers to the acquisition and transfer of the undertakings of certain banking companies?
- Companies Act, 1956



- b) Credit Information (Companies Regulation Act, 2005)
- c) Banking Companies (acquisition and transfer of undertakings), 1970
- d) Banking Regulation Act, 1949

24) Which of the following is the clearing agency for Government securities?

- a) GOI
- b) RBI
- c) CCIL
- d) SEBI

25) Banks are required to maintain SLR under which act?

- a) Section 24 of the Banking Regulation Act
- b) Section 35 of the Negotiable Instrument Act, 1881
- c) Section 24 of RBI Act
- d) Section 40 of Indian Contract Act, 1872

Answer Key:

1 - a	2 - a	3 - b	4 - b	5 - d	6 - c	7 - c	8 - a	9 - b	10 - a
11 - b	12 - c	13 - d	14 - a	15 - d	16 - c	17 - a	18 - c	19 - a	20 - d
21 - a	22 - d	23 - c	24 - c	25 - a					



Unit 2: Negotiable Instrument Act 1881

- 1) It is a ----- obligation of a banker to honour the cheques of the customer drawn against current
 - a) Mutual
 - b) Statutory
 - c) Unstatutory
 - d) All of the above

- 2) Which bank have given the instructions to the commercial banks regarding the immediate credit of outstation cheques?
 - a) Reserve Bank of India
 - b) Central Bank
 - c) World Bank
 - d) All of the above

- 3) In India, the law regulating the Negotiable instruments are
 - a) Banking Regulation Act 1949
 - b) Reserve Bank of India Act 1934
 - c) Negotiable Instruments Act 1881
 - d) Companies Act 1956

- 4) In Negotiable Instruments Act 1881, which section defines promissory note?
 - a) Section 1
 - b) Section 2
 - c) Section 3
 - d) Section 4

- 5) A cheque dated subsequent to the date of its issue is
 - a) Post dated cheque
 - b) Blank cheque
 - c) Crossed cheque
 - d) Account payee cheque

- 6) A drawer in the bill of exchange can also be a
 - a) Paymaster
 - b) Payee
 - c) Banker
 - d) Creditor



- 7) The rate at which RBI discounts approved bill of exchange is
- Bank rate
 - Interest rate
 - Exchange rate
 - Discount rate
- 8) Who is primarily liable on a promissory note?
- Holder
 - Maker
 - Drawee
 - Endorser
- 9) How many parties are mainly involved in Promissory Note?
- One
 - Five
 - Two
 - Three
- 10) In a bill of exchange, drawee is the person
- who draws the bill
 - on whom the bill is drawn
 - to whom the payment of the bill is to be made
 - to whom the payment of the bill is not to be made
- 11) ----- is a dead cheque
- Post dated cheque
 - Stale cheque
 - Ante dated cheque
 - Pre dated cheque
- 12) Name the person to whom the amount of the cheque is payable?
- Drawer
 - Payee
 - Drawee
 - Acceptor



- 13) Discounting of bills of exchange is
- Clean advance
 - Secured advance
 - Neither clean advance nor secured advance
 - Unsecured advance
- 14) Expand NEFT
- National Electronic Fund Transfer
 - Neutral Electronic Fund Transfer
 - Nominal Electronic Fund Transfer
 - Natural Electronic Fund Transfer
- 15) A negotiable instrument drawn or made in India is called _____ instrument.
- Inland
 - Foreign
 - Time
 - Clean
- 16) The following one is a negotiable instrument, negotiable by usage or custom
- Bill of Exchange
 - Accommodation Bill
 - Promissory Note
 - Share warrant
- 17) The most important feature of a negotiable instrument is
- Free transfer
 - Transfer free from defects
 - Right to sue
 - Both A & B
- 18) The following one is absolutely essential for a special crossing.
- Two parallel transverse lines
 - Words "And company?"
 - Words "Not negotiable"
 - Name of a banker



- 19) Cheque is payable on
- Demand
 - Usage
 - Fixed future date
 - After sight
- 20) The reasonable period allowed in India for the presentation of a cheque is
- 1 year
 - 3 months
 - 9 months
 - depending upon custom
- 21) Section 6 of the Negotiable Instruments Act defines ____.
- Cheque
 - Bill of Exchange
 - Promissory Notes
 - Dishonour by non-payment
 - Dishonour by non-acceptance
- 22) If a Minor draw, indorse, deliver and negotiate Negotiable Instruments, it binds ____
- All the parties except minor
 - All the parties including minor
 - Minor Only
 - Minor and Only Drawer
 - Minor and the Drawee
- 23) Dishonour of Negotiable Instrument by Non Payment is covered under section in Negotiable Instrument Act 1882...
- Section 90
 - Section 91
 - Section 92
 - Section 93
 - Section 94



- 24) Which of the following section in the Negotiable Instruments Act deals with the Bill of Exchange?
- a) Section 5
 - b) Section 6
 - c) Section 4
 - d) Section 13
- 25) Which of the followings are not the Negotiable Instruments as defined by the Statute...
- a) Banker's Note
 - b) Promissory Note
 - c) Bill of Exchange
 - d) Cheques
 - e) All of the Instruments are Negotiable Instruments
- 26) Which of the following is/are true about the Negotiable Instruments Act, the Promissory Note is ...
- A) Definition of Promissory Note is given in section 8 of the Negotiable Instrument Act
 - B) Containing an unconditional undertaking
 - C) To pay a certain sum of money only to a specific person or the bearer
 - D) The seller is bound to accept the promissory note
 - E) A document was written and signed by the payer/maker
- a) (A), (B) and (C)
 - b) (B), (C) and (E)
 - c) (B), (C), and (D)
 - d) (A), (C) and (D)
 - e) All of the above
- 27) The Negotiable Instruments (Amendment) Bill, 2017 inserted a provision allowing a court trying an offence related to cheque bouncing, to direct the drawer (person who writes the cheque) to pay interim compensation to the complainant. The interim compensation will not exceed ___% of the cheque amount?
- a) 15%
 - b) 25%
 - c) 30%
 - d) 33%
 - e) 20%



28) Which of the following is/are true about bill of exchange?

- A) A bill of exchange requires in its inception two parties.
 - B) A bill of exchange or “draft” is a written order by the drawer to the drawee to pay money to the payee.
 - C) Bills of exchange are used primarily in international trade, and are written orders by one person to his bank to pay the bearer a specific sum on a specific date.
 - D) Definition of ‘Bill of Exchange’ is mentioned in Section 6 of the Negotiable Instrument Act.
-
- a) (A) and (D)
 - b) (A), (B) and (D)
 - c) (B) and (C)
 - d) (C) and (D)
 - e) All of the Above

29) If the holder of a bill of exchange allows the drawee more than ___ hours, exclusive of public holidays, to consider whether he will accept the same, all previous parties not consenting to such allowance are thereby discharged from liability to such holder.

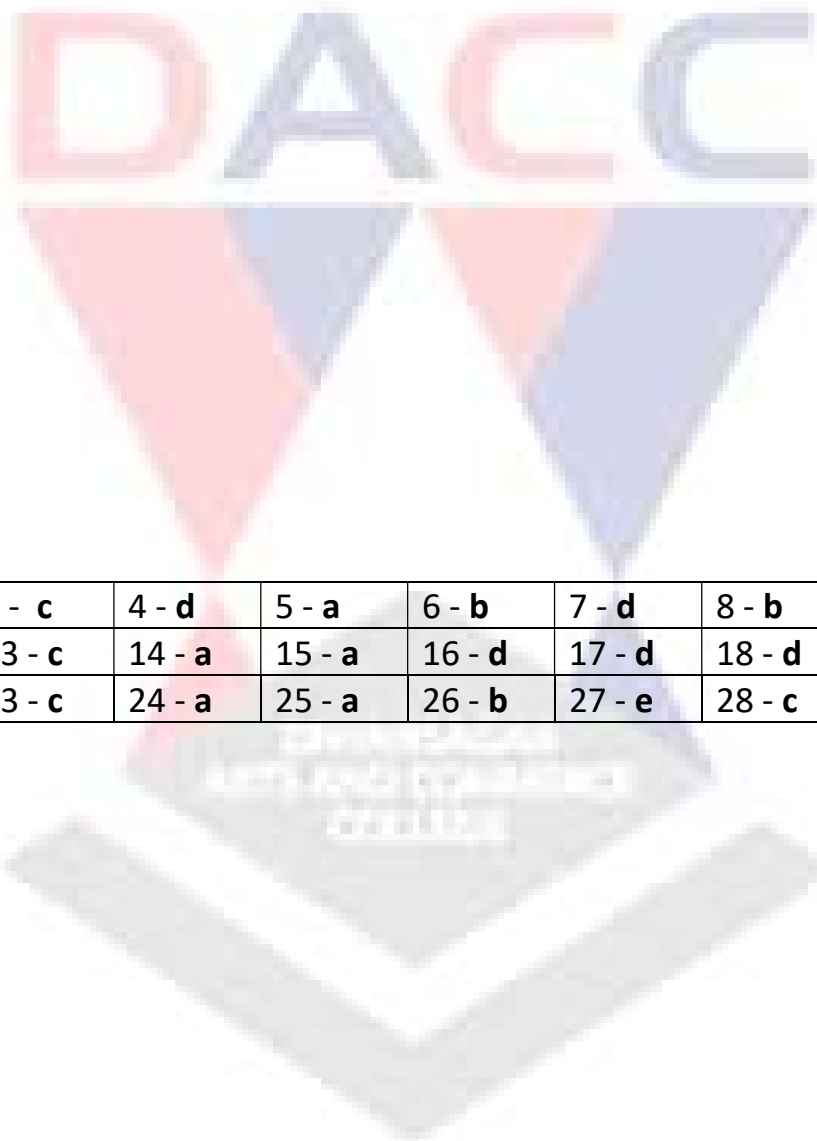
- a) 24
- b) 12
- c) 36
- d) 48
- e) 60

30) Which of the following is/are false about Dishonour of Cheque?

- A) Section 138 defines Dishonour of cheque for insufficiency, etc., of funds in the account.
 - B) Such cheque has been presented to the bank within a period of twelve months from the date on which it is drawn or within the period of its validity, whichever is earlier
 - C) Imprisonment for such offence may be extended for period of five year
 - D) Section 138 apply unless – the drawer of such cheque fails to make the payment of the said amount of money to the payee or, as the case may be, to the holder in due course of the cheque, within fifteen days of the receipt of the said notice.
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- a) (A) and (D)
 - b) (B) and (C)
 - c) (B),(C) and (D)



- d) Only (D)
- e) Only (C)



Answer Key:

1 - b	2 - a	3 - c	4 - d	5 - a	6 - b	7 - d	8 - b	9 - c	10 - b
11 - b	12 - c	13 - c	14 - a	15 - a	16 - d	17 - d	18 - d	19 - a	20 - b
21 - a	22 - a	23 - c	24 - a	25 - a	26 - b	27 - e	28 - c	29 - d	30 - b



Unit 3: Paying Banker

- 1) Name the person to whom the amount of the cheque is payable?
 - a) Drawer.
 - b) Payee.
 - c) Drawee.
 - d) Acceptor

- 2) A banker should not refuse payment of a cheque if _____.
 - a) The cheque is a post dated cheque.
 - b) The cheque is drawn on another branch of the same bank.
 - c) The cheque contains an apparent material alteration which is not properly authenticated by the drawer.
 - d) the cheque bears more than two endorsements

- 3) The paying banker can get protection for a materially altered cheque provided _____.
 - a) The alteration is not apparent.
 - b) He makes payment in due course.
 - c) The alteration is immaterial.
 - d) Both A and B

- 4) The written instructions given by the customers to banker to perform the services like collection and payment of money is noted down in _____.
 - a) Written Instructions Book
 - b) Standing Instructions Book
 - c) Banking Instructions Book
 - d) Services Instructions Book

- 5) The paying banker who makes cash payment of a cross cheque at the counter shall be liable for the loss of _____.
 - a) Drawer of the cheque
 - b) True owner of the cheque
 - c) Collecting banker
 - d) the First endorser

- 6) The banker has a statutory obligation to.....
 - a) Honour customers' cheque



- b) Exercise lien
 - c) Maintain secrecy of his customers' accounts
 - d) Honour customers' bill
- 7) The document which can be used only for making local payment is.....
- a) A cheque
 - b) A bill of exchange
 - c) A banker's cheque
 - d) A draft
- 8) Not negotiable crossing is a warning to the.....
- a) Paying banker
 - b) Collecting banker
 - c) Holder
 - d) (a) and (b) together
- 9) To get statutory protection, paying banker must make:
- a) Payment to a holder
 - b) Payment to a holder in due course
 - c) Payment in due course
 - d) Payment to a drawee in case of need
- 10) Which of the following Committee recommended to form a new category of Bank Called Payment Banks?
- a) Gadgil Committee
 - b) M L Dhantwala Committee
 - c) Nachiket Mor Committee
 - d) P J Nayak Committee
- 11) Which of the following permit cheque operation?
- a) Savings bank accounts and fixed deposit accounts
 - b) Current accounts and fixed deposit accounts
 - c) Savings bank accounts and cash accounts
 - d) Savings bank accounts and current accounts
- 12) What happens if a crossed cheque is presented for payment?
- a) It can be paid only through a banker



- b) It cannot be paid at all
 - c) It can be paid across the counter in another bank
 - d) None of the above
- 13) The paying banker is protected under following SECTION for payment of cheque with forged signature of the drawer.
- a) Sec 89 of N.I act
 - b) sec 85[1] of N.I act
 - c) sec 131 of N.I act
 - d) no protection is available
- 14) Which banker gets protection under section 85 of Negotiable Instrument Act, 1881?
- a) Collecting banker.
 - b) Paying banker.
 - c) Issuing banker.
 - d) Both a and b.
- 15) Protection to the Paying Bank in case of alteration in a cheque is available under.
- a) Sec 85 of NI act
 - b) Sec 89 of NI act
 - c) Sec 90 of NI act
 - d) Sec 98 of NI act
- 16) The paying banker is expected to pay the cheque to the genuine payee as per the direction of the drawer.
- a) True
 - b) False
- 17) The paying banker should pay the cheque when there is restriction imposed on the payment by the drawer or by the law.
- a) True
 - b) False
- 18) In case of sufficiency of funds in the account of the drawer which can be properly used to pay the cheque, the banker must pay the cheque when required to do so.
- a) True
 - b) False



- 19) The payment should be made when the cheques are presented for payment within a reasonable time after being drawn and during banking hours.
- a) True
 - b) False
- 20) Section 45 of the Negotiable instruments Act, has imposed upon the banker the obligation to honour customers cheques.
- a) True
 - b) False
- 21) How many Payment banks were approved by RBI in 2015?
- a) 7
 - b) 11
 - c) 41
 - d) 9
- 22) How many branches of Payment banks must be in the unbanked rural area?
- a) 25%
 - b) 50%
 - c) 35%
 - d) 75%
- 23) Which of the following activities cannot be undertaken by a Payments Bank?
- a) Accept deposits
 - b) Payment of Utility Bills
 - c) Lending Money
 - d) None of the above
- 24) Under what section of the Banking Regulation Act, 1949 the payments banks are licensed?
- a) 22
 - b) 2
 - c) 19
 - d) 11



25) Which is India's first Payment bank?

- a) PayTM Payments Bank
- b) JIO Payment Banks
- c) Airtel Payments Banks
- d) Fino Payments Bank



Answer Key:

1 - c	2 - d	3 - d	4 - b	5 - b	6 - a	7 - c	8 - c	9 - c	10 - c
11 - d	12 - a	13 - d	14 - b	15 - b	16 - a	17 - b	18 - a	19 - a	20 - b
21 - b	22 - a	23 - c	24 - a	25 - c					



Unit 4: Collecting Banker

- 1) When banker received deposits from the customer, then the banker becomes ----- of the customer.
 - a) Debtor
 - b) Creditor
 - c) Bailee
 - d) Trustee

- 2) Dishonour of cheque by a banker without any justifiable reason is called
 - a) Valid dishonour of cheques
 - b) Unmindful dishonour of cheques
 - c) Negligence dishonour of cheques
 - d) Wrongful dishonour of cheques

- 3) If cheque is crossed an account payee, this is direction of, ----- to-----.
 - a) Payee, paying banker
 - b) Payee, collecting bank
 - c) Drawer, paying bank
 - d) Drawer, collecting bank

- 4) In case of collection of cheques and bills, the relationship of the banker with the customer is that of
 - a) Bank as agent and customer trustee
 - b) Bank as trustee and customer debtor
 - c) Banker as debtor and customer bailee
 - d) Banker as bailor and customer bailee

- 5) In case collection of a bank draft the collecting banker is protected against conversion under _____ section of Negotiable Instruments Act 1881.
 - a) 131
 - b) 131 A
 - c) 85
 - d) 128



- 6) A cheque has been deposited by a customer with his bank for collection. The bank allows overdraft against the security thereof. The bank becomes
- Holder of the cheque
 - Holder in due course
 - Holder for value
 - Drawer of the cheque
- 7) Who can file a criminal case against the drawer of a dishonored cheque?
- The payee
 - The holder in due course
 - Both of the above
 - The paying banker
- 8) The best answer for returning a cheque for want of funds in the account is.....
- Refer to drawer
 - Not provided for
 - Exceeds arrangement
 - Not sufficient funds
- 9) Bankers undertake the duty of collection of cheques and bills because.....
- Sec.131 of the NI Act compels them to do so
 - Sec.85 of the NI Act compels them to do so
 - They want to do it as a service
 - Collection is a must for a crossed cheque
- 10) A collecting banker is given protection only when he collects
- A crossed cheque
 - An order cheque
 - An Bearer Cheque
 - An mutilated cheque
- 11) Collecting a cheque payable to the firm to the private account of a partner without enquiry constitutes.....
- gross negligence
 - Negligence under remote grounds



- c) Negligence connected with immediate collection of a cheque
 - d) Contributory Negligence
- 12) A Collecting banker is given the statutory protection only when he acts as...
- a) A banker
 - b) A holder for value
 - c) A holder in due course
 - d) An agent
- 13) To get protection under Sec 131 of NI Act collecting banker should collect the cheque
- a) crossed generally
 - b) crossed specially
 - c) 1 or 2
 - d) crossed a/c payee
- 14) The endorsement on the cheque is fictitious and the collecting banker failed to check it the cheque is paid by the paying banker
- a) collecting banker is not protected
 - b) paying banker is protected
 - c) collecting banker & paying banker are protected
 - d) both are not protected
- 15) In case of wrongful dishonour of a cheque by the banker
- a) the holder can claim from drawee bank
 - b) the holder can claim from collecting bank
 - c) the remedy for holder is against drawer
 - d) holder can claim from drawee bank, collecting bank, drawer
- 16) When the cheque is dishonored, the collecting banker is not bound to give notice of the same to his customer within a reasonable time.
- a) True
 - b) False



- 17) The collecting banker is bound to show due care and carefulness in the collection of cheques presented to him.
- a) True
 - b) False
- 18) In case a collecting banker has realized the cheque, he should pay the interest to the customer as per his (customer's) direction.
- a) True
 - b) False
- 19) Holder is an individual who has lawfully received possession of a Commercial Paper, such as a cheque and who is entitled for payment on such instrument.
- a) True
 - b) False
- 20) There is legal obligation for a banker to collect the bills of exchange for its customer.
- a) True
 - b) False

Answer Key:

1 - a	2 - d	3 - d	4 - a	5 - b	6 - c	7 - c	8 - d	9 - c	10 - a
11 - c	12 - d	13 - c	14 - b	15 - c	16 - b	17 - a	18 - a	19 - a	20 - b
21 - c	22 - c	23 - a	24 - b	25 - b					



Unit 5: Relationship between Banker and Customer

- 1) The relationship between a banker and customer is.....
 - a) That of a debtor and creditor
 - b) That of a creditor and debtor
 - c) Primarily that of a debtor and a creditor
 - d) (a) and (b) together

- 2) The banker has a lien on.....
 - a) Bonds given for collection
 - b) Bonds given for safe custody
 - c) Bonds left by mistake
 - d) (a) and (b) together

- 3) In executing the standing instructions, there exists a relationship of.....
 - a) debtor and creditor
 - b) Trustee and Beneficiary
 - c) Bailee and Bailor
 - d) Agent and Principal

- 4) To constitute a person as a customer.....
 - a) There must be frequency of transactions
 - b) There must be a dealing of a banking nature
 - c) There must be some sort of an account
 - d) There must be a single transactions of any nature

- 5) The banker has a statutory obligation to.....
 - a) Honour customers' cheque
 - b) Exercise lien
 - c) Maintain secrecy of his customers' accounts
 - d) Honour customers' bill

- 6) Contracts by lunatics in India are.....
 - a) Always void
 - b) Always valid



- c) Always voidable
 - d) At times voidable
- 7) The best procedure for opening an account in the name of a minor X and the guardian Y would be under the style.....
- a) 'X' Account
 - b) 'b'-Account- Minor
 - c) 'y' in trust for X
 - d) 'y' account
- 8) The most undesirable customer is.....
- a) A minor
 - b) A married Woman
 - c) An unregistered firm
 - d) An undischarged bankrupt
- 9) The primary relationship between a banker and customer starts from the time.
- a) when customer visits that bank
 - b) when customer opens account
 - c) when customer visits that bank to made queries
 - d) All of the above
- 10) The primary relationship between banker and customer is a ----- relationship.
- a) Mutual
 - b) Contractual
 - c) Personal
 - d) None of the above
- 11) Which one of the following is the most important relationship between banker and customer.
- a) Debtor and Creditor
 - b) Bailee and Bailor
 - c) Agency and Principal
 - d) Trustee and Beneficiary



- 12) When customer's account overdrawn or when customer has taken loan from banker, then the customer.
- a) Creditor
 - b) Agent
 - c) Debtor
 - d) Bailor
- 13) When banker received deposits from the customer, then the banker becomes ----- of the customer.
- a) Debtor
 - b) Creditor
 - c) Bailee
 - d) Trustee
- 14) It is a ----- obligation of a banker to honour the cheques of the customer drawn against current account.
- a) Mutual
 - b) Statutory
 - c) Unstatutory
 - d) All of the above
- 15) Which bank have given the instructions to the commercial banks regarding the immediate credit of outstation cheques?
- a) Reserve Bank of India
 - b) Central Bank
 - c) World Bank
 - d) All of the above
- 16) Dishonour of cheque by a banker without any justifiable reason is called
- a) Valid dishonour of cheques
 - b) Unmindful dishonour of cheques
 - c) Negligence dishonour of cheques
 - d) Wrongful dishonour of cheques



- 17) Special damages refers to damages payable by a banker to his customer for the actual ----- loss suffered by customer.
- Financial
 - Special
 - Unpecuniary
 - Unfinancial
- 18) ----- is the right of a person to retain the property of another person in his possession until the debt from that owner of that property is repaid.
- Lien
 - Retention
 - Retrenchment
 - Libel
- 19) The bank can consider ----- lien as their protection against loss on loan or overdraft which was given to its customers.
- Special
 - Particular
 - General
 - Lending
- 20) The right of set-off customers account can be exercised only by a-----
- Creditors
 - Debtors
 - Banker
 - Customer
- 21) The rate of interest charged for the loan by the banker compared to overdraft and cash credit is generally.
- High
 - Low
 - Same
 - Based on the amount



- 22) The services rendered by a banker as an agent of his customers are called
- Principal services
 - Agency services
 - General utility services
 - Social services
- 23) The written instructions given by the customers to banker to perform the services like collection and payment of money is noted down in
- Written Instructions Book
 - Standing Instructions Book
 - Banking Instructions Book
 - Services Instructions Book
- 24) A ----- is a person who is entrusted with some property by the settler or the author of the trust for the benefit of another person called beneficiary.
- Attorney
 - Executor
 - Administrator
 - Trustee
- 25) Services rendered by a banker not only to his customers, but also to the general public are called as
- Principal services
 - Agency services
 - General utility services
 - Social services
- 26) A cheque dated subsequent to the date of its issue is
- Post dated cheque
 - Blank cheque
 - Crossed cheque
 - Account payee cheque
- 27) The lien is defined in
- the Sale of Goods Act
 - the Transfer of property Act



- c) the Indian Contract Act
- d) the Companies Act

28) The banks which are engaged in diverse kind of banking activities are called.....

- a) Local area bank
- b) Narrow Banking
- c) Universal banking

29) The most important principle of sound lending is.....

- a) Safety
- b) Profitability
- c) Security

30) A banker's lien is.....

- a) general lien
- b) particular lien
- c) Negative lien

Answer Key:

1 - c	2 - a	3 - d	4 - c	5 - a	6 - c	7 - c	8 - d	9 - b	10 - b
11 - a	12 - c	13 - c	14 - b	15 - a	16 - d	17 - a	18 - a	19 - a	20 - c
21 - b	22 - b	23 - b	24 - d	25 - c	26 - a	27 - a	28 - c	29 - a	30 - a



Unit 6: Securities for Advances

- 1) Which one of the following is the ratio of the loan principal to the appraised value?
 - a) Combined Loan To Value: (CLTV) ratio
 - b) Loan-to-Value Ratio
 - c) Mortgage Loan
 - d) Statutory Liquidity Ratio

- 2) What is the product of the share price and number of the company's outstanding ordinary shares?
 - a) Market Capitalization
 - b) Market Price
 - c) Market Trend
 - d) Treasury Stock

- 3) Which one of the following pools money from various investors in order to purchase securities?
 - a) Fund derivative
 - b) Money fund
 - c) Mutual fund
 - d) Pension fund

- 4) Which one of the following is the rate at which the RBI lends money to commercial banks in the event of any shortfall of funds?
 - a) Benchmark Prime Lending Rate
 - b) Annual Percentage Rate
 - c) Bank Rate
 - d) Repo Rate

- 5) When financial institutions and banks undertake activities related to banking like investment, issue of debit and credit card etc then it is known as _____.
 - a) Internet banking
 - b) Universal banking
 - c) Virtual Banking
 - d) Wholesale banking



- 6) Collateral securities can be _____?
- a) Tangible
 - b) Intangible in the shape of personal guarantee of a third party
 - c) security given to get credit facilities/loan
 - d) All of the above
 - e) None of the above
- 7) The Short-Term Crop Loan given to Farmers are generally for a period of _____?
- a) 3 months
 - b) 6 months
 - c) 9 months
 - d) 12 months
 - e) 15 months
- 8) Which of the following is a borrowing facility/loan advance _____?
- a) Term finance
 - b) Performance guarantee
 - c) Bill received under letter of credit
 - d) All the above
 - e) None of the above
- 9) Pledge of advance is made against _____?
- a) Gold
 - b) Commodities
 - c) Coins and notes
 - d) All the above
 - e) None of the above
- 10) Which of the following are covered under pledge?
- a) Actual delivery of the goods
 - b) Factory type pledge
 - c) Constructive delivery of the goods
 - d) All the above
 - e) None of the above



- 11) What is the minimum period of medium and long-term loans?
- a) 12 months
 - b) 18 months
 - c) 24 months
 - d) 36 months
 - e) None of the above
- 12) The most risky charge from a banker's point of view is _____?
- a) Pledge
 - b) Hypothecation
 - c) Mortgage
 - d) Lien
 - e) None of the above
- 13) An equitable mortgage can be created in respect of _____?
- a) Government securities
 - b) Real estate
 - c) Wheat in a godown
 - d) Life Policies
 - e) None of the above
- 14) A charge where there is neither the transfer of ownership nor the possession is called _____?
- a) Hypothecation
 - b) Lien
 - c) Pledge
 - d) Mortgage
 - e) None of the above
- 15) The liability of the mortgager is gradually reduced in the case of _____?
- a) Equitable mortgage
 - b) Legal mortgage
 - c) Usufructuary mortgage
 - d) Conditional mortgage
 - e) None of the above



- 16) These days Banks are offering Loans against Property? Under which business segment, this activity may be categorized?
- a) Corporate Banking
 - b) Personal Banking
 - c) Merchant Banking
 - d) Portfolio Management services
 - e) None of the above
- 17) What do we mean by “ECB” in financial terms?
- a) Essential Commercial Borrowings
 - b) Essential Credit & Borrowings
 - c) External Credit & Business
 - d) External Commercial Borrowings
 - e) None of the above
- 18) Which of the following is a document of the title to the goods?
- a) Bill of entry
 - b) Letter of credit
 - c) Bill of lading
 - d) Certificate of origin
- 19) What is an impersonal Collateral security?
- a) Security in the shape of intangible.
 - b) Collateral security given by third party.
 - c) Guarantee provided for securing the death.
 - d) Collateral security given by the borrower but in the shape of goodwill and trademark.
- 20) Unstamped document cannot be rectified in case of.....
- a) Mortgage deed
 - b) Sale deed
 - c) partition deed
 - d) none of the above

Answer Key:

1 - b	2 - a	3 - c	4 - d	5 - b	6 - d	7 - d	8 - a	9 - b	10 - d
11 - b	12 - b	13 - b	14 - a	15 - c	16 - d	17 - d	18 - c	19 - b	20 - d



Unit 7: Modes of Creating Charge

- 1) The banker has a lien on.....
 - a) Bonds given for collection
 - b) Bonds given for safe custody
 - c) Bonds left by mistake
 - d) (a) and (b) together

- 2) The banker has a statutory obligation to.....
 - a) Honour customers' cheque
 - b) Exercise lien
 - c) Maintain secrecy of his customers' accounts
 - d) Honour customers' bill

- 3) Neither possession nor ownership is transferred in....
 - a) Pledge
 - b) mortgage
 - c) Hypothecation

- 4) A mortgage can neither sue for foreclosure nor for sale of the property in.....
 - a) English mortgage
 - b) Usufructuary mortgage
 - c) Mortgage by conditional sale

- 5) A banker's lien is.....
 - a) general lien
 - b) particular lien
 - c) Negative lien

- 6) A pledge can be made in respect of....
 - a) Shares
 - b) Building
 - c) Book debts



- 7) A bank finances an agriculturist to buy a tractor. The loan is secured by:
- Hypothecation of the tractor
 - Mortgage of the tractor
 - Pledge of the tractor
 - Assignment of the tractor
- 8) Bank A grants an overdraft to ABC Ltd against book debts. This is secured by:
- hypothecation
 - pledge
 - mortgage
 - assignment
- 9) Mortgage is defined under
- contract act
 - sale of goods act
 - transfer of property act
 - none of the above
- 10) The mortgager transfers the mortgaged property to the mortgagee on the condition that it will be retransferred upon payment of mortgaged money. This is
- Simple mortgage
 - English mortgage
 - Equitable mortgage
 - mortgage by conditional sale
- 11) In the case of a joint stock co the registration of a charge is not required with registrar of companies for
- Pledge of moveable property
 - hypothecation of moveable property
 - assignment of book debts
 - mortgage of fixed assets
- 12) RAM a transporter has been granted a loan for purchase of a truck. You will create which of the following charge.
- Assignment
 - a mortgage



- c) pledge
 - d) hypothecation
- 13) Hypothecation is a mode of security provided in
- a) Indian contract act 1872
 - b) transfer of property act 1882
 - c) banking regulation act 1949
 - d) SARFAESI Act 2002
- 14) Under Hypothecation charge
- a) The ownership and possession of goods are with Bank
 - b) The ownership is with borrower but possession is with Bank
 - c) The ownership and possession are with borrower
 - d) The ownership is with Bank but possession with borrower
- 15) Stamp duty on which of the following documents does not vary from state to state.
- a) Mortgage of agreements
 - b) hypothecation agreements
 - c) guarantees
 - d) bills of exchange
- 16) Mortgage borrowers must pay 20 percent of the home's purchase price at closing as a down payment.
- a) True
 - b) False
- 17) As a fixed-rate mortgage nears maturity, the portion of the monthly mortgage payment that is applied to principal _____ while the amount that is applied to interest _____.
- a) Decreases; increases
 - b) Increases; decreases
 - c) Does not change; decreases
 - d) Increases; does not change
- 18) . _____ paid at closing can reduce the interest rate used to determine the monthly payments on a mortgage.
- a) Discount points



- b) Down payments
- c) Loan origination fees
- d) Amortization rates

19) What type of mortgages are used to finance the acquisition of apartment complexes, townhouses, and condominiums?

- a) Commercial mortgages
- b) Single family mortgages
- c) Farm mortgages
- d) Multifamily dwelling mortgages

20) As part of a mortgage agreement, a financial institution places a lien on the property until the loan is paid in full.

- a) True
- b) False

21) Benefits of securitization include all of the following EXCEPT:

- a) Reduced credit risk
- b) Generation of income
- c) Greater reserve requirements
- d) Increased liquidity

22) FHA mortgages and VA mortgages are conventional mortgages.

- a) True
- b) False

23) When a financial institution sells a mortgage with recourse, the financial institution retains a credit risk liability in the event the buyer returns the mortgage.

- a) True
- b) False

24) Where a person pledges goods in which he has only a limited interest, the pledge is:

- a) Invalid to the extent of that interest
- b) Entire contract is invalid
- c) Valid to the extent of that interest



d) Entire contract is valid

25) What is pledge:

- a) The bailment of goods as security for payment of a debt or performance of a promise
- b) The delivery of goods by one person to another for some purpose, upon a contract that they shall, when the purpose is accomplished, be returned or otherwise disposed of according to the direction of the person delivering them
- c) A contract by which one party promises to save the other from loss caused to him by the contract of the promisor himself, or by the conduct of any other person
- d) A contract to do or not to do something, if some event, collateral to such contract, does or does not happen

Answer Key:

1 - a	2 - a	3 - c	4 - b	5 - a	6 - a	7 - a	8 - d	9 - c	10 - b
11 - a	12 - d	13 - d	14 - c	15 - d	16 - b	17 - b	18 - a	19 - d	20 - a
21 - c	22 - b	23 - a	24 - c	25 - a					



Unit 8: Project Appraisal and Recovery Measures

- 1) Delay, unpredictability and cost are considered as three main enemies of efficient administration of justice.
 - a) yes
 - b) no
 - c) cannot be said

- 2) The litigants are always interested in substantive justice and not procedural justice.
 - a) true
 - b) false
 - c) litigants want both procedural as well as substantive justice

- 3) Indian ADR system is based on the Common law system
 - a) False
 - b) True
 - c) mixed system of Civil and Common law system

- 4) ADR techniques include arbitration, conciliation, mediation and negotiation.
 - a) yes
 - b) no
 - c) yes, but Lok Adalat is also a type of ADR system

- 5) Arbitration can be ad-hoc, contractual, institutional or statutory.
 - a) yes
 - b) no
 - c) No only contractual

- 6) In a contractual arbitration the jurisdiction of courts can be completely ousted under 1996 Act.
 - a) No
 - b) yes, statutory provisions can be ousted
 - c) yes, it can be partially ousted
 - d) Yes it can be ousted, but for enforcing the award interference of court is needed



- 7) Conciliation is a private, informal process in which a neutral third person helps disputing parties to reach an agreement.
- True
 - partially true
 - true up to the extent that a neutral third person helps disputing parties to reach an agreement
- 8) Conciliator would independently investigate into the dispute and draft his report indicating the method of settlement of disputes.
- True
 - False
 - The conciliator would take help from the disputing parties on the settlement of the method.
- 9) Mediation can be termed as assisted negotiation.
- No
 - Yes
 - yes and the mediator plays the role of a facilitator in attaining cooperation between the parties to the dispute
- 10) Bargaining is a common feature of the negotiation process.
- The negotiation process provides the parties an opportunity to exchange ideas, identify the irritant points of differences, find a solution, and get commitment from each other to reach an agreement.
 - Even if a third party negotiator is involved in the process of negotiation, his role would be limited to inducing the parties to the process of negotiation.
 - Mediators would have higher level of involvement in the settlement of disputes when compared to that of negotiators.
 - All are true
 - All are false
- 11) Lok Adalats have been given the powers of a civil court under the Code Civil Procedure.
- Yes
 - No
 - yes, but with limited jurisdiction



- 12) The award made by the Lok Adalat is deemed to be a decree of the civil court like arbitration Award.
- No
 - Yes
- 13) Section 75 of the Arbitration and Conciliation Act 1996 specifically provides for the confidentiality of all matters relating to the proceedings.
- False
 - true
 - Parties can inspect the records like court proceeding
- 14) “Court procedure is justice-oriented, whereas ADR’s merit also lies in the fact that the process is participatory and solution-oriented”.
- Yes
 - No
 - There exist doubt on the given proposition
- 15) In *Shakuntla Sawhney v. Kaushalaya Sawhney*, [(1979) 3 SCR 232] the Supreme Court has observed that “Finest hour of justice is the hour of compromise when parties after burying the hatchet, re-unite by a reasonable and just compromise”
- Whether this principle has been reflected in the ADR procedures mentioned in the Arbitration and Conciliation Act 1996?
- Yes
 - No the above principle has nothing to do with Arbitration and Conciliation Act 199
 - The above principle has been formulated for CPC and not for Arbitration and Conciliation Act 1996
- 16) Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act popularly known as SARFAESI Act was enacted in which of the following year:
- 21st Day of June 2002
 - 30th Day of May 2002
 - 21st Day of July 2002
 - 21st Day of April 2002
- 17) . Reserve Bank has the power under _____ of the Securitisation Act to cancel the Certificate of Registration issued by it to any ARC:



- a) Section 5
- b) Section 8
- c) Section 4
- d) Section 12

18) The Three Stages of Money Laundering are:

- a) Layering, Placement, Refining
- b) Placement, Refining, Integration
- c) Layering, Placement, Integration
- d) Layering, Refining, Integration

19) Who shall be responsible for furnishing information on modification and satisfaction of security interest:

- a) Asset Reconstruction Company or secured creditor
- b) Only secured creditor
- c) Only the asset reconstruction company
- d) Borrower or secured creditor

20) Before which for a can an asset reconstruction company file an application for enforcement of its security interest:

- a) Debt Recovery Tribunal
- b) High Court
- c) District Court
- d) National Company Law Tribunal

21) Which of the following is the usage of shell companies?

- a) To create the appearance of legitimate transaction through false invoice and financial statements.
- b) To take loan against securities acquired from black money and paying tax on profit.
- c) Both (i) and (ii)
- d) None of the above

22) What is the stamp duty to be paid in respect of any document executed by any banker financial institution for issuing a debenture or bond?

- a) One rupee for every Rs.100 or part thereof.
- b) One rupee for every Rs.1000 or part thereof.



- c) It shall be exempted from stamp duty.
- d) It depends from State to State.

23) An Example of smurfing:

- a) Wiring money to the foreign country
- b) A drug dealer asking a stranger to buy a money order with drug money.
- c) A broker buying pesos with US Dollars
- d) None of the above.

24) Which of the following is not a security interest:

- a) Any mortgage, charge, hypothecation, assignment or any right, title or interest of any kind, on tangible asset, retained by the secured creditor as an owner of the property, given on hire or financial lease or conditional sale or under any other contract.
- b) Such right, title or interest in any intangible asset or assignment or license of such intangible asset which secures the obligation to pay any unpaid portion of the purchase price of the intangible asset or the obligation incurred or any credit provided to enable the borrower to acquire the intangible asset or license of intangible asset
- c) A lien on any goods, money or security given by or under the Indian Contracts Act, 1872 or the Sale of Goods Act, 1930 or any other law for the time being in force
- d) Lien of goods, pledge of movables, security interest of less than Rs. One Lakh

25) An actuary is expected to:

- a) Make an exact forecast of the future liabilities of policies
- b) Make a reasonable forecast of the future liabilities of policies
- c) Calculate the premium required to cover a risk on a long-term basis
- d) Find the probability of an insured event to happen in non-life policies

Answer Key:

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.....**Thank you**.....