

Banking Law and Practice MCQ-

1. 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

Answer: Option [B]

2. 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

Answer: Option [A]

3. 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

Answer: Option [A]

4. 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

Answer: Option [D]

5. _____ 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

- [A] Lien
- [B] Retainment
- [C] Retrenchment
- [D] Libel

Answer: Option [A]

8. The right of set-off customers account can be exercised only by a A. Creditors

- [A] Creditors
- [B] Debtors
- [C] Banker
- [D] Customer

Answer: Option [C]

9. MICR technology used for clearance of cheques by banks refers to

- [A] Magnetic Ink Character Recognition
- [B] Magnetic Ink Company Recognition
- [C] Magnetic Ink Cross Recognition
- [D] Magnetic Ink Community Recognition

Answer: Option [A]

10. Which banks which accept deposits from the public and lend them mainly to commerce for short periods?

- [A] Commercial Bank
- [B] Industrial Bank
- [C] Agricultural Bank
- [D] Central Bank

Answer: Option [A]

11. A company who accepts demand deposit is called _____

- [A] Joint stock company
- [B] Banking company
- [C] Manufacturing company
- [D] IT company

Answer: Option [B]

3. The rate of interest charged for the loan by the banker compared to overdraft and cash credit is generally

- [A] High
- [B] Low
- [C] Same
- [D] Based on the amount

Answer: Option [B]

14. The main aim of a banker for performing the subsidiary services is to earn a ----- of the customers

- [A] Money
- [B] Documents
- [C] Valuables
- [D] Goodwill

Answer: Option [D]

15. 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

Answer: Option [B]

16. Services rendered by a banker not only to his customers, but also to the general public are called as

- [A] Principal services
- [B] Agency services
- [C] General utility services
- [D] Social services

Answer: Option [C]

17. In Negotiable Instruments Act 1881, which section defines promissory note?

- [A] Section 1
- [B] Section 5
- [C] Section 3
- [D] Section 4

Answer: Option [D]

18. 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

Answer: Option [A]

19. A drawer in the bill of exchange can also be a

- [A] Paymaster
- [B] Payee
- [C] Banker
- [D] Creditor

Answer: Option [B]

20. The lien is defined in

- [A] the Sale of Goods Act
- [B] the Transfer of property Act
- [C] the Indian Contract Act
- [D] the Companies Act

Answer: Option [A]

21. Who is primarily liable on a promissory note?

- [A] Holder
- [B] Maker
- [C] Drawee
- [D] Endorser

Answer: Option [B]

22. . ----- is a dead cheque

- [A] Post dated cheque
- [B] Stale cheque
- [C] Ante dated cheque
- [D] Pre dated cheque

Answer: Option [B]

23. Discounting of bills of exchange is

- [A] Clean advance
- [B] Secured advance
- [C] Neither clean advance nor secured advance
- [D] Unsecured advance

Answer: Option [C]

24. Expand NEFT

- [A] National Electronic Fund Transfer
- [B] Neutral Electronic Fund Transfer
- [C] Neutral Electronic Fund Transfer
- [D] Neutral Electronic Fund Transfer

Answer: Option [A]

25. Blank endorsement is otherwise called as

- [A] Full Endorsement
- [B] Qualified Endorsement
- [C] General Endorsement
- [D] Special Endorsement

Answer: Option [C]

26. What does the term "PIN" stands for

- [A] People Identification Number

- [B] Personal Instruction Number
- [C] Personal Identification Number
- [D] Personal Information Number

Answer: Option [C]

27. KYC means

- [A] Know Your Card
- [B] Know Your Cost
- [C] Know Your Customer
- [D] Know Your Creditor

Answer: Option [C]

28. RTGS means

- [A] Real Towards Gross Settlement
- [B] Real Turn Gross Settlement
- [C] Real Technique Gross Settlement
- [D] Real Time Gross Settlement

Answer: Option [D]

29. ATMs are primarily used for performing the _____ functions

- [A] Infrastructure
- [B] Computer based
- [C] Banking
- [D] Hospitalized

Answer: Option [C]

30. EFT is introduced by

- [A] IRDA
- [B] RBI
- [C] SEBI
- [D] NSE

Answer: Option [B]

31. If the endorser signs his name only, the endorsement is said to be

- [A] Blank Endorsement
- [B] Conditional Endorsement
- [C] Full Endorsement
- [D] None of the above

Answer: Option [C]

32. _____ is the result of combining technology and traditional bank services through websites that customers use to access their bank accounts

- [A] Home Banking
- [B] Mobile Banking
- [C] Internet Banking
- [D] Television Banking

Answer: Option [C]

33. Nationalisation of 14 major commercial in the year of

- [A] 1949
- [B] 1935
- [C] 1956
- [D] 1969

Answer: Option [D]

34. A negotiable instrument drawn or made in India is called _____ instrument

- [A] Inland
- [B] Foreign
- [C] Time
- [D] Clean

Answer: Option [A]

35. Addition of the name of a banker across the face of a cheque is called as

- [A] General crossing
- [B] Special crossing
- [C] Upper Crossing
- [D] Lower Crossing

Answer: Option [B]

36. The most important feature of a negotiable instrument is

- [A] Free transfer
- [B] Transfer free from defects
- [C] Right to sue
- [D] Both A & B

Answer: Option [D]

37. An order cheque can be converted into a bearer cheque by means of

- [A] Sans recourse endorsement
- [B] Special endorsement
- [C] Blank endorsement
- [D] Sans frais endorsement

Answer: Option [C]

38. In which year, Electronic Fund Transfer (EFT) was launched in India?

- [A] 1994
- [B] 1995
- [C] 1999
- [D] 2000

Answer: Option [B]

39. Endorsement signifies that the

- [A] Endorser has a good title
- [B] Endorser's signature is genuine
- [C] Previous endorsements are genuine
- [D] All of the above

Answer: Option [D]

40. In which year, SWIFT was established?

- [A] April 1973 July 1973
- [B] July 1973
- [C] May 1973
- [D] August 1973

Answer: Option [C]

41. To do banking through WAP (Wireless Application Protocol) enabled mobile phone, customer should get which type of connection?

- [A] Telephone
- [B] Internet
- [C] Television
- [D] All of the above

Answer: Option [B]

42. _____ has been introduced for the purpose of networking of banks

- [A] Generic Architecture
- [B] Core Banking
- [C] Centralized Fund Management Systems
- [D] INFINET

Answer: Option [A]

43. _____ credit refers to a series of electronic payment instructions that are generated to replace proper instruments

- [A] Electronic Payment System
- [B] Electronic Clearing Service
- [C] Electronic Data Interchange
- [D] None of the above

Answer: Option [B]

44. Banking transaction that takes place in a virtual ambience on the website of a banking company is termed as

- [A] Internet Banking
- [B] Telephone Banking
- [C] Mobile Banking
- [D] Modern Banking

Answer: Option [A]

45. Telephone Banking has found a high level of acceptability especially among _____ level of people

- [A] Professional
- [B] Salaried
- [C] Retired
- [D] Business

Answer: Option [A]

46. The ATM pin is _____ digit code number used for authenticating and authorizing the use of the ATM facility by a customer

- [A] Four
- [B] Five
- [C] Three
- [D] Seven

Answer: Option [A]

47. What is the major function performed by the ATM's worldwide

- [A] Passbook update facility
- [B] Cash withdrawal
- [C] Mini-statement facility
- [D] Funds transfer facility

Answer: Option [B]

48. _____ constitutes the foremost element of an electronic payment system

- [A] Banker
- [B] Customer
- [C] Merchant
- [D] Shopping mall

Answer: Option [B]

49. Credit cards first emerged in 1920s

- [A] India

- [B] China
- [C] USA
- [D] UK

Answer: Option [C]

50. Which of the first subsidiary bank of State Bank of India to do whole computerization of all its branches?

- [A] State Bank of Patiala
- [B] State Bank of Hyderabad
- [C] State Bank of Saurashtra
- [D] State Bank of Travancore

Answer: Option [A]

51. Which is the first bank to introduce Credit card in India?

- [A] Bank of India
- [B] Global Trust Bank
- [C] IndusInd Bank
- [D] Central Bank of India

Answer: Option [D]

52. Which is the first change in banking sector of India after independence?

- [A] Nationalization of Banks
- [B] Social control on Banks
- [C] Establishment of SBI
- [D] Establishment of RBI

Answer: Option [B]

53. The following one is absolutely essential for a special crossing

- [A] Two parallel transverse lines
- [B] Words "And company?"
- [C] Words "Not negotiable"
- [D] Name of a banker

Answer: Option [D]

54. Which of the following is not the form of E-banking?

- [A] Internet Banking
- [B] Direct Deposit in Bank
- [C] Electronic cheque conversion
- [D] Mobile banking

Answer: Option [B]

55. Interest payable on savings bank accounts is?

- [A] Regulated by State Government
- [B] De-regulated by RBI
- [C] Regulated by RBI
- [D] Regulated by Finance Minister

Answer: Option [B]

56. Which of the following is correct statement?

- [A] No interest is paid on current deposit accounts
- [B] Interest is paid on current accounts at the same rate as term deposit accounts
- [C] The rate of interest on current accounts and savings accounts are the same
- [D] No interest is paid on any deposit by the bank

Answer: Option [A]

57. The chief activities of bank do not include

- [A] Providing loans
- [B] Accepting deposits
- [C] Providing lockers
- [D] Selling real estate properties

Answer: Option [D]

58. Electronic cash is also called as

- [A] Hot money
- [B] Digital money
- [C] Instant money
- [D] Easy money

Answer: Option [B]

59. Use of personal computers at home for conducting their banking operation with their banks is called

- [A] Mobile Banking
- [B] Anywhere Banking
- [C] Internet Banking
- [D] Home Banking

Answer: Option [D]

60. Which electronic fund transfer system run on the basis of "Deferred Net Settlement"

- [A] NEFT
- [B] RTGS
- [C] SMS
- [D] BIFSC

Answer: Option [A]

Unit 1: Laws relating to Banking in India

- a)
- 2) Copies of balance-sheets and accounts to be sent to_____.

 - a) RBI
 - b) Government of India
 - c) Registrar**
 - d) Auditor

- 3) Who has the power to give directions to other Banking Companies?

 - a) RBI**
 - b) Government of India
 - c) Registrar
 - d) Auditor

- 4) Form of Balance sheet of banking Companies includes Fixed assets in
- a) Schedule 8
 - b) Schedule 9
 - c) Schedule 10**
 - d) Schedule 11
- 5) FATCA stands for
- a) Foreign Account Tax Compliance Act**
 - b) Foreign Account Trade Company Act
 - c) Financial Account Tax Compliance Act
 - d) Fiscal Account Tax Compliance Act
- 6) As per the provisions of which act all financial institutions have to maintain a record for all form of transactions?
- a) Companies Act, 1956
 - b) Credit Information (Companies Regulation Act, 2005)
 - c) Information Technology Act, 2000
 - d) PMLA Act, 2002**
- 7) Which of the following Act refers to the acquisition and transfer of the undertakings of certain banking companies?
- a) Companies Act, 1956
 - b) Credit Information (Companies Regulation Act, 2005)
 - c) Banking Companies (acquisition and transfer of undertakings), 1970**
 - d) Banking Regulation Act, 1949
- 8) Which of the following is the clearing agency for Government securities?
- a) GOI
 - b) RBI
 - c) CCIL**
 - d) SEBI

Unit : 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) 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
- 4) A drawer in the bill of exchange can also be a
- a) Paymaster
 - b) **Payee**
 - c) Banker
 - d) Creditor
- 5) Name the person to whom the amount of the cheque is payable?
- a) Drawer
 - b) Payee
 - c) **Drawee**
 - d) Acceptor
- 6) Discounting of bills of exchange is
- a) Clean advance
 - b) Secured advance
 - c) **Neither clean advance nor secured advance**
 - d) Unsecured advance
- 7) The most important feature of a negotiable instrument is
- a) Free transfer
 - b) Transfer free from defects
 - c) Right to sue
 - d) **Both A & B**

- 8) Dishonour of Negotiable Instrument by Non Payment is covered under section in Negotiable Instrument Act 1882...
- a) Section 90
 - b) Section 91
 - c) Section 92
 - d) Section 93
 - e) Section 94
- 9) 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
- 10) 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%
- 11) 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

12) 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

13) 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.

- a) (A) and (D)
- b) (B) and (C)
- c) (B),(C) and (D)
- d) Only (D)
- e) Only (C)

Unit : 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 banker has a statutory obligation to.....
- a) **Honour customers' cheque**
 - b) Exercise lien
 - c) Maintain secrecy of his customers' accounts
 - d) Honour customers' bill
- 5) 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
- 6) Not negotiable crossing is a warning to the.....
- a) Paying banker
 - b) Collecting banker
 - c) **Holder**
 - d) (a) and (b) together
- 7) 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
- 8) 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
- 9) 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**
- 10) 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
- 11) 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**
- 12) 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.
- 13) 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
- 14) The paying banker is expected to pay the cheque to the genuine payee as per the direction of the drawer.
- a) True**
 - b) False
- 15) 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**

- 16) 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**
False
- 17) 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
- 18) Section 45 of the Negotiable instruments Act, has imposed upon the banker the obligation to honor customers cheques.
- a) True
b) **False**
- 19) How many Payment banks were approved by RBI in 2015?
- a) 7
b) **11**
c) 41
d) 9
- 20) How many branches of Payment banks must be in the unbanked rural area?
- a) **25%**
b) 50%
c) 35%
d) 75%
- 21) 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
- 22) Under what section of the Banking Regulation Act, 1949 the payments banks are licensed?
- a) **22**
b) 2
c) 19
d) 11
- 23) Which is India's first Payment bank?

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

Unit : 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) 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**

- 3) 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

- 4) 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

- 5) A cheque has been deposited by a customer with his bank for collection. The bank allows overdraft against the security thereof. The bank becomes

- a) Holder of the cheque
 - b) Holder in due course
 - c) Holder for value**
 - d) Drawer of the cheque
- 6) The best answer for returning a cheque for want of funds in the account is.....
- a) Refer to drawer
 - b) Not provided for
 - c) Exceeds arrangement
 - d) Not sufficient funds**
- 7) Bankers undertake the duty of collection of cheques and bills because.....
- a) Sec.131 of the NI Act compels them to do so
 - b) Sec.85 of the NI Act compels them to do so
 - c) They want to do it as a service**
 - d) Collection is a must for a crossed cheque
- 8) Collecting a cheque payable to the firm to the private account of a partner without enquiry constitutes.....
- a) gross negligence
 - b) Negligence under remote grounds
 - c) Negligence connected with immediate collection of a cheque**
 - d) Contributory Negligence
- 9) 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**
- 10) 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
- 11) 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
- 12) 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
- 13) 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**
- 14) The collecting banker is bound to show due care and carefulness in the collection of cheques presented to him.
- a) True**
 - b) False
- 15) 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
- 16) 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
- 17) There is legal obligation for a banker to collect the bills of exchange for its customer.
- a) True
 - b) False**

- 1) The most undesirable customer is.....
 - a) A minor
 - b) A married Woman
 - c) An unregistered firm
 - d) An undischarged bankrupt**

- 2) 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

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

- 4) It is a -----obligation of a banker to honour the cheques of the customer drawn against current account.
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 - a) Valid dishonour of cheques
 - b) Unmindful dishonour of cheques
 - c) Negligence dishonour of cheques
 - d) Wrongful dishonour of cheques**

- 7) Special damages refers to damages payable by a banker to his customer for the actual ----- suffered by customer.
- a) **Financial**
 - b) Special
 - c) Unpecuniary
 - d) Unfinancial
- 8) The rate of interest charged for the loan by the banker compared to overdraft and cash credit is generally.
- a) High
 - b) **Low**
 - c) Same
 - d) Based on the amount
- 9) 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
- 10) The lien is defined in
- a) the Sale of Goods Act
 - b) the Transfer of property Act
 - c) the Indian Contract Act
 - d) the Companies Act
- 11) The banks which are engaged in diverse kind of banking activities are called.....
- a) Local area bank
 - b) Narrow Banking
 - c) **Universal banking**
- 12) The most important principle of sound lending is.....
- a) **Safety**
 - b) Profitability
 - c) Security
- 13) A banker's lien is.....

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

Unit : 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) A banker's lien is.....
 - a) **general lien**
 - b) particular lien
 - c) Negative lien

- 4) Bank A grants an overdraft to ABC Ltd against book debts. This is secured by:
 - a) hypothecation
 - b) pledge
 - c) mortgage
 - d) **assignment**

- 5) 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**

- 6) 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
- 7) 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**
- 8) Mortgage borrowers must pay 20 percent of the home's purchase price at closing as a down payment.
- a) True
 - b) False**
- 9) As a fixed-rate mortgage nears maturity, the portion of the monthly mortgage payment that is applied to principal _____ while the amount applied to interest _____.
- a) Decreases; increases
 - b) Increases; decreases**
 - c) Does not change; decreases
 - d) Increases; does not change
- 10). _____ 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
- 11) 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**
- 12) 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
- 13) Benefits of securitization include all of the following EXCEPT:
- a) Reduced credit risk
 - b) Generation of income
 - c) Greater reserve requirements**
 - d) Increased liquidity
- 14) FHA mortgages and VA mortgages are conventional mortgages.
- a) True
 - b) False**
- 15) 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

Unit : Letter of Credit

Q2. Letter of Credit is used only for international trading payment operations:

- a) Yes
- b) No**
- c) None of The Above

Q3. Most Letter of Credit often used in International Trade. Letters of Credit are governed by rules promulgated by the:

- a) International Chamber of Commerce
- b) Uniform Customs and Practice for Documentary Credits
- c) Both of The Above**
- d) None of The Above

Q6. Letter of Credit is essential. Which among the following functions is suitable regarding the requirement of letter of credit:

- a) Importers and exporter regularly use letters of credit to protect themselves.
- b) Working with an overseas buyer can be risky because you do not necessarily know who you're working with.
- c) Buyer may be honest and have good intentions, but business troubles or political unrest can delay payment of seller.
- d) Communication can be difficult across thousands of miles and different time zones.
- e) **All of The Above**
- f) None of The Above

Q10. The bank with which credit is available (to seller) called _____:

- a) Delegated Bank
- b) **Nominated Bank**
- c) Any Bank
- d) None of The Above

Q12. Which among the following is correct about term 'Revocable' in Letter of Credit:

- a) If buyer and Issuing Bank that established the Letter of Credit manipulate the Letter of Credit.
- b) Any corrections made without informing or getting permission from the seller.
- c) All LCs are irrevocable (Type of LC is obsolete).
- d) **All of The Above**
- e) None of The Above

Q13. Which is correct about Irrevocable letter of credit:

- a) only allows change or cancellation of the letter of credit by issuing bank with approval by the beneficiary.
- b) All letters of credit governed by the current UCP are irrevocable letter of Credit.
- c) **Both of The Above**
- d) None of The Above

1. Which of the following is not a basic objective of documentation in foreign trade?

- A. to assure that the exporter will receive the payment
- B. to assure that the importer will receive the goods
- C. to eliminate risk of noncompeting
- D. to reduce foreign exchange risk
- E. none of the above

2. Which of the following is not an important document in foreign trade?

- A. a check for the value of goods

- B. a draft
 - C. bill of lading
 - D. a letter of credit
 - E. none of the above
3. _____ risk is the potential exchange loss from outstanding obligations as a result of exchange-rate fluctuations.
- A. Trade
 - B. Exchange
 - C. Finance
 - D. Noncompletion
 - E. Transaction
4. Foreign exchange risk can be reduced by using _____.
- A. forward contracts
 - B. futures contracts
 - C. currency options
 - D. currency denomination
 - E. all of the above
5. Which of the following is not a condition for drafts to be negotiable?
- A. must be in writing, signed by the drawer
 - B. must contain a promise to pay a certain sum if goods are received
 - C. must contain an order to pay
 - D. must be payable on sight or at a specified date
 - E. must be made out to order or bearer
6. If a draft is made to bearer, payment should be made to _____.
- A. a bank
 - B. drawer
 - C. acceptor
 - D. anyone who presents the draft
 - E. all of the above
7. If a draft is accepted by a bank, it becomes a _____.
- A. valid draft
 - B. demand draft
 - C. usance draft
 - D. banker's acceptance
 - E. drawee's acceptance
8. Forms of countertrade include the following except ____.
- A. simple barter
 - B. clearing arrangement
 - C. switch trade
 - D. counterpurchase
 - E. mutual agreement

10. When IBM ships products to its subsidiary in Argentina, it will most likely use a _____ draft.
- A. sight
 - B. clean
 - C. D/P
 - D. demand
 - E. all of the above
11. If a carrier is instructed to deliver goods to an importer, a _____ bill of lading is used.
- A. straight
 - B. order
 - C. documentary
 - D. on-board
 - E. clean
12. A(n) _____ bill of lading does not guarantee that the goods have been loaded on the vessel.
- A. on-board
 - B. foul
 - C. received-for-shipment
 - D. straight
 - E. order
17. Which of the following documents should necessarily accompany a draft?
- A. certificate of origin
 - B. weight list
 - C. packing list
 - D. inspection certificate
 - E. none of the above
20. Which of the following is not true of a consular invoice?
- A. provides customs officials with all information
 - B. facilitates easy customs clearance
 - C. helps customs officials assess duties
 - D. issued by the consulate of the exporting country
 - E. it is not a title to the goods
21. Which of the following is not a form of offset agreements?
- A. coproduction
 - B. licensed production
 - C. subcontractor production
 - D. cash in advance
 - E. technology transfer

22. Which of the following is not a form of countertrade?
- A. barter
 - B. consignment
 - C. switch trading
 - D. counterpurchase
 - E. compensation agreement
23. In a _____ countertrade the initial seller receives compensation in products that arise out of the original sale.
- A. consignment
 - B. barter
 - C. counterpurchase
 - D. buy-back agreement
 - E. switch trading
24. Buying a company's accounts receivable on a nonrecourse basis is known as _____.
- A. switch trading
 - B. financing
 - C. factoring
 - D. funding
 - E. free trade
25. Which of the following is not necessarily a party to a forfaiting transaction?
- A. exporter
 - B. importer
 - C. broker
 - D. bank
 - E. forfeiter
26. Below are five steps involved in a typical trade transaction. Which step is out of order:
- A. exporter agrees to ship under a letter of credit
 - B. exporter ships the product to the importer
 - C. importer's bank issues the letter of credit
 - D. exporter prepares a 60-day draft on importer in accordance with the letter of credit.
 - E. the draft is accepted by the importer's bank becoming a bankers' acceptance.
27. The "three C's" of international commerce are:
- A. customers
 - B. commitment
 - C. currency
 - D. cultural sensitivity
 - E. A, B, and D
28. When exporting some common pitfalls include:
- A. failure to use an export management company

- B. failure to print service, sales, and warranty messages in local languages
- C. chasing orders around the world instead of establishing a basis for profitable operations and orderly growth
- D. failure to consider licensing or joint venture agreements
- E. all of the above

1. E
2. A
3. E
4. E
5. B
6. D
7. D
8. E
9. E
10. B
11. A
12. C
13. C
14. B
15. E
16. E
17. E
18. A
19. C
20. D
21. D
22. B
23. D
24. C
25. C
26. C
27. E
28. E

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