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QUESTION BANK

Title of the Paper

BANKING THEORY LAW AND PRACTICE

Course: I B.Com.,
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CORE COURSE – IV

BANKING THEORY LAW AND PRACTICE

UNIT – I

Definition of the term banker and customer – General relationship – special relationship – main functions and subsidiary services rendered by banker – agency services and general utility services.

UNIT – II

Operations of Bank Accounts – Fixed Deposits – Fixed Deposit Receipt and its implications – Savings Bank accounts – Current accounts – Recurring Deposit accounts- New Deposit savings schemes introduced by Banks – Super Savings Package – Cash Certificate, Annuity Deposit – Reinvestment plans – Perennial Premium plan – Non Resident (External) accounts Scheme.

UNIT - III

Types of Customers – Account holders – Procedure for opening and closing of accounts of Customers- particulars of individuals including Minor, illiterate persons- Married women – Lunatics – Drunkards – Joint Stock Companies – Non- Trading Associations – Registered and Unregistered Clubs – Societies, Attorney - Executive and administration – Charitable institutions – trustees – Liquidators – Receivers – Local authorities – steps to be taken by banker in the event of death, Lunacy, Bankruptcy – winding up Garnishee Order.

UNIT – IV

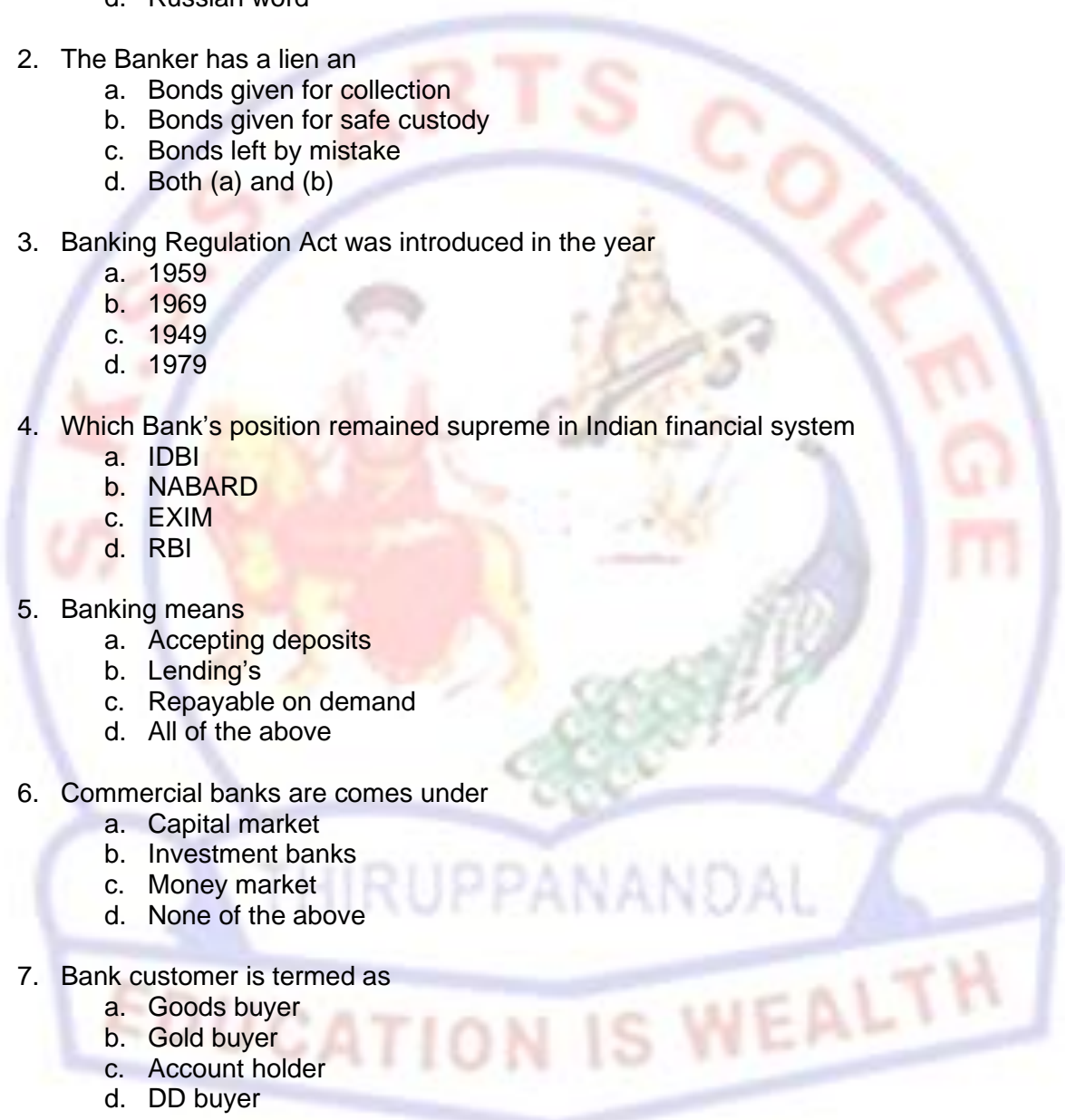
Paying and collecting bankers – rights, responsibilities and duties of paying and collecting banker – precautions to be taken in payment and collection of cheques – protection provided to them – nature of protection and conditions to get protection – payment in due course – recovery of money paid at mistake.

UNIT – V

Pass book and Issue of duplicate pass book – cheques - Definition of a cheque – requisites of a cheque – drawing of a cheque - types of cheque – alteration – marking – crossing – different forms of crossing and their significance – Endorsement loss of cheques in transit – legal effect. Modern Banking, Banking practice – e-banking – Internet banking – Mobile banking – ATMS- Cash Machine – EFT (Electronic Fund Transfer) – RTGs, NEFT, MICR.

UNIT – I

CHOOSE THE CORRECT ANSWER

1. The word 'Bank' is derived from
 - a. Latin word
 - b. American word
 - c. British word
 - d. Russian word
 2. The Banker has a lien on
 - a. Bonds given for collection
 - b. Bonds given for safe custody
 - c. Bonds left by mistake
 - d. Both (a) and (b)
 3. Banking Regulation Act was introduced in the year
 - a. 1959
 - b. 1969
 - c. 1949
 - d. 1979
 4. Which Bank's position remained supreme in Indian financial system
 - a. IDBI
 - b. NABARD
 - c. EXIM
 - d. RBI
 5. Banking means
 - a. Accepting deposits
 - b. Lending's
 - c. Repayable on demand
 - d. All of the above
 6. Commercial banks are comes under
 - a. Capital market
 - b. Investment banks
 - c. Money market
 - d. None of the above
 7. Bank customer is termed as
 - a. Goods buyer
 - b. Gold buyer
 - c. Account holder
 - d. DD buyer
 8. Which one is general relationship between banker and his customer
 - a. Debtor and Creditor
 - b. Trustee and Trustor
 - c. Agent and Principal
 - d. Bailor and Bailee
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9. Rights of a Banker
 - a. Right of general lien
 - b. Right of set off
 - c. Right to charge interest and commission etc.,
 - d. All of the above

10. 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 same sort of an account
 - d. There must be a single transaction of any nature

Answers: 1.a 2.a 3.c 4.d 5.d 6.c 7.c 8.a 9.d 10.c

SHORT QUESTIONS (2 MARKS)

11. Define Banking.
12. Who is a customer of Bank?
13. Define Banker.
14. What is Banker's lien?
15. What do you know about 'Bank charges'?
16. What is 'Branch banking system'?
17. What is General lien?
18. What is 'Unit banking system'?
19. What are 'Agricultural banks'?
20. What is 'Particular lien'?

PARAGRAPH QUESTIONS (5 MARKS)

21. Briefly explain the objectives of bank.
22. State the relationship between a banker and his customer.
23. Explain the banker's right of set off.
24. Write down the primary functions of bank.
25. Banker is a privileged debtor' – Explain.
26. List out the agency service rendered by the banker.
27. What are the subsidiary services offered by a banker?
28. What are the duties of a banker as a bailee?
29. Write short notes on:
 - a) Banker
 - b) Customer
30. Write short notes on:
 - a) Particular lien
 - b) General lien

ESSAY TYPE QUESTIONS (10 MARKS)

31. What are the special relationships between a banker and his customer?
32. Explain the role of bank in detail.
33. Discuss the general relationship between a banker and his customer.
34. What are the primary functions of bank?-Explain.
35. Explain the secondary functions of bank.
36. Discuss the general organizational structure of banking.
37. Briefly explain, the advantages and disadvantages of Unit banking system.
38. Write a detailed note on the social responsibility of bankers.

39. Write short notes on:
- Deposit banking
 - Wholesale banking
 - Universal banking
40. Write short notes on:
- Savings banks
 - Cooperative banks
 - Industrial banks

UNIT – II

CHOOSE THE CORRECT ANSWER

- What types of accounts bank usually offer to its customers?
 - Fixed deposit account
 - Savings deposit account
 - Current account
 - All of the above
- Which deposit offers high rate of interest to its customer?
 - Current deposit account
 - Savings deposit account
 - Fixed deposit account
 - All of the above
- Which accounts have restrictions on withdrawals?
 - Current deposit account
 - Savings deposit account
 - Fixed deposit account
 - All of the above
- Current account scheme is suitable for
 - Monthly salary earners
 - Senior citizens
 - Wage earners
 - Business men's
- Who can give introduction to open an account?
 - Existing customer
 - Politicians
 - Government employees
 - Local authorities
- Which one is not important document for operate savings bank account?
 - Pass book
 - Pay in slip book
 - Cheque book
 - Withdrawal form
- Recurring deposit account treated as
 - Fixed deposit
 - Monthly deposit
 - Annual deposit
 - Half yearly deposit

8. Students deposit account scheme stands in period of operation for
 - a. 4 years
 - b. 5 years
 - c. 6 years
 - d. 7 years
9. FDR stands for
 - a. Fixed Deposit Receipt
 - b. Final Deposit Receipt
 - c. Financial Deposit Receipt
 - d. Future Deposit Receipt
10. NRI stands for
 - a. National Recruiting Indians
 - b. Non Residence of India
 - c. National Reserved Indians
 - d. None of the above

Answers: 1.a 2.c 3.b 4.d 5.a 6.c 7.b 8.d 9.a 10.b

SHORT QUESTIONS (2 MARKS)

11. What is Fixed deposit account?
12. State the features of a cash certificate.
13. Explain Any two nature of recurring deposit.
14. When can a banker close the account of a customer?
15. Write a short note on Annuity deposits.
16. What are the other names of current account?
17. Can an insolvent open a Bank account?
18. What are the contents include FDR?
19. What is Call deposit?
20. Who is Nonresident account?

PARAGRAPH QUESTIONS (5 MARKS)

21. What are the characteristics of saving deposit account?
22. State the significance of recurring deposit.
23. What are the special features of fixed deposit?
24. State the nature of current account.
25. Mention the various attractive savings deposits schemes.
26. What are the duties of a banker on receipt of notice of the death of a customer?
27. What are the condition recessions to constitute a customer of a bank?
28. What is Joint account?-Discuss.
29. Can a customer receive payment on a FDR before its due date?-Explain.
30. Write a short note on Nonresident external account scheme.

ESSAY TYPE QUESTIONS (10 MARKS)

31. What are the precautions does a banker has to follow while opening a new account?
32. Discuss the various innovative deposit schemes.
33. Explain the features of fixed deposit receipts.
34. Briefly explain the various deposits offered by banker.
35. Explain the precautions a banker shall take, while exposure of customer accounts.

36. Explain the salient features of a savings account.
37. Mention the special features of current account.
38. Explain the attractive savings schemes offered by banks to customers.
39. Discuss the deposit schemes for Indian abroad.
40. Explain the reason for closing of bank account.

UNIT – III

CHOOSE THE CORRECT ANSWER

1. Special customers are
 - a. Ordinary customers
 - b. Contract customers
 - c. Different from normal customers
 - d. None of the above
2. How many categories are there for the customers are treated as special customer in bank
 - a. Above 5
 - b. Above 10
 - c. Above 15
 - d. Above 20
3. Who is minor
 - a. Not attained the age of 21
 - b. Not attained the age of 18
 - c. Not attained the age of 24
 - d. Not attained the age of 35
4. The Guardian of a minor may be
 - a. Natural Guardian
 - b. Testamentary Guardian
 - c. Guardian appointed by court
 - d. All of the above
5. Lunatic means
 - a. Sound mind
 - b. Unsound mind
 - c. Rational thinker
 - d. Good judger
6. An illiterate person is
 - a. Does not know read
 - b. Does not know write
 - c. Does not know speak
 - d. Does not know read and write
7. A relationship between persons who have agreed to share the profits of a business carried on by all or any of them action for all, which means
 - a. Joint account holder
 - b. Joint hindu family
 - c. Partnership firm
 - d. Joint stock company

8. The document setting out the purpose, objectives and rules etc, of the trust is known as
- Probate
 - Will
 - Trust deed
 - None of the above
9. A customer can appoint an attorney to deal with his bank account, he is called as
- Executor
 - Administrator
 - Trustee
 - Power of attorney
10. According from existing laws, society, clubs, charitable institutions etc. are called as
- Non trading associations
 - Government departments
 - Local authorities
 - Cooperatives institutions

Answers: 1.c 2.d 3.b 4.d 5.b 6.d 7.c 8.c 9.d 10.a

SHORT QUESTIONS (2 MARKS)

- Who is minor?
- What are the problems of a lunatic customer?
- Define Married women.
- Who is Attorney?
- Define Partnership Firm.
- Who is Liquidator?
- Mention the Non trading associations.
- Define Joint Stock Company.
- Who are Executor and administrator?
- State the Local authorities in India.

PARAGRAPH QUESTIONS (5 MARKS)

- State the points which shall be considered by a bank while opening in the name of minor.
- Describe the procedures for opening an account in the name of a Joint stock company.
- Write a short note on 'Illiterate customer'.
- What are the precautions to be taken by banker before opening the account of Non trading institutions?
- Discuss the features of the accounts of Local authorities.
- What are the duties of a banker on the bankruptcy of a customer?
- Who are the Executors and administrators? Examine the banks responsibilities in these cases.
- What are the points to be noted by the banker regarding the customer's attorney account?
- What are the precautions to be taken by a banker while opening the trustee account?
- Explain the procedures to be followed in opening account for the following customers
 - Married women
 - Lunatics

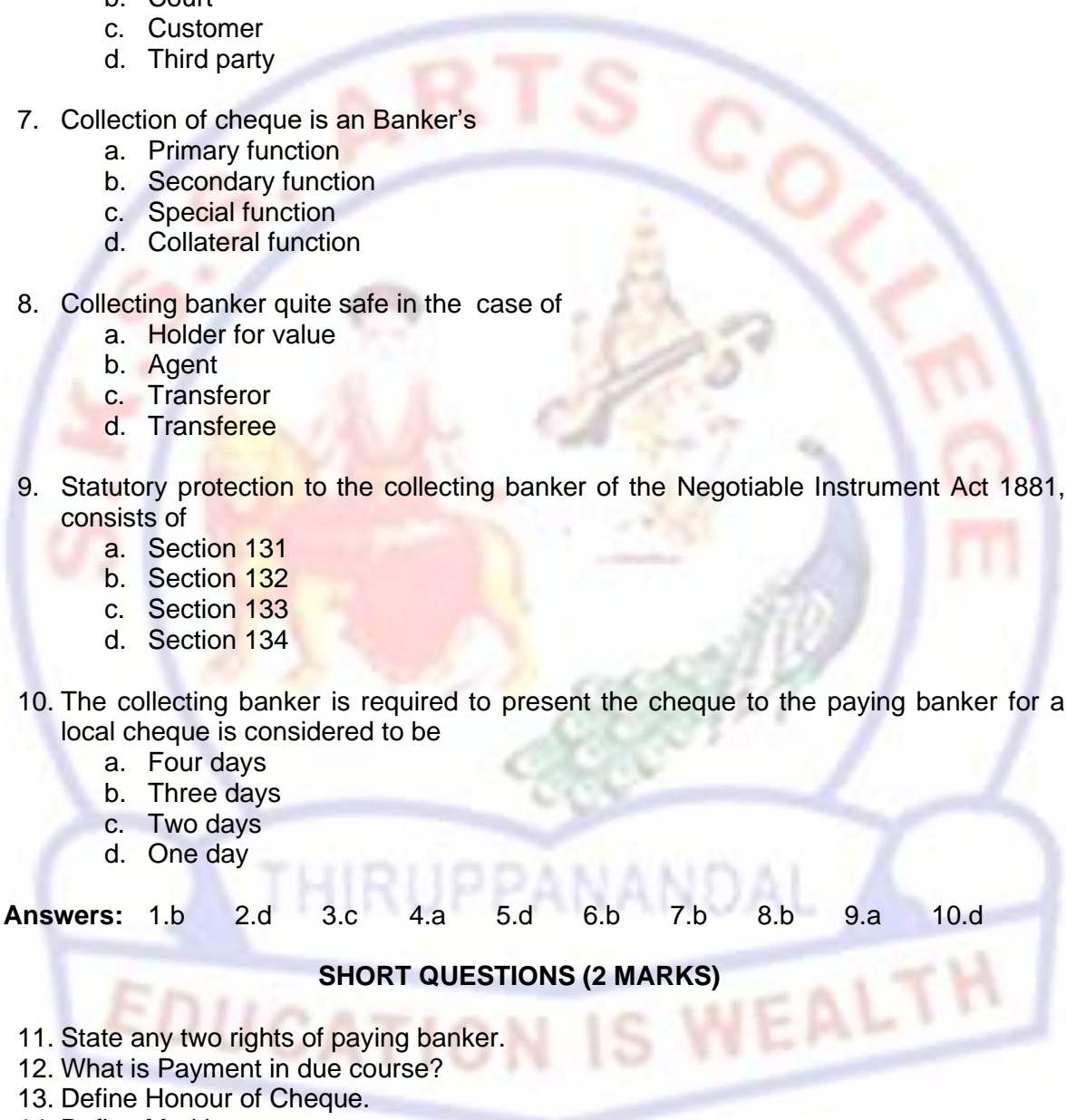
ESSAY TYPE QUESTIONS (10 MARKS)

31. State the precautions to be taken by the banker while dealing with a lunatic, drunkard and Illiterate persons.
32. Explain the precautions to be taken Married women and Pardanashin women customers.
33. What are the precautions to be taken by the bank before opening an account and sanctioning the loan in the name of Joint stock companies?
34. What are the precautions a banker has to take while operating an account in the name of Executors and trustees?
35. Explain the steps to be taken by the banker in opening and dealing for charitable institutions.
36. Discuss in detail as to how the bank should deal with a company as a customer.
37. Explain the precautions to be taken by the banker while dealing with the customer Attorney and trustees account.
38. Discuss the main features of the following three types of special customers
 - a. Joint account holders
 - b. Partnership firms
 - c. Local authorities
39. How the banker should deal with the following types of customers?
 - a. Clubs
 - b. Government department
 - c. Cooperative societies
40. Write short notes on:
 - a. Bank ruptcy
 - b. Insolvency
 - c. Garnishee order

UNIT – IV

CHOOSE THE CORRECT ANSWER

1. The main duty of paying banker
 - a. Payment of money
 - b. Payment of cheque
 - c. Payment of interest
 - d. Payment of bill of exchange
2. Cheques drawn in India are valid for
 - a. Six month
 - b. Two month
 - c. One month
 - d. Three month
3. Post dated cheque means
 - a. Without date
 - b. Ante date
 - c. Advance date
 - d. Dual date
4. Material alteration must be confirmed by signing of
 - a. Drawer
 - b. Drawee
 - c. Payee
 - d. Holder

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5. Which customer has issued the stop payment order?
- Death of customer
 - Insolvency of customer
 - Receipt of Garnishee order
 - All of the above
6. Garnishee order issued by
- Banker
 - Court
 - Customer
 - Third party
7. Collection of cheque is an Banker's
- Primary function
 - Secondary function
 - Special function
 - Collateral function
8. Collecting banker quite safe in the case of
- Holder for value
 - Agent
 - Transferor
 - Transferee
9. Statutory protection to the collecting banker of the Negotiable Instrument Act 1881, consists of
- Section 131
 - Section 132
 - Section 133
 - Section 134
10. The collecting banker is required to present the cheque to the paying banker for a local cheque is considered to be
- Four days
 - Three days
 - Two days
 - One day

Answers: 1.b 2.d 3.c 4.a 5.d 6.b 7.b 8.b 9.a 10.d

SHORT QUESTIONS (2 MARKS)

- State any two rights of paying banker.
- What is Payment in due course?
- Define Honour of Cheque.
- Define Marking.
- What is Ante-dated cheque?
- Who can issue countermanding order?
- Is collecting banker as an Agent of the customer?
- What is Wrongful conversion?
- What is meant by Material alteration?
- What is Holder in due course?

PARAGRAPH QUESTIONS (5 MARKS)

21. Enlist the responsibilities of a paying banker.
22. What are the duties of a collecting banker?
23. Differentiate between holder and holder in due course.
24. What do you understand by payment in due course? Explain.
25. When can a cheque be dishonored? Explain.
26. What are the precautions to be taken by the paying banker?
27. Enumerate the statutory protection available to the paying banker.
28. What are the procedures to be followed in collection of cheques?
29. Explain the position of the collecting banker and his statutory protection.
30. How will the banker recovery of money paid by mistake? Explain.

ESSAY TYPE QUESTIONS (10 MARKS)

31. Explain the statutory protection for paying banker.
32. What are the protections available to a collecting banker? Explain.
33. When can a banker refuse payment of the cheque drawn on him?
34. What are the factors influencing of dishonours of cheque? Explain.
35. What are the factors influencing of honour of cheque? Explain.
36. What are the reasons for refuse the payment of cheque? Explain.
37. Explain the legal effects of material alterations.
38. What are the rights enjoyed by the banker acting as an agent of his customer?
39. Discuss the role of the banker as a holder for value and also his rights.
40. Explain the duties of the collecting banker towards his customer.

UNIT – V

CHOOSE THE CORRECT ANSWER

1. Pass book contents include
 - a. Date
 - b. Transactions
 - c. Balance
 - d. All of the above
2. The important delivery channel of E-Banking is _____
 - a. Home banking
 - b. Tele banking
 - c. Internet banking
 - d. Mobile banking
3. A cheque is a
 - a. Conditional order
 - b. Bill of exchange
 - c. Non-payment order
 - d. Money order
4. Parties of a cheque
 - a. Drawer
 - b. Drawee
 - c. Payee
 - d. All of the above

5. The click and portal model facilitates _____
- Traditional banking
 - Paperless banking
 - Virtual banking
 - Both (a) and (c)
6. Drawings of two parallel transverse lines across the face of a cheque is called
- Marking
 - Crossing
 - Checking
 - Cancelling
7. The biggest constraint in E-Banking is _____
- Start-Up cost
 - Maintenance cost
 - Training cost
 - Security cost
8. Special crossing includes
- Payee account number
 - Payee name
 - Payee bank name
 - Payee signature
9. Action of endorsement, thus mean signing the name of the endorser of the instrument on
- Front side
 - Back side
 - Double side
 - None of the above
10. E- Banking services offer
- Internet banking
 - Mobile banking
 - Tele banking
 - All of the above

Answers: 1.d 2.c 3.b 4.d 5.d 6.b 7.a 8.c 9.b 10.d

SHORT QUESTIONS (2 MARKS)

- Define 'Pass Book'.
- What is E-Banking?
- What is meant by 'Special crossing'?
- Define Cheque.
- Define Crossing.
- What is Stale cheque?
- What is 'Electric fund transfer'?
- What is ATM?
- What is Endorsement?
- What is Tele Banking?

PARAGRAPH QUESTIONS (5 MARKS)

21. Discuss the contents of a passbook.
22. Bring out the benefits of E-Banking.
23. Discuss the essential features of a cheque.
24. Explain the various types of cheques
25. What is crossing? List out the various types of crossing.
26. Explain about the material alterations.
27. Bring out the major advantages of internet banking.
28. List down the significance of endorsements.
29. Briefly explain the features of ATM.
30. Write short notes on:
 - a) E-Banking
 - b) Tele Banking

ESSAY TYPE QUESTIONS (10 MARKS)

31. Draw a specimen of a cheque and discuss its features.
32. Explain the different types of crossing.
33. Explain the requisites of a valid cheque.
34. What is marking of cheque? Explain the different types of marking of cheque.
35. What is crossing? State its significance
36. Discuss the development and growth of E-Banking in the Indian scenario.
37. Explain the requisites of a valid endorsements.
38. Briefly explain the differences between Internet banking and Traditional banking.
39. Discuss the various functions of ATM.
40. Describe the steps involved in the Electronic funds transfer system.

