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QUESTION BANK

Title of the Paper

BANKING THEORY LAW AND PRACTICE

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MAJOR BASED ELECTIVE – III
BANKING THEORY, LAW AND PRACTICE

UNIT – I

Relationship of banker and customer – 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 – safe custody deposit – letter of credit – issue and payment of demand drafts and foreign bills, merchant banking.

UNIT – II

Operations of bank accounts – fixed deposits – fixed deposit receipts and its implications, savings deposit 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 and practice for opening and conducting and closing of accounts of customers particular of individuals including minor, illiterate persons – married women – lunatics – drunkards – joint stock companies – non trading associations – registered and unregistered clubs – societies customers" attorney – executive and administrators – charitable institutions – trustees – liquidators – receivers – local authorities – steps to be taken on death, lunacy, bankruptcy – winding up in case of Garnishee orders.

UNIT – IV

Paying and collecting bankers – rights responsibilities and duties of paying and collecting banker – precautions to be taken in paying and collecting of cheques – protection provided to them – nature of protection and conditions to get protection – meaning of terms – such as 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 – loss of cheques in transit – legal effect- recent trends in banking – e-banking services.

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. German word 'Banco' means
 - a. Joint stock
 - b. Banking
 - c. Heap
 - d. Mound
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 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. Bailee and Bailer

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 the above
10. Which is head of Merchant Bank in India
a. RBI
b. SEBI
c. IDBI
d. ICICI

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

SHORT QUESTIONS (2 MARKS)

11. Define Banking
12. Who is customer of Bank?
13. Define "Banker"
14. What is meant by bank overdraft?
15. What is meant by demand draft?
16. What is Merchant Banking?
17. What is general Line?
18. How does a Banker offer safe custody facility?
19. What is Foreign Bill?
20. What is Letter of Credit?

PARAGRAPH QUESTIONS (5 MARKS)

21. Briefly explain the objectives of banking
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 banking
25. Banker is a privileged debtor' – Explain
26. List out the agency service rendered by the banker
27. What are the significance of merchant banker?
28. What are the subsidiary services offered by a banker?
29. What are the duties of a banker as a bailee?
30. Write a short note on Demand Draft

ESSAY TYPE QUESTIONS (10 MARKS)

31. What are the special relationships between a banker and a customer?
32. Explain the role of bank in detail
33. Discuss the general relationship between a banker and a customer
34. What are the primary functions of bank? Explain
35. Explain the secondary function of bank
36. Write detailed note on
a. Demand Draft
b. Travelers Cheque
37. Discuss the types of Letter of Credit
38. Explain about opening and operating safe custody vault in bank
39. Explain the services of Merchant Banking
40. Write detail note on Foreign Bills

UNIT – II

CHOOSE THE CORRECT ANSWER

1. What types of accounts bank usually offer to its customers?
 - a. Fixed Deposit Account
 - b. Savings Deposit Account
 - c. Current Account
 - d. All the above
2. Which deposit offers high rate of interest to its customer?
 - a. Current Deposit Account
 - b. Savings Deposit Account
 - c. Fixed Deposit Account
 - d. All the above
3. Which account have restrictions on withdrawals?
 - a. Current Deposit Account
 - b. Savings Deposit Account
 - c. Fixed Deposit Account
 - d. All the above
4. Current account scheme is suitable for
 - a. Monthly salary earners
 - b. Senior Citizens
 - c. Wage earners
 - d. Business men's
5. Who can give introduction to open an account?
 - a. Existing customer
 - b. Politicians
 - c. Government employees
 - d. Local authorities
6. Which one is not important document for operate savings bank account?
 - a. Pass book
 - b. Pay in slip book
 - c. Cheque book
 - d. Withdrawal form
7. Recurring deposit account treated as
 - a. Fixed deposit
 - b. Monthly deposit
 - c. Annual deposit
 - d. 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
- Fixed Deposit Receipt
 - Final Deposit Receipt
 - Financial Deposit Receipt
 - Future Deposit Receipt
10. NRI stands for
- National Recruiting Indians
 - Non Residence of India
 - National Reserved Indians
 - 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)

- What is Fixed Deposit Account?
- State the features of a cash certificate
- Explain any two nature of recurring deposit
- When can a banker close the account of a customer?
- Write a short note on annuity deposits
- What are the other names of current account?
- Can an insolvent open a bank account?
- What are the contents include FDR?
- What is call deposit?
- Who is nonresident?

PARAGRAPH QUESTIONS (5 MARKS)

- What are the characteristics of saving deposit account?
- State the significance of recurring deposit
- What are the special features of fixed deposit?
- State the natures of current account
- Mention the various attractive savings deposits schemes
- What are the duties of a banker on receipt of notice of the death of a customer?
- What are the condition recessions to constitute a customer of a bank?
- What is joint account? Discuss
- Can a customer receive payment on a FDR before its due date? Explain
- Write a short note on Non Resident External Account scheme.

ESSAY TYPE QUESTIONS (10 MARKS)

- What are the precautions does a banker has to follow while opening a new account?
- Discuss the various innovative deposit schemes
- Explain the features of Fixed Deposit Receipts
- Briefly explain the various deposits offered by banker
- Explain the precautions a banker shall take, while exposure of customer account
- Explain the salient features of a saving account
- Mention the special features of current account
- Explain the attractive savings schemes offered by bank to its customers
- Discuss the deposit schemes for Indian abroad
- 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 the above
5. Lunatic means
 - a. Sound mind
 - b. Unsound mind
 - c. Rational thinker
 - d. Good judge
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
 - a. Probate
 - b. Will
 - c. Trust Deed
 - d. 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)

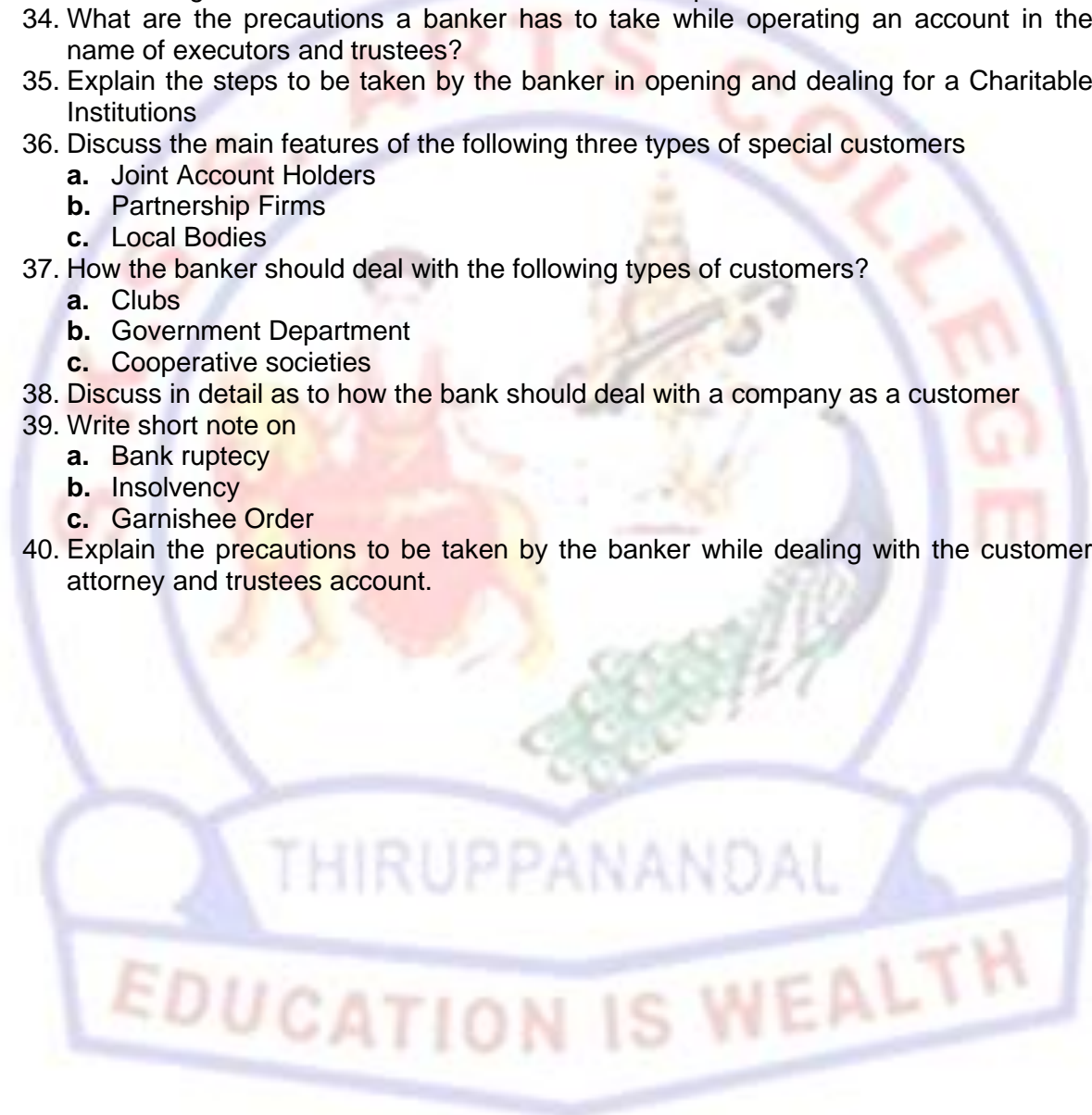
- Who is minor?
- What are the problems of a lunatic customer?
- Define "Married Women"
- Who is attorney?
- Define 'Partnership Firm'
- Who is Liquidator?
- Mention the non trading associations
- Define 'Joint Stock Company'
- Who is Executor and Administrator?
- State the Local Authorities in India

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?
- Explain the procedures to be followed in opening account for the following customers
 - Married Women
 - Lunatics
- Discuss the features of the accounts of a Local Authorities
- What are the duties of a banker on the bank ruptcy 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?

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 a Charitable Institutions
36. Discuss the main features of the following three types of special customers
 - a. Joint Account Holders
 - b. Partnership Firms
 - c. Local Bodies
37. How the banker should deal with the following types of customers?
 - a. Clubs
 - b. Government Department
 - c. Cooperative societies
38. Discuss in detail as to how the bank should deal with a company as a customer
39. Write short note on
 - a. Bankruptcy
 - b. Insolvency
 - c. Garnishee Order
40. Explain the precautions to be taken by the banker while dealing with the customer attorney and trustees account.



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
5. Which customer has issued the stop payment order?
 - a. Death of customer
 - b. Insolvency of customer
 - c. Receipt of Garnishee Order
 - d. All the above
6. Garnishee Order issued by
 - a. Banker
 - b. Court
 - c. Customer
 - d. Third party
7. Collection of Cheque is an Banker's
 - a. Primary function
 - b. Secondary function
 - c. Special function
 - d. Rare function
8. Collecting banker quite safe in the case of
 - a. Holder for value
 - b. Agent
 - c. Transferor
 - d. Transferee

9. Statutory protection to the collecting banker of the Indian Negotiable Instrument Act 1881, consists of
- a. Section 131
 - b. Section 132
 - c. Section 133
 - d. Section 134
10. The collecting banker is required to present the cheque to the paying banker for a local cheque is considered to be
- a. Four days
 - b. Three days
 - c. Two days
 - d. 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)

11. State any two rights of paying banker
12. What is payment in due course?
13. Define 'Honour of Cheque'
14. Define Marking
15. What is ante-dated cheque?
16. Who can issue countermanding order?
17. Is collecting banker as an agent of the customer?
18. What is 'wrongful conversion'?
19. What is meant by material alteration?
20. What is 'Holder for value'?

PARAGRAPH QUESTIONS (5 MARKS)

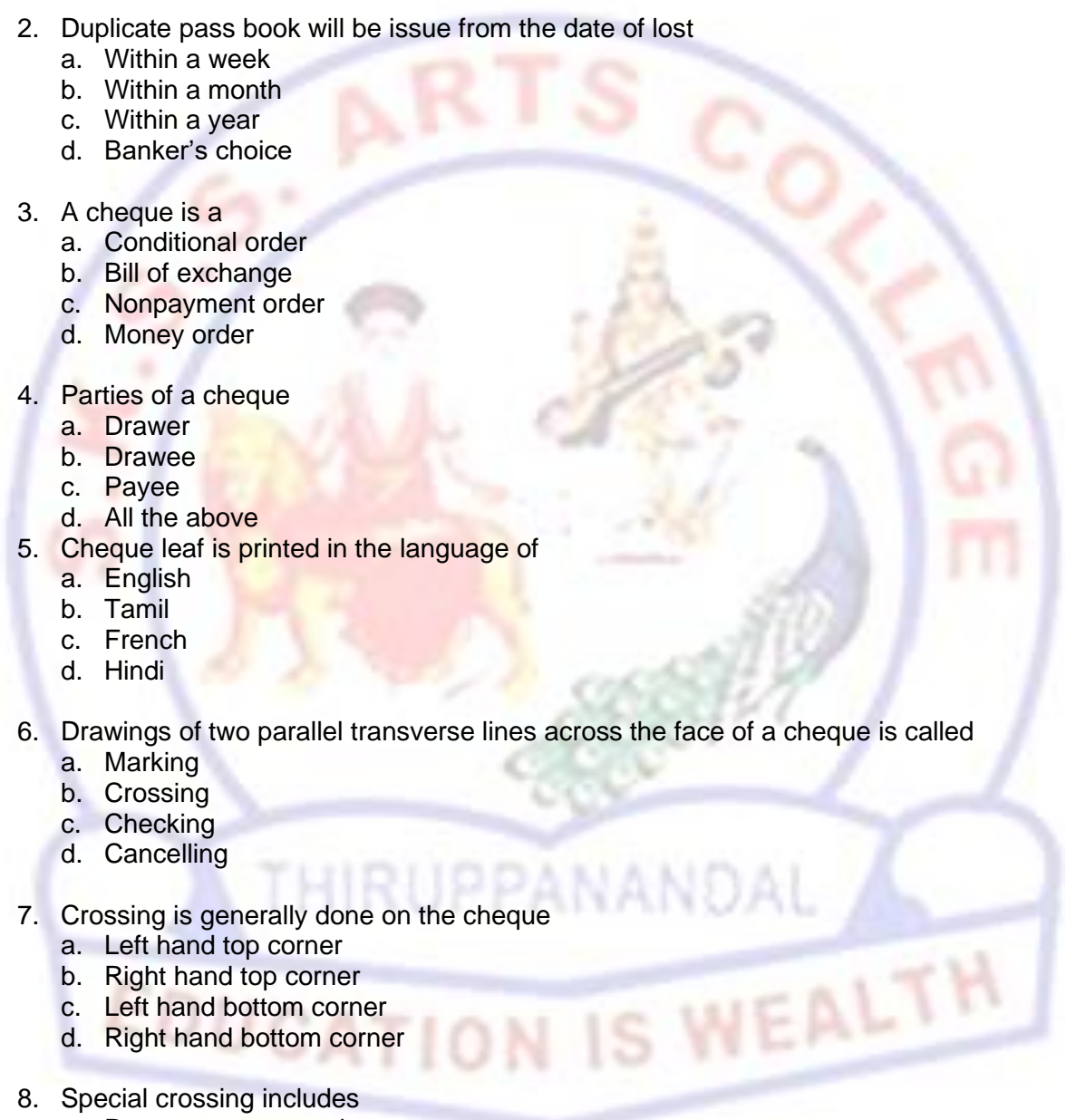
21. Enlist the responsibilities of a paying banker.
22. What are the duties of a collecting banker?
23. Differentiate between holder and holder in due course
24. What do you understand by payment in due course? Explain
25. When can a cheque be dishonored? Explain.
26. What are the precautions to be taken 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 be 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 the above
 2. Duplicate pass book will be issue from the date of lost
 - a. Within a week
 - b. Within a month
 - c. Within a year
 - d. Banker's choice
 3. A cheque is a
 - a. Conditional order
 - b. Bill of exchange
 - c. Nonpayment order
 - d. Money order
 4. Parties of a cheque
 - a. Drawer
 - b. Drawee
 - c. Payee
 - d. All the above
 5. Cheque leaf is printed in the language of
 - a. English
 - b. Tamil
 - c. French
 - d. Hindi
 6. Drawings of two parallel transverse lines across the face of a cheque is called
 - a. Marking
 - b. Crossing
 - c. Checking
 - d. Cancelling
 7. Crossing is generally done on the cheque
 - a. Left hand top corner
 - b. Right hand top corner
 - c. Left hand bottom corner
 - d. Right hand bottom corner
 8. Special crossing includes
 - a. Payee account number
 - b. Payee name
 - c. Payee bank name
 - d. 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 the above

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

SHORT QUESTIONS (2 MARKS)

- Define 'Pass Book'
- List down the parties involved in a cheque
- What is meant by 'special crossing'?
- Define 'cheque'
- Define 'crossing'
- What is stale cheque?
- What general crossing?
- Define debit card and credit card
- What is endorsement?
- What is e-banking?

PARAGRAPH QUESTIONS (5 MARKS)

- Discuss the contents of a passbook.
- What are the procedures for issuing duplicate pass book?
- Discuss the essential features of a cheque
- Explain the various types of cheques
- What is crossing? List out the various types of crossing.
- Explain about material alteration
- Explain about marking of cheque
- Distinguish between cheque and draft
- List down the significance of endorsement
- Briefly explain the features of ATM.

ESSAY TYPE QUESTIONS (10 MARKS)

- Draw a specimen of a cheque and discuss its features
- Explain the different types of crossing
- Explain the requisites of a valid cheque
- What is marking of cheque? Explain the different types of marking of cheque
- What is crossing? State its significance
- Explain the effect of marking of cheque
- Explain the requisites of a valid endorsement
- Explain the different kinds of services offered by modern banks
- Discuss the recent trends in banking sectors
- Distinguish between debit card and credit card.