

Principles of Banking (E.M) - ICOM Part 2 Principles of Banking Chapter 1 Short Questions Preparation

Q1. How a change can be made in memorandum and articles of association.

Ans 1: A bank can change its memorandum of association with the permission of central Government or Court.

Ans 2: While a change can be made in articles of associations by passing a special resolution, this change should not be against the Co.'s Ordinance 1984 or against the memorandum of association.

Q2. What is meant by articles of association.

Ans 1: It is a second important document of the bank, which includes the rules and regulations to run a bank. This document never includes any such rule or regulation which is against the memorandum.

Q3. Write down the name of the methods of formation of Bank,

Ans 1: i- By Royal order

Ans 2: ii- By Special Ordinance.

Ans 3: iii- By company's Ordinance

Ans 4: iv- By co-operative societies Act 1925

Q4. What is meant by Foreign exchange banks.

Ans 1: These are the banks which buy and sell foreign currency with the permission of state bank of Pakistan. Foreign banks other than Indian Banks have been commonly known as "Foreign exchange banks" for example

Ans 2: American express bank

Ans 3: National and Grindlays bank

Q5. Write down the name of clauses in memorandum of association of bank.

Ans 1: Clauses in memorandum.: Memorandum of association includes the authority and limitation of a bank. It is a sort of contract between bank and its shareholders. No changes can be made in memorandum without permission of court.

Q6. How banks are classified on the basis of domicile.

Ans 1: On the basis of domicile banks can be classified as.

Ans 2: 1- Domestic banks: The banks which are incorporated within the country are called domestic banks.

Ans 3: 2- Foreign banks: The banks which have their head offices in some other country or incorporated in foreign country are known as foreign banks.

Q7. List various kinds of Banks.

Ans 1: 1- Chartered banks 2- Statutory banks 3- Saving and exchange bank

Ans 2: 4- According to Registration 5- School bank 6- Investment bank.

Q8. Define "Consortium loan" or participation loans.

Ans 1: When two or more banks join together to lend jointly to one borrower in certain agreed ratio against a common security. Such loans are called "Participation loan" or consortium loans.

Q9. How the word "BANK" has been derived.

Ans 1: The name 'Bank' has been derived from an Italian word 'Banco' which means of 'Desk /bench' used by Italians in 14th, 15th and 16th centuries in Italy.

Q10. What are the clauses of articles of association of a bank.

Ans 1: 1- Capital and its division into shares 2- Per share value.

Ans 2: 3- Various type of shares 4- Methods of selling shares

Ans 3: 5- Method of transferring shares 6- Appointment of directors

Ans 4: 7- Name and no of directors 8- Powers and duties of directors

Ans 5: 9- Accounts and their audit 10- Voting rights of shareholders.
