

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 second important document of the bank, which include the rules and regulation 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 method 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 a 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 types 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.