

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

Q1. What is Basic Banking Account.

Ans 1: In order to facilitate and provide basic banking facilities to the low income people in Pakista. NBP has introduced BBA facility to low income peoples.

Q2. Define Bridge loans.

Ans 1: Sometimes bankers do not disburse the amount of lona which they have sanctioned to the borrower due to delay or deficiencies in the completion of the documentation formalities, where as the borrower needs the money badly in this situtation the bank arrang esome lona for a short period as a stop gape arrangment . This is called " Bridge loan".

Q3. What is meant by Discounting Bill of Exchange.

Ans 1: If a creditor holding a Bill of exchange wants money immediately the bank provides him the mooney by discounting the Bill of exchange. Which mean that the bank willnot pay the full amount of bill, but a specifired amont from the bill willbe leducted.

Q4. Define bank according to Gilbert.

Ans 1: A bank is dealer in money . He is an intermediat party between borrower and lender. He borrows from one party and lends to others.

Q5. What is Saving Account.

Ans 1: Saving Account: Saving account is a very popular form of account in the middle income group people deposit their saving with the bank. The rate of intrest is lower than other accounts.

Q6. What is the meant by Bank GIRO creadit.

Ans 1: Bank GIRO Creadits can be paid into a bank account by the customer of the business, in which case th amunts will appear automaticly on the business's bank statement.

Q7. Define bank according to Sir John Paget.

Ans 1: According to Sir John Paget

Ans 2: Bank is aninstitution who performs the following functions.

Ans 3: i- Accepting of deposits ii- Lending of money

Ans 4: iii- Issues and pays cheques. iv- Transfer money from one place to another.

Q8. What are the various factors determining cash reserve.

Ans 1: i- Profit Ratio ii- Use of Credit Instruments

Ans 2: iii- Use of credit instruments iii- Political Conditions

Ans 3: iv- Rediscounting Facilities. v- Initial and last dates of the month

Ans 4: vi- Seasonal Requirements.

Q9. What is Interest.

Ans 1: interest is the price paid for the use of money borrowed. It fulfils the following conditions.

Ans 2: i- Calculated on pre determined rate.

Ans 3: ii- No concern with the profit or loss of the enterprise

Ans 4: iii- Increase the principal amount.

Q10. What is meant by Overdraft.

Ans 1: A bank permits his trustworthy customers to withdraw the amount more than the amount which is lying in his current account.
