

Principles of Banking (E.M) - ICOM Part 2 Principles of Banking Chapter 3 Short Questions Preparation

Q1. What are the effect of bank rate policy.

Ans 1: i- Effect on credit ii- Effect on deposit iii- Effect on investment

Ans 2: iv- Effect on import and export

Q2. Write down the names of advantages of clearing house.

Ans 1: i- Large credit ii- Saves time and labor iii- Development of trade.

Ans 2: iv- Better services to customers v- No need to keep large money

Ans 3: vi- Effective banking system.

Q3. Explain the fixed fiduciary system of note issue.

Ans 1: Under fixed fiduciary system, the government fixes a fixed amount of notes without keeping any metallic reserve. But this portion of currency must be backed by government securities. Which is called fiduciary limit. The notes issued other than fiduciary limit must be fully backed by gold or silver reserves.

Q4. Define Monetary policy.

Ans 1: The monetary policy refers to the measures, which are taken by the Government to control the supply of money in the country.

Q5. What is Inter Bank rate.

Ans 1: The rate at which commercial banks and central bank buys and sells foreign currency to each other is called inter bank rate.

Q6. In banking what is meant by "Pakistan Mint".

Ans 1: It is the place where the official coins of the country are made.

Q7. Define Central Bank according to Hawtrey.

Ans 1: A central Bank is that which is the lender of the last resort.

Q8. What is the bank rate policy.

Ans 1: Bank rate is the rate at which central bank rediscount the bills of exchange. In other word we can say that it is the rate of interest at which central bank advances loans to the commercial banks.

Q9. Define central Bank according to W.A. Shaw.

Ans 1: " A Central Bank is a bank which control credit".

Q10. Give the name of different principles of note issue.

Ans 1: i- Currency Principle

Ans 2: ii- Banking Principle
