Principles of Banking (E.M) - ICOM Part 2 Principles of Banking Chapter 7 Short Questions Preparation

Q1. What are the major sources of bank funds.

Ans 1: 1- Bank's own capital 2- Deposits from customers

Ans 2: 3- Loan from other banks 4- Reserve funds.

Q2. What are teh important terms of loans.

Ans 1: Lien: According to section 171 of contract act 1872, lien means the legal or equities right of lender on the borrower's property, which has been kept as security againts a certain loan.

Ans 2: Pledge: According to section 172 of contract act 1872, pledge in acutal delivery or right as weel as the possession of the good to the bank against cetain lona. the ownership of the property remasins with the pledger . In case of non paymnet the banker serves a notice.

Ans 3: Hypothecation: In case of hypoothercation goods are made available as security for the bad debts without transerring them to the lender. It means the possession and ownershp of goods remain with the borrower.

Ans 4: Mortage: Mortagage is written agreemnet between borrower and the lender for obtaining loan against immoveable property.

Q3. What is meant by employment of bank funds?

Ans 1: 1- By advancing lonas 2- By driect investment

Ans 2: 3- By purchase of shares and debentures.

Q4. What is the princples of advancing loan.

Ans 1: 1- Peinciple of security 2- Princi;le of safety

Ans 2: 3- Principle of liquidity 4- Principal of diversity

Ans 3: 5- Principle of income 6- Principal of repayment

Q5. What are demand loans.

Ans 1: These loans have no fixed determine period and can be demanded by bank at any time. Generallyk these lonas are issued to rich and trust worthy people.

Q6. Define specific guarantee.

Ans 1: This kind of gurantee is provided for the re payment of a particular loan only.

Q7. What precautions should be kept in mind by the bank while advancing loans.

Ans 1: 1- Resonable sale price 2- Safety of loan 3- Diversification of loan.

Ans 2: 4- Incerese in value 5- Durability 6- Liquidity

Q8. Define Security

Ans 1: when a bank of any financial insitution advances loan to a party. it takes some valuable as security against debt.

Q9. What is the unsecrued loans.

Ans 1: The loans which are not granted against certain valuables as security are called unseured loans.

Q10. What is the secured loans.

Ans 1: The loans which are granted agaisnt certainvaluables as security are called secured loans.
