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

Q1. Define specific guarantee.

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

Q2. Define continuous gurantee.

Ans 1: In such type of guranteee the gurantor promises to re pay all the loans taken by the borrower form time to time.

Q3. 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

Q4. What are the qualities of a good security.

Ans 1: Un disputed, increase in price , Sources of income , Durabiliyt

Ans 2: Low storage cost, Easy saleable, liquidity.

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. 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.

Q7. 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.

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 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

Q10. What is the unsecrued loans.

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