

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

Q1. Define Cash Reserve.

Ans 1: According to D.G. LOCKET.

Ans 2: "The part of total capital of any trading bank, financial corporation or institution which is essential to deposit with central bank or to keep with itself in cash form is called reserve."

Q2. The consumers Bank.

Ans 1: These banks provide Credit facilities for purchasing consumption goods for the use of borrowers. In Pakistan there is no such example of consumer bank our commercial banks are performing the functions of consumer banking.

Q3. Give Examples of scheduled banks in Pakistan.

Ans 1: Habib Bank Ltd.

Ans 2: Allied Bank Ltd.

Ans 3: Muslims Commercial Bank Ltd.

Ans 4: KASB bank Ltd.

Ans 5: Askari commercial Bank Ltd.

Q4. Define bill of exchange.

Ans 1: It is an unconditional order, signed by the maker to pay on demand or on the expiry of time period, a certain sum of money to the person or bearer of the bill.

Q5. What is the basic banking account.

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

Q6. What is money at Call.

Ans 1: The loans, which are advanced at a nominal interest with the promise that, these will be returned to the banks on a short

notice.

Q7. What is meant by regular crossing of a cheque.

Ans 1: If the two transverse parallel lines are drawn in the upper left of a cheque is called regular crossing of a cheque. There are two types of regular crossing

Ans 2: 1- General crossing 2- Special crossing

Q8. Give the names of different methods of note issue.

Ans 1: Fixed fiduciary system., proportionate reserve system.

Ans 2: Minimum Reserve system.

Q9. What is fixed deposit account.

Ans 1: Fixed deposits are those deposits, which are re-payable only after the expiry of a certain period of time. The rate of interest is high as compared to the other accounts

Q10. Define Pre- Shipment LC.

Ans 1: In this L.C the exporter can get loan not only for packing and transportation but also for storage as well . It is the developed form of red clauses L.C.

Q11. What is meant by equilibrium exchange rate.

Ans 1: The equilibrium exchange rate is the rate at which the demand for foreign exchange equals the supply of foreign exchange.

Q12. Explain the minimum reserve system of note issue.

Ans 1: Fixed minimum reserve system allows the central bank to keep only a fixed amount of reserve against whatever the amount of note issue. The reserve is in the form of gold, silver and foreign exchange or in the form of any of these types of things.

Q13. Point out the duties of customer of bank.

Ans 1: 1- During banking hour 2- Over dated cheque

Ans 2: 3- Careful draw of cheque 4- Cheque book in safe custody

Q14. What is meant by Internal cheque requisition.

Ans 1: It is a form for use within a business, properly authorizing payment to be made to a supplier.

Q15. What are the type of crossing.

Ans 1: i- Regular crossing ii- Irregular crossing.

Q16. Define Security

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

Q17. What is meant by Crossing of cheque.

Ans 1: The drawing of two transvers parallel lines in the upper left of a cheque is called crossing of a cheque.

Q18. What is meant by Trustee.

Ans 1: Trustee is a person who looks after the property of another person. If a trustee wants to open an account, he has to provide a trust deed to bank.

Q19. What is the meant by Cash Credit.

Ans 1: The bank advances loan to business against certain specified securities. The amount of loan is credited to the current account of the borrower. The borrower withdraws money according to the requirements but pays interest on the utilized amount.

Q20. Why current account is called "Running or active" account.

Ans 1: It is called running or active account because money can be deposited and withdrawn from this account at any time during the banking hours on daily basis.