

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

Q1. 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 issued. The reserve is in the form of gold, silver and foreign exchange or in the form of any of these types of things.

Q2. What are the kinds of credit instruments.

Ans 1: Negotiable credit instruments.

Ans 2: Non negotiable credit instruments.

Q3. 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.

Q4. What is Inland individual promissory note.

Ans 1: The promissory note having a single person as drawer and is drawn and paid in the same country.

Q5. What is meant by Pay in slip

Ans 1: The slip which is used to deposit cash or cheque into bank is called pay in slip, It is also known as "Deposit slip" or "Credit voucher" This slip includes the following contents.

Ans 2: i- Date ii- Title of account iii- Account member

Ans 3: iv- Signatures of depositor v- Amount of cash or cheque.

Q6. What is the meant by renewal of bill

Ans 1: If the drawee is not able to meet the bill on the due date, he may request the drawer of the bill to cancel the original bill and draw on him a new bill for an extended period. The new bill includes not only the amount of original bill but also interest.

Q7. What is the remedy if a bank does not disclose its rules and regulations.

Ans 1: If a bank does not disclose its rules and regulations than a model called "Table A" comprising of 85 clauses in Co. 's Ordinance 1984 is considered as articles of the bank.

Q8. 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 money by discounting the Bill of exchange. Which means that the bank will not pay the full amount of bill, but a specified amount from the bill will be deducted.

Q9. 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.

Q10. What is meant by the "Statutory reserves" of scheduled commercial Banks.

Ans 1: It is legally required by the scheduled banks to keep a certain percentage of their total deposit with the central bank.

Q11. 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 it self in cash form is called reserve.

Q12. What is the history of INTERNET BANKING.

Ans 1: Internet banking introduced for the first time in 1981 by four of New York cities major banks namely Chase Manhattan, Citibank, Manufacturers Hanover and Chemical. Internet banking has become the preferred way of banking in many of the developed economies around the world.

Q13. What is formula of credit creation.

Ans 1: i- Deposit Multiplier \times 1/ Reserve ratio

Ans 2: $D \times 1/R$

Ans 3: ii- Total deposits = Primary Deposit \times 1/ Reserve ratio

Ans 4: Total deposits - Primary deposits = Loans

Q14. What is back to Back LC.

Ans 1: In this LC the receiver of money is not the sender of goods. The beneficiary presents his L.C. to bank on behalf of which

the bank issue new L.C. in the favour of sender of goods.

Q15. In banking what is meant by "Pakistan Mint".

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

Q16. What are the benefits enjoyed by the "BANKER" on opening bank account.

Ans 1: Source of income, increase in Resources, Increase in investment.

Ans 2: Credit creation

Q17. Define Credit instruments.

Ans 1: Such instrument which are not actual money but serve as money and perform all its functions are called credit instruments.

Q18. 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.

Q19. What are the two kinds of dishonoring of a bill.

Ans 1: 1- Dishonor by non acceptance 2- Dishonor by non payment

Q20. Write down the name of clauses in memorandum of association of bank.

Ans 1: Clauses in memorandum.: Memorandum of association includes the authority and limitation of a bank. It is a sort of contract between bank and its shareholders. No changes can be made in memorandum without permission of court.
