

PRACTICE QUESTIONS

Commercial Banking in India A Beginner's Module

1. Banks compete with _____ as well as other _____ because banks have diversified into non-traditional activities.(1 Mark)
- a) banks, other financial intermediaries
 - b) banks, regulators
 - c) regulations, restrictions
 - d) none of the above

Correct Answer: banks, other financial intermediaries

2. The _____ and _____ have taken a number of measures in recent years to improve financial soundness of cooperative banks. (2 Marks)
- a) RBI, NABARD
 - b) RBI, SEBI
 - c) RBI, IRDA
 - d) None of the above

Correct Answer: RBI, NABARD

3. Which of the following types of account fall under the time deposit category?(i) Current account(ii) Term deposit account
- a) only (ii)
 - b) only (i)
 - c) (i)and (ii)
 - d) None of the above

Correct Answer: only (ii)

4. If a depositor has a deposit with a principal amount of Rs. 96,000/- plus accrued interest of Rs. 7,000/- then the total amount insured by DICGC would be (1 Mark)
- a) Rs. 1,00,000/-
 - b) Rs. 96,000/-
 - c) 1,04,000/-
 - d) None of the above

Correct Answer: : Rs.1,00,000

5. For new borrowers, a bank usually lays down the guidelines regarding minimum rating to to be achieved by the borrower to become eligible for the loan. This is known as (2 Marks)
- a) Hurdle Rating
 - b) Capacity Rating

- c) Credit discipline
- d) All of the above

Correct Answer: Hurdle rating

6. The SARFAESI Act also provides for the establishment of _____ companies regulated by RBI to acquire assets from banks and financial institutions (2 Marks)
- a) Asset Reconstruction companies
 - b) Infrastructure Companies
 - c) a and b
 - d) None of the above

Correct Answer: Asset Reconstruction Companies

7. The SARFAESI Act 2002 gives powers of _____ to banks (2 Marks)
- a) seize and desist
 - b) consume
 - c) production
 - d) None of the above

Correct Answer: Seize and desist

8. Banks are allowed to diversify into offering depository services to customers (1 Mark)
- a) TRUE
 - b) FALSE

Correct Answer: True

9. Investment banking is a _____ term than merchant banking(2 Marks)2
- a) wider
 - b) narrow

Correct Answer: Narrow

10. In addition to the standard due diligence, banks are now required to ask for the Permanent Account Number (PAN) from prospective customers.(1 Mark)
- a) TRUE
 - b) FALSE

Correct Answer: True

11. In the case of a joint account holder, it is possible for the account to be operated by a single individual.(2 Marks)
- a) FALSE
 - b) TRUE

Correct Answer: True

12. If the beneficiary of a cheque has lost the cheque, he can instruct the paying bank to stop payment of the cheque without waiting for the account holder's instructions.(2 Marks)

- a) FALSE
- b) TRUE

Correct Answer: False

13. FCNR(B) accounts scheme was introduced w.e.f (2 Marks)

- a) 15-May-93
- b) 15-Aug-93
- c) 15-Apr-93
- d) 15-Jun-93

Correct Answer: 15-May-93

14. The spouse of an Indian citizen may also be treated as a Person of Indian Origin, subject to certain conditions.(2 Marks)

- a) TRUE
- b) FALSE

Correct Answer: True

15. The DICGC is fully owned by the Central Government.(1Mark)

- a) TRUE
- b) FALSE

Ans: False

16. In the case of a depositor who operates a proprietary concern as the sole proprietor also holds a deposit in the same bank in his individual capacity, then the two deposits are aggregated for calculating the insurance cover available to him under DICGC.(1 Mark)

- a) TRUE
- b) FALSE

Correct Answer: True

17. A Bank's aggregate exposure to the capital market, including both fund based and non-fund based exposure to capital market, in all forms should not exceed 50% of its net worth as on March 31 of the previous year.(2 Marks)

- a) FALSE
- b) TRUE

Correct Answer: False

18. The Banking Regulation Act lays down the restrictions on loans and advances to the directors and the firms in which they hold substantial interest(2 Marks)

- a) FALSE
- b) TRUE

Correct Answer: True

19. Housing loans of any kind cannot be treated as part of priority sector lending (2 Marks)

- a) FALSE
- b) TRUE

Correct Answer: False

20. Educational loans up to certain limits can be treated as priority sector lending(2 Marks)

- a) FALSE
- b) TRUE

Correct Answer: True

21. Other Approved Securities listed under 'Investments made by a bank are treated as part of SLR securities(1 Mark)

- a) TRUE
- b) FALSE

Correct Answer: True

22. Investment policy of a bank does not have to take into account credit risk, but consider only market risk.(2 Marks)

- a) TRUE
- b) FALSE

Correct Answer: False

23. What does FCNR account stand for?(2 Marks)

- a) Foreign Currency Non Resident
- b) Fully Convertible Non Resident
- c) Foreign Convertible Non Resident
- d) Foreign Currency Non Residential

Correct Answer: Foreign Currency Non Resident

24. In the case of 'held to maturity securities in a banks investment portfolio, if the acquisition cost is more than the face value, the premium should be amortised or written off over the period remaining to maturity.(2 Marks)

- a) FALSE

b) TRUE

Correct Answer: True

25. To widen the geographical coverage of ECS beyond the existing ECS centers and to have a centralized processing capability, the _____ was operationalized with effect from September 29, 2008 (1 Mark)

- a) National Electronic Clearing Service
- b) Nationalized Electronic Clearing Space
- c) National Electronic Clearing System
- d) Nationwide Electronic Clearing Speed

Correct Answer: National Electronic Clearing Service