



MCQ ON BANKING THEORY LAW AND PRACTICE



AUTHOR

ASB JAYALAKSHMI,M.COM., M.PHIL.,

ABOUT THE AUTHOR

Mrs. Jayalakshmi ASB is currently working as an Assistant Professor in the Department of commerce, St, Joseph's College of Arts and Science for Women, Hosur. She was born in 1997 in Thindivanam and Completed M.com, M.Phil., in Periyar University. Her extensive Knowledge in areas are Marketing, Human Resource Management and having 2 years of experience



BANKING THEORY LAW & PRACTICE

UNIT-1

MCQ:

1. What is considered the world's first recorded banking system?

- A) Roman Banking
- B) Babylonian Banking
- C) Greek Banking
- D) Egyptian Banking

Answer: B) Babylonian Banking

2. The concept of modern banking originated in:

- A) Renaissance Italy
- B) Ancient China
- C) Victorian England
- D) Ottoman Empire

Answer: A) Renaissance Italy

3. The word "bank" is derived from the Italian word "banca," meaning:

- A) Money
- B) Table
- C) Vault
- D) Ledger

Answer: B) Table

4. The Bank of England, established in 1694, is often considered the world's first:

- A) Central Bank
- B) Commercial Bank
- C) Savings Bank
- D) Investment Bank

Answer: A) Central Bank

5. Which country is home to the oldest functioning bank in the world, Banca Monte dei Paschi di Siena?

- A) France
- B) Italy
- C) Switzerland
- D) Germany

Answer: B) Italy

6. The goldsmiths of ancient times played a crucial role in the development of banking by:
- A) Minting coins
 - B) Providing safe deposit boxes
 - C) Issuing paper currency
 - D) Offering loans to farmers

Answer: B) Providing safe deposit boxes

7. The establishment of the Federal Reserve System in the United States occurred in:
- A) 1791
 - B) 1863
 - C) 1913
 - D) 1933

Answer: C) 1913

8. The concept of fractional reserve banking involves:
- A) Keeping a fraction of gold reserves
 - B) Keeping a fraction of deposits as reserves
 - C) Lending only a fraction of the total capital
 - D) Investing only a fraction of the profits

Answer: B) Keeping a fraction of deposits as reserves

9. The International Monetary Fund (IMF) was established to:
- A) Facilitate international trade
 - B) Provide long-term loans to developing countries
 - C) Stabilize exchange rates and facilitate monetary cooperation
 - D) Regulate global stock markets

Answer: C) Stabilize exchange rates and facilitate monetary cooperation

10. The Glass-Steagall Act, enacted in 1933 in the United States, aimed to:
- A) Promote free trade
 - B) Separate commercial and investment banking activities
 - C) Establish a national currency
 - D) Abolish central banking

Answer: B) Separate commercial and investment banking activities

11. What is the primary purpose of the Banking Regulation Act, 1949?
- A) Regulating foreign exchange transactions

- B) Regulating the establishment and functioning of banks
- C) Controlling inflation
- D) Promoting stock market activities

Answer: B) Regulating the establishment and functioning of banks

12. Which regulatory body is empowered by the Banking Regulation Act, 1949 to supervise and regulate banks in India?

- A) Securities and Exchange Board of India (SEBI)
- B) Reserve Bank of India (RBI)
- C) Ministry of Finance
- D) Indian Banks' Association (IBA)

Answer: B) Reserve Bank of India (RBI)

13. What is the minimum capital requirement for banks under the Banking Regulation Act, 1949?

- A) Rs. 1 crore
- B) Rs. 100 crore
- C) Rs. 500 crore
- D) No minimum requirement

Answer: C) Rs. 500 crore

14. Which of the following is NOT a function of the Reserve Bank of India as per the Banking Regulation Act, 1949?

- A) Issuing and regulating currency
- B) Controlling the monetary policy
- C) Regulating the share market
- D) Acting as the lender of last resort

Answer: C) Regulating the share market

15. Under the Banking Regulation Act, 1949, what is the maximum voting rights a shareholder can have in a banking company?

- A) 5%
- B) 10%
- C) 15%
- D) 20%

Answer: B) 10%

16. What is the purpose of the provision related to 'fit and proper' criteria in the

Banking Regulation Act, 1949?

- A) To regulate interest rates
- B) To ensure sound governance and management in banks
- C) To promote foreign direct investment
- D) To regulate branch expansion

Answer: B) To ensure sound governance and management in banks

17. According to the Banking Regulation Act, 1949, what is the maximum term for the Chairman and other directors of a bank's board?

- A) 5 years
- B) 7 years
- C) 10 years
- D) 15 years

Answer: B) 7 years

18. Which section of the Banking Regulation Act, 1949 deals with the licensing of new banks?

- A) Section 12
- B) Section 22
- C) Section 36
- D) Section 45

Answer: A) Section 22

19. What is the main objective of the Banking Regulation Act, 1949 in relation to the control of management?

- A) Ensuring profit maximization
- B) Preventing fraudulent activities
- C) Promoting competition
- D) Facilitating mergers

Answer: B) Preventing fraudulent activities

20. Which authority has the power to impose penalties for non-compliance with the provisions of the Banking Regulation Act, 1949?

- A) Ministry of Finance
- B) Competition Commission of India (CCI)
- C) Reserve Bank of India (RBI)
- D) Securities Appellate Tribunal (SAT)

Answer: C) Reserve Bank of India (RBI)

21. What is the primary function of banks?

- A) Selling goods
- B) Providing education
- C) Facilitating financial transactions
- D) Offering healthcare services

Answer: C) Facilitating financial transactions

22. Which of the following is a key role of banks in an economy?

- A) Manufacturing goods
- B) Distributing electricity
- C) Mobilizing savings and providing loans
- D) Building infrastructure

Answer: C) Mobilizing savings and providing loans

23. Banks help in the creation of money through which process?

- A) Printing currency notes
- B) Fractional reserve banking
- C) Investing in the stock market
- D) Importing goods

Answer: B) Fractional reserve banking

24. What is the significance of banks in promoting economic growth?

- A) Slowing down economic activities
- B) Reducing employment opportunities
- C) Allocating resources efficiently and fostering investment
- D) Discouraging foreign trade

Answer: C) Allocating resources efficiently and fostering investment

25. Which type of bank primarily serves individuals and small businesses?

- A) Investment bank
- B) Central bank
- C) Commercial bank
- D) Development bank

Answer: C) Commercial bank

26. What is the primary tool used by central banks to control the money supply?

- A) Taxation

- B) Interest rates
- C) Public spending
- D) Currency printing

Answer: B) Interest rates

27. Banks contribute to financial stability by:

- A) Encouraging excessive risk-taking
- B) Promoting financial market volatility
- C) Implementing sound risk management practices
- D) Ignoring regulatory requirements

Answer: C) Implementing sound risk management practices

28. How do banks facilitate international trade?

- A) By discouraging foreign investments
- B) By providing letters of credit and trade financing
- C) By limiting currency exchange services
- D) By imposing trade barriers

Answer: B) By providing letters of credit and trade financing

29. What is the main purpose of the Reserve Bank of India (RBI)?

- A) Promoting tourism
- B) Regulating the insurance industry
- C) Controlling the money supply and interest rates
- D) Managing agricultural production

Answer: C) Controlling the money supply and interest rates

30. How do banks promote financial inclusion?

- A) By limiting access to banking services
- B) By charging high fees for transactions
- C) By expanding access to banking services to the unbanked population
- D) By promoting income inequality

Answer: C) By expanding access to banking services to the unbanked population

31. What is the primary function of a banker in relation to a customer?

- A) Legal advice
- B) Financial advice
- C) Provision of banking services
- D) Medical assistance

Answer: C) Provision of banking services

32. What is the key document that establishes the relationship between a banker and a customer?
- A) Passport
 - B) Credit card
 - C) Identification card
 - D) Account opening form

Answer: D) Account opening form

33. What is the responsibility of a banker regarding the confidentiality of customer information?
- A) Share information with third parties
 - B) Disclose information to friends of the customer
 - C) Maintain strict confidentiality
 - D) Use customer information for marketing purposes

Answer: C) Maintain strict confidentiality

34. Which of the following is a feature of a current account?
- A) High-interest rates
 - B) Fixed-term deposits
 - C) Overdraft facility
 - D) Limited withdrawals

Answer: C) Overdraft facility

35. In a banker-customer relationship, what does KYC stand for?
- A) Know Your Car
 - B) Know Your Customer
 - C) Keep Your Currency
 - D) Key Yield Calculation

Answer: B) Know Your Customer

36. What is the purpose of the 'nomination' facility in banking?
- A) Nominate someone for a job in the bank
 - B) Nominate a political candidate
 - C) Nominate a beneficiary for the account
 - D) Nominate a charity for donations

Answer: C) Nominate a beneficiary for the account

37. Which document serves as proof of the banker-customer relationship?

- A) Utility bill
- B) Bank statement
- C) School certificate
- D) Library card

Answer: B) Bank statement

38. What is the significance of the 'mandate' in banking?

- A) Legal order to close an account
- B) Authorization to operate the account
- C) Request for a loan
- D) Permission to change account details

Answer: B) Authorization to operate the account

39. What does the term 'NSF' commonly refer to in the context of banking?

- A) National Savings Fund
- B) Non-Sufficient Funds
- C) New Savings Facility
- D) Nomination and Savings Form

Answer: B) Non-Sufficient Funds

40. In a banker-customer relationship, what does the term 'Cheque truncation' refer to?

- A) Bouncing of a cheque
- B) Clearing a cheque
- C) Cancelling a cheque
- D) Issuing a post-dated cheque

Answer: B) clearing a cheque

41. Who is considered a "minor" as a special type of banker's customer?

- A) Individuals above 25 years
- B) Individuals below 18 years
- C) Individuals above 21 years
- D) Individuals below 18 years

Answer: D) Individuals below 18 years

42. Which of the following is an example of a "trust account" customer?

- A) Business owner
- B) Charity organization

- C) Legal entity acting on behalf of others
- D) Retail customer

Answer: C) Legal entity acting on behalf of others

43. A "joint account" is typically held by:

- A) Only one person
- B) Two or more individuals
- C) Two or more individuals (Highlighted Answer)
- D) Corporations only

Answer: C) Two or more individuals

44. " Non-resident" customers are those who:

- A) Live in the same country as the bank
- B) Reside outside the country where the bank is located
- C) Are not employed
- D) Have multiple accounts

Answer: B) Reside outside the country where the bank is located

45. What is a "corporate customer"?

- A) Individual account holder
- B) Small business owner
- C) Legal entity formed for business purposes
- D) Trustee

Answer: B) Reside outside the country where the bank is located

46. An "illiterate" customer refers to someone who:

- A) Cannot write checks
- B) Has limited financial knowledge
- C) Cannot read or write
- D) Prefers cash transactions

Answer: C) Cannot read or write

47. A "blind" person, as a special customer, may require:

- A) Large cash withdrawals
- B) Assistance in conducting transactions
- C) Priority in loan approvals
- D) Exemption from taxes

Answer: B) Assistance in conducting transactions

48. "Sole proprietorship" customers are:

- A) Government entities
- B) Individual business owners
- C) Joint account holders
- D) Non-profit organizations

Answer: B) Individual business owners

49. A "nominee" in banking terms is:

- A) A type of loan
- B) A joint account holder
- C) An individual designated to receive benefits on behalf of another
- D) A corporate customer

Answer: C) An individual designated to receive benefits on behalf of another

50. Which of the following is an example of a "foreign diplomat" customer?

- A) Local government official
- B) International student
- C) Representative of a foreign country
- D) Tourist

Answer: C) Representative of a foreign country

51. What is the primary function of a bank?

- A) Selling goods
- B) Providing financial advice
- C) Accepting deposits and lending money
- D) Offering insurance services

Answer: C) Accepting deposits and lending money

52. What is the central bank in the United States?

- A) European Central Bank (ECB)
- B) Bank of England
- C) Federal Reserve System (Fed)
- D) Reserve Bank of India (RBI)

Answer: C) Federal Reserve System (Fed)

53. What is the interest rate at which the central bank lends money to commercial banks?

- A) Discount rate
- B) Prime rate

- C) LIBOR
- D) Federal funds rate

Answer: A) Discount rate

54. What does FDIC stand for?

- A) Federal Department of Insurance and Credit
- B) Financial Depository and Insurance Corporation
- C) Federal Deposit Insurance Corporation
- D) Financial Development and Investment Council

Answer: C) Federal Deposit Insurance Corporation

55. Which of the following is not a type of bank account?

- A) Savings account
- B) Certificate of deposit (CD)
- C) Mortgage account
- D) Checking account

Answer: C) Mortgage account

56. What is the purpose of a cashier's check?

- A) To transfer money between banks
- B) To withdraw cash from an ATM
- C) To make a secure payment on behalf of the payer
- D) To receive interest on savings

Answer: C) To make a secure payment on behalf of the payer

57. What is the role of the SWIFT network in banking?

- A) Ensuring bank security
- B) Facilitating international money transfers
- C) Managing credit card transactions
- D) Regulating interest rates

Answer: B) Facilitating international money transfers

58. What is the main function of the Securities and Exchange Commission (SEC)?

- A) Regulating banks
- B) Overseeing stock and securities markets
- C) Managing foreign exchange rates
- D) Providing consumer financial protection

Answer: B) Overseeing stock and securities markets

59. What is the term for the rate at which one currency can be exchanged for another?

- A) Interest rate
- B) Inflation rate
- C) Exchange rate
- D) Discount rate

Answer: C) Exchange rate

60. Which financial institution is typically associated with providing home loans?

- A) Credit union
- B) Investment bank
- C) Mortgage broker
- D) Commercial bank

Answer: D) Commercial bank

61. What is the purpose of the CAMELS rating system used for bank examination?

- A) Evaluating loan interest rates
- B) Assessing a bank's financial health and performance
- C) Classifying deposit account types
- D) Setting reserve requirements

Answer: B) Assessing a bank's financial health and performance

62. What is the minimum reserve requirement set by the Federal Reserve for most banks?

- A) 5%
- B) 10%
- C) 15%
- D) It varies based on bank size and location

Answer: D) It varies based on bank size and location

63. What is the purpose of the Dodd-Frank Wall Street Reform and Consumer Protection Act?

- A) Deregulating financial institutions
- B) Promoting risky investment practices
- C) Enhancing financial stability and consumer protection
- D) Encouraging predatory lending

Answer: C) Enhancing financial stability and consumer protection

64. What is the role of the International Monetary Fund (IMF)?

- A) Providing loans to individuals

- B) Promoting global economic stability and growth
- C) Regulating stock exchanges
- D) Offering mortgage insurance

Answer: B) Promoting global economic stability and growth

65. What is the purpose of the Basel III framework?

- A) Regulating credit card transactions
- B) Setting standards for bank capital adequacy and liquidity
- C) Managing interest rates
- D) Facilitating international trade

Answer: B) Setting standards for bank capital adequacy and liquidity

66. What is the primary source of revenue for most banks?

- A) Account maintenance fees
- B) Interest income from loans
- C) ATM withdrawal charges
- D) Credit card annual fees

Answer: B) Interest income from loans

67. What is the purpose of the Know Your Customer (KYC) regulations in banking?

- A) Setting interest rates
- B) Preventing money laundering and fraud
- C) Regulating ATM transactions
- D) Managing foreign exchange reserves

Answer: B) Preventing money laundering and fraud

68. What does the acronym ACH stand for in banking?

- A) Automated Clearing House
- B) Annual Credit History
- C) Account Checking Handbook
- D) Association of Clearing Houses

Answer: A) Automated Clearing House

69. In the context of banking, what does the term "liquidity" refer to?

- A) Ability to convert assets into cash quickly
- B) The interest rate on loans
- C) Bank's profit margin
- D) Customer credit score

Answer: A) Ability to convert assets into cash quickly

70. Which financial instrument represents ownership in a company?

- A) Treasury bill
- B) Corporate bond
- C) Common stock
- D) Municipal bond

Answer: C) Common stock

UNIT – 2

1. What is the primary function of commercial banks?

- A) Issuing Currency
- B) Providing Loans and Accepting Deposits
- C) Regulating Monetary Policy
- D) Facilitating International Trade

Answer: B) Providing Loans and accepting deposits

2. Which regulatory body oversees commercial banks in the United States?

- A) Federal Reserve
- B) Securities and Exchange Commission (SEC)
- C) Office of the Comptroller of the Currency (OCC)
- D) Federal Deposit Insurance Corporation (FDIC)

Answer: C) Office of the Comptroller of the Currency (OCC)

3. What is the interest paid by a bank to depositors called?

- A) Loan interest
- B) Deposit interest
- C) Prime rate
- D) Dividend

Answer: B) Deposit interest

4. The process by which a central bank influences the money supply is known as:

- A) Fiscal policy
- B) Monetary policy
- C) Trade policy
- D) Regulatory policy

Answer: B) Monetary policy

5. Which of the following is NOT a function of commercial banks?

- A) Clearinghouse services
- B) Issuing government bonds
- C) Providing safety deposit boxes
- D) Conducting monetary policy

Answer: B) Issuing government bonds

6. What does the term "credit creation" refer to in the context of commercial banks?

- A) Withdrawing money from an account
- B) Providing loans that result in the creation of new money
- C) Transferring funds between accounts
- D) Investing in the stock market

Answer: B) Providing loans that result in the creation of new money

7. Which financial statement represents a snapshot of a bank's financial position at a specific point in time?

- A) Income statement
- B) Cash flow statement
- C) Balance sheet
- D) Statement of retained earnings

Answer: C) Balance sheet

8. The interest rate at which commercial banks borrow from the central bank is known as:

- A) Prime rate
- B) Discount rate
- C) LIBOR
- D) Federal funds rate

Answer: B) Discount rate

9. What is the primary purpose of the Federal Deposit Insurance Corporation (FDIC)?

- A) Regulating interest rates
- B) Insuring deposits in commercial banks
- C) Conducting monetary policy
- D) Overseeing stock exchanges

Answer: B) Insuring deposits in commercial banks

10. Which of the following is a function of the central bank in a country?

- A) Providing mortgage loans
- B) Conducting open market operations

- C) Offering credit card services
- D) Managing safety deposit boxes

Answer: B) Conducting open market operations

11. What is the significance of the term "fractional reserve banking"?

- A) Banks must maintain reserves equal to the total deposits.
- B) Banks can lend a fraction of their total deposits.
- C) Banks can only operate in fractional currency.
- D) Banks must have reserves greater than their total deposits.

Answer: B) Banks can lend a fraction of their total deposits.

12. Which ratio measures a bank's capital adequacy and financial health?

- A) Loan-to-Deposit Ratio
- B) Debt-to-Equity Ratio
- C) Reserve Ratio
- D) Capital Adequacy Ratio

Answer: D) Capital Adequacy Ratio

13. The interest rate that commercial banks charge their most creditworthy customers is known as:

- A) Prime rate
- B) LIBOR
- C) Discount rate
- D) Federal funds rate

Answer: A) Prime rate

14. Which of the following is a non-interest income source for commercial banks?

- A) Interest on loans
- B) Fees and commissions
- C) Deposit interest
- D) Discount rate

Answer: B) Fees and commissions

15. What is the role of the central bank in controlling inflation?

- A) Setting interest rates
- B) Providing loans to businesses
- C) Regulating foreign exchange rates
- D) Managing mergers and acquisitions

Answer: A) Setting interest rates

16. Which financial institution acts as the "lender of last resort" during financial crises?

- A) International Monetary Fund (IMF)
- B) World Bank
- C) Bank for International Settlements (BIS)
- D) Central bank

Answer: D) Central bank

17. What does the term "liquidity" refer to in the context of commercial banks?

- A) The ability to meet short-term obligations
- B) Long-term investment strategy
- C) Profitability ratio
- D) Capital adequacy

Answer: A) The ability to meet short-term obligations

18. Which type of risk is associated with changes in interest rates affecting the value of a bank's assets and liabilities?

- A) Credit risk
- B) Market risk
- C) Operational risk
- D) Liquidity risk

Answer: B) Market risk

19. What is the purpose of the know your customer (KYC) policy in commercial banking?

- A) Monitoring employee performance
- B) Preventing money laundering and fraud
- C) Setting interest rates
- D) Calculating credit scores

Answer: B) Preventing money laundering and fraud

20. Which of the following is a tool used by central banks to control the money supply?

- A) Credit cards
- B) Open market operations
- C) ATM machines
- D) Safe deposit boxes

Answer: B) Open market operations

21. What is the primary source of revenue for commercial banks?

- A) Fees and commissions
- B) Deposit interest
- C) Loan interest
- D) Stock market investments

Answer: C) Loan interest

22. What is the purpose of the Reserve Requirement Ratio set by central banks?

- A) Controlling inflation
- B) Regulating interest rates
- C) Ensuring banks hold a minimum percentage of deposits as reserves
- D) Managing foreign exchange rates

Answer: C) Ensuring banks hold a minimum percentage of deposits as reserves

23. Which financial institution provides short-term loans to commercial banks in need of funds?

- A) International Monetary Fund (IMF)
- B) World Bank
- C) Bank for International Settlements (BIS)
- D) Central bank

Answer: D) Central bank

24. What is the primary goal of a central bank's monetary policy?

- A) Maximizing profits for commercial banks
- B) Maintaining price stability and controlling inflation
- C) Facilitating international trade
- D) Regulating foreign exchange rates

Answer: B) Maintaining price stability and controlling inflation

25. Which financial statement represents a bank's income and expenses over a specific period?

- A) Balance sheet
- B) Cash flow statement
- C) Income statement
- D) Statement of retained earnings

Answer: C) Income statement

26. What is universal banking?

- A) Banking that operates globally
- B) Banking that operates only in one country
- C) Banking that deals with only commercial activities

Answer: A) Banking that operates globally

27. Which of the following services is typically offered by universal banks?

- A) Only retail banking services
- B) Only investment banking services
- C) Both retail and investment banking services

Answer: C) Both retail and investment banking services

28. Universal banks can engage in which of the following activities?

- A) Accepting deposits
- B) Granting loans
- C) Underwriting securities
- D) All of the above

Answer: D) All of the above

29. What is the primary advantage of universal banking?

- A) Reduced risk
- B) Diversification of services
- C) Limited regulatory requirements

Answer: B) Diversification of services

30. Which regulatory body oversees universal banks in many countries?

- A) SEC (Securities and Exchange Commission)
- B) Central Bank
- C) FDIC (Federal Deposit Insurance Corporation)

Answer: B) Central Bank

31. In universal banking, what does the term "cross-selling" refer to?

- A) Selling products across different markets
- B) Selling a variety of financial products to the same customer
- C) Selling products internationally

Answer: B) Selling a variety of financial products to the same customer

32. What is the potential drawback of universal banking?

- A) Lack of financial innovation
- B) Increased systemic risk

C) Limited customer base

Answer: B) Increased systemic risk

33. Which financial institution can be considered a classic example of a universal bank?

- A) Investment bank
- B) Commercial bank
- C) Hedge fund

Answer: B) Commercial bank

34. What is the main goal of universal banking?

- A) Maximizing profits
- B) Diversifying revenue streams
- C) Minimizing competition

Answer: B) Diversifying revenue streams

35. Which type of risk is universal banking prone to?

- A) Operational risk
- B) Market risk
- C) Credit risk
- D) All of the above

Answer: D) All of the above

36. Which of the following is NOT a function of a universal bank?

- A) Asset management
- B) Retail banking
- C) Government policymaking

Answer: C) Government policymaking

37. What is the purpose of a "firewall" in universal banking?

- A) Preventing cyberattacks
- B) Separating different business activities within the bank
- C) Controlling interest rates

Answer: B) Separating different business activities within the bank

38. What role does technology play in the evolution of universal banking?

- A) Reducing the need for diversification
- B) Enabling digital currencies
- C) Eliminating the need for regulatory compliance

Answer: B) Enabling digital currencies

39. Which risk management strategy is commonly used by universal banks?

- A) Risk avoidance
- B) Risk transfer
- C) Risk acceptance

Answer: B) Risk transfer

40. In universal banking, what is the significance of "Know Your Customer" (KYC) regulations?

- A) Ensuring customer privacy
- B) Preventing money laundering and fraud
- C) Simplifying financial transactions

Answer: B) Preventing money laundering and fraud

41. What is the primary source of revenue for universal banks?

- A) Interest income
- B) Transaction fees
- C) Capital gains

Answer: A) Interest income

42. Which financial crisis highlighted some of the risks associated with universal banking?

- A) Dot-com bubble (2000)
- B) Global Financial Crisis (2008)
- C) Asian Financial Crisis (1997)

Answer: B) Global Financial Crisis (2008)

43. What is the concept of "Bancassurance" in universal banking?

- A) Selling insurance products through banks
- B) Providing banking services through insurance companies
- C) Collaborating with the central bank

Answer: A) Selling insurance products through banks

44. Which financial institution is responsible for regulating and supervising universal banks in the United States?

- A) SEC (Securities and Exchange Commission)
- B) FDIC (Federal Deposit Insurance Corporation)
- C) OCC (Office of the Comptroller of the Currency)

Answer: C) OCC (Office of the Comptroller of the Currency)

45. What is the role of a central bank in the context of universal banking?

- A) Providing investment advice
- B) Regulating and supervising banks
- C) Conducting market research

Answer: B) Regulating and supervising banks

46. Which financial product is associated with the term "Derivatives" in universal banking?
- A) Savings account
 - B) Mortgage loan
 - C) Financial contracts whose value derives from an underlying asset

Answer: C) Financial contracts whose value derives from an underlying asset

47. What is the significance of Basel III in universal banking?
- A) Enhancing cybersecurity
 - B) Improving risk management and capital requirements
 - C) Reducing interest rates

Answer: B) Improving risk management and capital requirements

48. What is the purpose of stress testing in universal banking?
- A) Testing the resilience of the banking system under adverse conditions
 - B) Testing customer satisfaction
 - C) Predicting stock market trends

Answer: A) Testing the resilience of the banking system under adverse conditions

49. Which term refers to the practice of a universal bank investing in a wide range of assets to spread risk?
- A) Risk concentration
 - B) Risk diversification
 - C) Risk aversion

Answer: B) Risk diversification

50. What does the term "Too Big To Fail" imply in the context of universal banking?
- A) Banks that are too large to manage effectively
 - B) Banks that are essential to the stability of the financial system
 - C) Banks that consistently fail to meet regulatory requirements

Answer: B) Banks that are essential to the stability of the financial system

51. What is the primary purpose of managing deposits in a bank?
- A) Maximize shareholder dividends
 - B) Ensure liquidity and safety

- C) Increase market share
- D) Reduce operational costs

Answer: B) Ensure liquidity and safety

52. Which type of deposit typically offers the highest interest rate?

- A) Savings Account
- B) Certificate of Deposit (CD)
- C) Current Account
- D) Fixed Deposit

Answer: D) Fixed Deposit

53. What is the main function of a bank's loan portfolio?

- A) Generate revenue
- B) Minimize customer complaints
- C) Ensure regulatory compliance
- D) Enhance brand image

Answer: A) Generate revenue

54. What is the significance of the Loan-to-Value (LTV) ratio in the context of lending?

- A) Measures the borrower's credit score
- B) Evaluates the loan's risk compared to the collateral value
- C) Determines the interest rate on a loan
- D) Estimates the borrower's income

Answer: B) Evaluates the loan's risk compared to the collateral value

55. In banking, the term "NPA" stands for:

- A) Net Profit Analysis
- B) Non-Performing Asset
- C) New Product Advancement
- D) Nominal Percentage Allocation

Answer: B) Non-Performing Asset

56. What is the purpose of a reserve requirement imposed by central banks?

- A) Stimulate economic growth
- B) Control inflation
- C) Ensure adequate funds for withdrawals
- D) Encourage lending

Answer: C) Ensure adequate funds for withdrawals

57. What is the role of credit scoring in the loan approval process?

- A) Determines the borrower's personality
- B) Evaluates the borrower's creditworthiness
- C) Establishes the loan interest rate
- D) Measures the loan tenure

Answer: B) Evaluates the borrower's creditworthiness

58. Which regulatory body is responsible for overseeing and regulating banks in the United States?

- A) European Central Bank (ECB)
- B) Federal Reserve System (Fed)
- C) Bank of England
- D) Reserve Bank of India (RBI)

Answer: B) Federal Reserve System (Fed)

59. What is the primary reason banks conduct stress tests on their loan portfolios?

- A) Ensure employees are not stressed
- B) Evaluate the impact of adverse economic conditions
- C) Enhance customer satisfaction
- D) Determine executive bonuses

Answer: B) Evaluate the impact of adverse economic conditions

60. What is the key objective of managing the maturity profile of deposits and loans?

- A) Minimize customer complaints
- B) Optimize interest rate risk
- C) Increase marketing efforts
- D) Maximize employee satisfaction

Answer: B) Optimize interest rate risk

61. What is the primary classification of deposits held by banks?

- A) Short-term deposits
- B) Long-term deposits
- C) Demand deposits
- D) Corporate deposits

Answer: C) Demand deposits

62. Which type of deposit typically earns a higher interest rate due to its fixed tenure?

- A) Savings deposits

- B) Demand deposits
- C) Fixed deposits
- D) Recurring deposits

Answer: C) Fixed deposits

63. Which deposit account allows depositors to withdraw funds on demand without any prior notice?

- A) Fixed deposit
- B) Current account
- C) Recurring deposit
- D) Savings account

Answer: B) Current account

64. What is the main characteristic of a time deposit?

- A) Low-interest rates
- B) No fixed maturity dates
- C) High liquidity
- D) Fixed maturity date

Answer: D) Fixed maturity date

65. Which type of deposit is designed for regular, systematic savings by depositors?

- A) Fixed deposit
- B) Demand deposit
- C) Recurring deposit
- D) Savings deposit

Answer: C) Recurring deposit

66. What is the primary purpose of a savings deposit account?

- A) High returns on investment
- B) Regular, day-to-day transactions
- C) Fixed-term savings
- D) Corporate transactions

Answer: B) Regular, day-to-day transactions

67. Which regulatory body oversees and regulates the deposit insurance system in many countries?

- A) Federal Reserve
- B) International Monetary Fund (IMF)

- C) Deposit Insurance and Credit Guarantee Corporation (DICGC)
- D) World Bank

Answer: C) Deposit Insurance and Credit Guarantee Corporation (DICGC)

68. What type of deposit is often subject to a higher interest rate but may have restrictions on withdrawals?
- A) Demand deposit
 - B) Fixed deposit
 - C) Savings deposit
 - D) Current account

Answer: C) Savings deposit

69. Which deposit type is suitable for businesses and enterprises to manage their daily transactions?
- A) Fixed deposit
 - B) Current account
 - C) Recurring deposit
 - D) Savings deposit

Answer: B) Current account

70. In the context of deposits, what does the term "NRE" commonly refer to?
- A) Non-Residential External
 - B) Non-Reciprocal Exchange
 - C) Non-Recurring Equity
 - D) Non-Resident External

Answer: D) Non-Resident External

UNIT – 3

1. What is the primary objective of a central bank?
- A) Profit maximization
 - B) Price stability
 - C) Stock market growth
 - D) Government expenditure

Answer: B) Price stability

2. Which of the following is a tool used by central banks for monetary policy?
- A) Fiscal policy
 - B) Exchange rate policy

- C) Open market operations
- D) Trade policy

Answer: C) Open market operations

3. What is the role of a central bank in regulating money supply?

- A) Increasing money supply
- B) Decreasing money supply
- C) Both A and B
- D) Neither A nor B

Answer: C) Both A and B

4. Which central bank is responsible for monetary policy in the Eurozone?

- A) Federal Reserve System (FRS)
- B) Bank of England (BoE)
- C) European Central Bank (ECB)
- D) Reserve Bank of India (RBI)

Answer: C) European Central Bank (ECB)

5. What is the function of the Federal Reserve System (FRS) in the United States?

- A) Fiscal policy
- B) Monetary policy
- C) Trade policy
- D) Health policy

Answer: B) Monetary policy

6. Which of the following is not a typical function of a central bank?

- A) Issuing currency
- B) Conducting fiscal policy
- C) Acting as a banker to the government
- D) Regulating banks

Answer: B) Conducting fiscal policy

7. What is the term for the interest rate at which a central bank lends money to commercial banks?

- A) Prime rate
- B) Discount rate
- C) LIBOR
- D) Federal funds rate

Answer: B) Discount rate

8. Which central bank is known as the "Banker's Bank"?

- A) Bank of England (BoE)
- B) Reserve Bank of India (RBI)
- C) Federal Reserve System (FRS)
- D) People's Bank of China (PBOC)

Answer: C) Federal Reserve System (FRS)

9. What is the primary purpose of the lender of last resort function of a central bank?

- A) Promoting economic growth
- B) Preventing bank runs and financial panics
- C) Controlling inflation
- D) Reducing unemployment

Answer: B) Preventing bank runs and financial panics

10. Which central bank is responsible for issuing the Japanese yen?

- A) Bank of Japan (BoJ)
- B) Reserve Bank of Australia (RBA)
- C) Bank of Canada (BoC)
- D) South African Reserve Bank (SARB)

Answer: A) Bank of Japan (BoJ)

11. What is the primary purpose of open market operations conducted by a central bank?

- A) Controlling inflation
- B) Regulating interest rates
- C) Managing exchange rates
- D) Influencing money supply

Answer: D) Influencing money supply

12. Which central bank is the oldest in the world?

- A) Bank of England (BoE)
- B) SverigesRiksbank (Swedish National Bank)
- C) Bank of France (BoF)
- D) Bancad'Italia (Bank of Italy)

Answer: A) Bank of England (BoE)

13. What is the primary function of the Bank for International Settlements (BIS)?

- A) Issuing currency

- B) Conducting monetary policy
- C) Promoting international monetary and financial stability
- D) Regulating domestic banks

Answer: C) Promoting international monetary and financial stability

14. Which of the following is a function of a central bank as a "lender of last resort"?

- A) Controlling inflation
- B) Providing loans to individuals
- C) Stabilizing financial institutions during crises
- D) Managing government expenditures

Answer: C) Stabilizing financial institutions during crises

15. What is the primary tool used by central banks to regulate short-term interest rates?

- A) Reserve requirements
- B) Discount rate
- C) Open market operations
- D) Quantitative easing

Answer: C) Open market operations

16. Which central bank is responsible for monetary policy in Canada?

- A) Bank of Canada (BoC)
- B) Reserve Bank of New Zealand (RBNZ)
- C) Swiss National Bank (SNB)
- D) Bank of Mexico (Banxico)

Answer: A) Bank of Canada (BoC)

17. What is the purpose of the reserve requirement imposed by a central bank?

- A) Controlling inflation
- B) Regulating interest rates
- C) Influencing money supply
- D) Stabilizing exchange rates

Answer: C) Influencing money supply

18. Which of the following is a characteristic of an independent central bank?

- A) Direct control by the government
- B) Political influence in monetary policy decisions
- C) Short-term focus on economic goals
- D) Autonomy in decision-making

Answer: D) Autonomy in decision-making

19. What is the role of a central bank in currency issuance?

- A) Regulating interest rates
- B) Issuing currency
- C) Conducting fiscal policy
- D) Managing trade balances

Answer: B) Issuing currency

20. Which central bank is responsible for monetary policy in the United Kingdom?

- A) European Central Bank (ECB)
- B) Bank of England (BoE)
- C) Swiss National Bank (SNB)
- D) Reserve Bank of Australia (RBA)

Answer: B) Bank of England (BoE)

21. What is the primary purpose of the Cash Reserve Ratio (CRR) set by a central bank?

- A) Influencing money supply
- B) Regulating interest rates
- C) Stabilizing exchange rates
- D) Controlling inflation

Answer: A) Influencing money supply

22. Which of the following is a function of a central bank as a "custodian of gold reserves"?

- A) Issuing currency
- B) Stabilizing financial institutions
- C) Managing government expenditures
- D) Holding and managing gold reserves

Answer: D) Holding and managing gold reserves

23. What is the primary purpose of the Taylor Rule in monetary policy?

- A) Controlling inflation
- B) Regulating interest rates
- C) Stabilizing exchange rates
- D) Managing government expenditures

Answer: B) Regulating interest rates

24. Which central bank is responsible for monetary policy in China?

- A) People's Bank of China (PBOC)

- B) Bank of Japan (BoJ)
- C) Reserve Bank of India (RBI)
- D) Federal Reserve System (FRS)

Answer: A) People's Bank of China (PBOC)

25. What is the term for the rate at which commercial banks can borrow overnight funds from the central bank?

- A) Prime rate
- B) Discount rate
- C) LIBOR
- D) Federal funds rate

Answer: D) Federal funds rate

26. When was the Reserve Bank of India (RBI) established?

- A) 1935
- B) 1947
- C) 1950
- D) 1969

Answer: A) 1935

27. Who is the current Governor of the Reserve Bank of India (RBI) as of the last available information?

- A) Shaktikanta Das
- B) Raghuram Rajan
- C) Urjit Patel
- D) Duvvuri Subbarao

Answer: A) Shaktikanta Das

28. What is the currency issued and regulated by the Reserve Bank of India?

- A) Rupiah
- B) Rupee
- C) Ringgit
- D) Renminbi

Answer: B) Rupee

29. Which committee is associated with the introduction of the concept of 'Priority Sector Lending' in India?

- A) Narasimham Committee

- B) Rangarajan Committee
- C) Gadgil Committee
- D) Khusro Committee

Answer: C) Gadgil Committee

30. What is the regulatory body for non-banking financial companies (NBFCs) in India, which operates under the guidance of the RBI?

- A) SEBI (Securities and Exchange Board of India)
- B) IRDAI (Insurance Regulatory and Development Authority of India)
- C) NABARD (National Bank for Agriculture and Rural Development)
- D) RBI itself

Answer: D) RBI itself

31. The Reserve Bank of India issues and regulates which of the following types of licenses for banks in India?

- A) Banking License
- B) Operating License
- C) Banking Authorization
- D) Banking Permit

Answer: A) Banking License

32. Which monetary policy tool is used by the RBI to control inflation by adjusting the supply of money in the economy?

- A) Open market operations
- B) Cash Reserve Ratio (CRR)
- C) Statutory Liquidity Ratio (SLR)
- D) Repo Rate

Answer: A) Open market operations

33. Who is the ex-officio Chairman of the Central Board of the Reserve Bank of India?

- A) Prime Minister of India
- B) Finance Minister of India
- C) President of India
- D) Governor of RBI

Answer: C) President of India

34. The Reserve Bank of India was nationalized in which year?

- A) 1947

- B) 1950
- C) 1969
- D) 1979

Answer: C) 1969

35. What is the primary objective of the Reserve Bank of India's Monetary Policy?
- A) Economic growth
 - B) Price stability
 - C) Employment generation
 - D) Fiscal discipline

Answer: B) Price stability

36. The RBI Act was amended to introduce the concept of "Inflation Targeting." In which year was this amendment made?
- A) 2013
 - B) 2015
 - C) 2016
 - D) 2018

Answer: B) 2015

37. Which committee recommended the establishment of the National Payments Corporation of India (NPCI)?
- A. BimalJalan Committee
 - B. RaghuramRajan Committee
 - C. NandanNilekani Committee
 - D. Urjit Patel Committee

Answer: C) NandanNilekani Committee

38. What is the primary function of the Banking Ombudsman scheme introduced by the RBI?
- A) Regulating interest rates
 - B) Resolving complaints against banks
 - C) Managing government expenditures
 - D) Currency issuance

Answer: B) Resolving complaints against banks

39. Which monetary policy tool involves the RBI buying and selling government securities to control the money supply in the market?

- A) Cash Reserve Ratio (CRR)
- B) Statutory Liquidity Ratio (SLR)
- C) Repo Rate
- D) Open Market Operations (OMO)

Answer: D) Open Market Operations (OMO)

40. The RBI issues guidelines and regulations for which of the following banking services?

- A) Merchant banking
- B) Mutual funds
- C) Microfinance institutions
- D) All of the above

Answer: D) All of the above

41. Which committee recommended the establishment of the Financial Stability and Development Council (FSDC) in India?

- A) RaghuramRajan Committee
- B) Urjit Patel Committee
- C) BimalJalan Committee
- D) Y.H. Malegam Committee

Answer: C) BimalJalan Committee

42. The Reserve Bank of India was modeled on the lines of which central bank?

- A) Bank of England
- B) Federal Reserve System (FRS)
- C) European Central Bank (ECB)
- D) Bank of Japan (BoJ)

Answer: A) Bank of England

43. What is the purpose of the "Lead Bank Scheme" initiated by the RBI?

- A) Promoting exports
- B) Facilitating financial inclusion
- C) Regulating interest rates
- D) Managing inflation

Answer: B) Facilitating financial inclusion

44. Which committee recommended the establishment of the Bharatiya Reserve Bank Note Mudran (BRBNMPL)?

- A) BimalJalan Committee

- B) Rangarajan Committee
- C) Urjit Patel Committee
- D) Y.H. Malegam Committee

Answer: A) BimalJalan Committee

45. What is the maximum limit for the validity period of a cheque issued in India, as per RBI guidelines?

- A) 3 months
- B) 6 months
- C) 9 months
- D) 12 months

Answer: B) 6 months

46. Which subsidiary of the Reserve Bank of India is responsible for the production of banknotes?

- A) National Bank for Agriculture and Rural Development (NABARD)
- B) Bharatiya Reserve Bank Note Mudran (BRBNMPL)
- C) National Payments Corporation of India (NPCI)
- D) Small Industries Development Bank of India (SIDBI)

Answer: B) Bharatiya Reserve Bank Note Mudran (BRBNMPL)

47. Who appoints the Deputy Governors of the Reserve Bank of India?

- A) President of India
- B) Prime Minister of India
- C) Finance Minister of India
- D) Governor of RBI

Answer: A) President of India

48. The Reserve Bank of India issues guidelines for which of the following payment systems?

- A) NEFT (National Electronic Funds Transfer)
- B) RTGS (Real Time Gross Settlement)
- C) IMPS (Immediate Payment Service)
- D) All of the above

Answer: D) All of the above

49. Which committee recommended the establishment of the National Rural Credit (Long- Term Operations) Fund?

- A) Gadgil Committee
- B) Rangarajan Committee
- C) Vaghul Committee
- D) Tandon Committee

Answer: A) Gadgil Committee

50. What is the role of the RBI in issuing licenses for the establishment of new banks in India?

- A) Regulatory oversight
- B) Licensing authority
- C) Policy formulation
- D) Advisory role

Answer: B) Licensing authority

51. Which of the following is a key objective of the RBI's monetary policy?

- A) Maximizing employment
- B) Facilitating government expenditure
- C) Ensuring financial inclusion
- D) Maintaining monetary stability

Answer: D) Maintaining monetary stability

52. The Reserve Bank of India aims to promote the stability and orderly development of which sector?

- A) Agriculture
- B) Manufacturing
- C) Financial system
- D) Information technology

Answer: C) Financial system

53. What is one of the primary goals of the RBI regarding the external value of the Indian Rupee?

- A) Depreciation
- B) Appreciation
- C) Stability
- D) Fluctuation

Answer: C) Stability

54. The Reserve Bank of India plays a crucial role in fostering which of the following in the Indian economy?

- A) Trade deficit
- B) Fiscal deficit
- C) Price stability and sustainable growth
- D) Income inequality

Answer: C) Price stability and sustainable growth

55. Who is the head of the Reserve Bank of India (RBI)?

- A) Prime Minister of India
- B) President of India
- C) Governor of RBI
- D) Finance Minister of India

Answer: C) Governor of RBI

56. The Central Board of Directors of the RBI is headed by whom?

- A) Prime Minister of India
- B) President of India
- C) Governor of RBI
- D) Finance Minister of India

Answer: B) President of India

57. How many Deputy Governors can be appointed by the RBI?

- A) 2
- B) 3
- C) 4
- D) 5

Answer: C) 4

58. Who chairs the Monetary Policy Committee (MPC) in the RBI?

- A) Deputy Governor
- B) Governor
- C) Finance Minister of India
- D) Prime Minister of India

Answer: B) Governor

59. Which of the following is not a constituent of the Central Board of Directors of the RBI?

- A) Deputy Governors

- B) Directors nominated by the Government of India
- C) CEOs of public sector banks
- D) Chief Economic Advisor

Answer: C) CEOs of public sector banks

60. Who appoints the Governor and Deputy Governors of the RBI?

- A) President of India
- B) Prime Minister of India
- C) Finance Minister of India
- D) Chief Justice of India

Answer: A) President of India

61. The Reserve Bank of India has its headquarters in which city?

- A) Mumbai
- B) Delhi
- C) Kolkata
- D) Chennai

Answer: A) Mumbai

62. Which committee recommended the establishment of the Financial Stability and Development Council (FSDC) in India?

- A) BimalJalan Committee
- B) RaghuramRajan Committee
- C) Urjit Patel Committee
- D) Y.H. Malegam Committee

Answer: C) BimalJalan Committee

63. The Banking Supervision Board (BSB) is responsible for overseeing the functioning of what in the RBI?

- A) Monetary Policy
- B) External Investments
- C) Banking Regulation and Supervision
- D) Currency Issuance

Answer: C) Banking Regulation and Supervision

64. Who is responsible for issuing currency notes in the RBI?

- A) Chief Economic Advisor
- B) Governor

- C) Deputy Governor
- D) Board of Directors

Answer: C) Deputy Governor

65. What is the primary function of the Reserve Bank of India (RBI)?

- A) Fiscal policy
- B) Currency printing
- C) Monetary policy and regulation of money supply
- D) Stock market regulation

Answer: C) Monetary policy and regulation of money supply

66. Which of the following is a key function of the RBI in the financial system?

- A) Profit maximization
- B) Promotion of exports
- C) Maintenance of financial stability and development
- D) Foreign exchange trading

Answer: C) Maintenance of financial stability and development

67. What role does the RBI play in regulating commercial banks in India?

- A) Issuing licenses for new banks
- B) Conducting monetary policy
- C) Regulating interest rates
- D) Acting as a lender of last resort

Answer: A) Issuing licenses for new banks

68. The Reserve Bank of India issues guidelines for which of the following services in the financial sector?

- A) Merchant banking
- B) Mutual funds
- C) Microfinance institutions
- D) All of the above

Answer: D) All of the above

69. What is the purpose of the Cash Reserve Ratio (CRR) set by the RBI?

- A) Influencing money supply
- B) Regulating interest rates
- C) Stabilizing exchange rates
- D) Controlling inflation

Answer: A) Influencing money supply

70. Which committee recommended the establishment of the National Payments Corporation of India (NPCI)?

- A) BimalJalan Committee
- B) RaghuramRajan Committee
- C) NandanNilekani Committee
- D) Urjit Patel Committee

Answer: C) NandanNilekani Committee

71. The RBI's role as a "lender of last resort" involves what function?

- A) Controlling inflation
- B) Providing loans to individuals
- C) Stabilizing financial institutions during crises
- D) Managing government expenditures

Answer: C) Stabilizing financial institutions during crises

72. What is the primary tool used by the RBI for open market operations in monetary policy?

- A) Repo Rate
- B) Cash Reserve Ratio (CRR)
- C) Statutory Liquidity Ratio (SLR)
- D) Buying and selling government securities

Answer: D) Buying and selling government securities

73. Which committee recommended the introduction of the concept of 'Priority Sector Lending' in India?

- A) Narasimham Committee
- B) Rangarajan Committee
- C) Gadgil Committee
- D) Khusro Committee

Answer: C) Gadgil Committee

74. The Reserve Bank of India issues and regulates which of the following types of licenses for banks in India?

- A) Banking License
- B) Operating License
- C) Banking Authorization

D) Banking Permit

Answer: A) Banking License

75. What is the primary goal of monetary policy?

- A) Maximizing employment
- B) Minimizing inflation
- C) Achieving economic growth
- D) Maintaining price stability

Answer: D) Maintaining price stability

76. Which monetary policy tool involves the buying and selling of government securities by the central bank?

- A) Cash Reserve Ratio (CRR)
- B) Open Market Operations (OMO)
- C) Repo Rate
- D) Statutory Liquidity Ratio (SLR)

Answer: B) Open Market Operations (OMO)

77. What does the Repo Rate signify in monetary policy?

- A) Rate at which banks borrow from the RBI
- B) Rate at which RBI borrows from banks
- C) Rate of interest on savings accounts
- D) Rate at which banks lend to each other

Answer: A) Rate at which banks borrow from the RBI

78. Which of the following is a contractionary monetary policy measure?

- A) Decreasing the Repo Rate
- B) Selling government securities in the open market
- C) Increasing the Cash Reserve Ratio (CRR)
- D) Lowering the Statutory Liquidity Ratio (SLR)

Answer: C) Increasing the Cash Reserve Ratio (CRR)

79. The term "Quantitative Easing" in monetary policy refers to:

- A) Reducing money supply
- B) Increasing interest rates
- C) Buying financial assets to increase money supply
- D) Tightening credit control

Answer: C) Buying financial assets to increase money supply

80. What does the term "Taylor Rule" relate to in monetary policy?

- A) Open Market Operations
- B) Interest rate targeting
- C) Exchange rate policy
- D) Credit rationing

Answer: B) Interest rate targeting

81. Which of the following is a qualitative credit control measure used by central banks?

- A) Open Market Operations
- B) Repo Rate
- C) Moral suasion
- D) Cash Reserve Ratio (CRR)

Answer: C) Moral suasion

82. What is the purpose of the Cash Reserve Ratio (CRR) as a credit control measure?

- A) Controlling inflation
- B) Regulating interest rates
- C) Influencing money supply
- D) Stabilizing exchange rates

Answer: C) Influencing money supply

83. Which credit control tool involves the central bank setting a limit on the amount of loans that commercial banks can give?

- A) Repo Rate
- B) Cash Reserve Ratio (CRR)
- C) Credit Rationing
- D) Statutory Liquidity Ratio (SLR)

Answer: C) Credit Rationing

84. What is the function of the Statutory Liquidity Ratio (SLR) in credit control?

- A) Influencing money supply
- B) Regulating interest rates
- C) Controlling inflation
- D) Stabilizing exchange rates

Answer: A) Influencing money supply

85. Which credit control measure involves the central bank influencing the direction of credit rather than its quantity?

- A) Open Market Operations
- B) Moral suasion
- C) Repo Rate
- D) Quantitative easing

Answer: B) Moral suasion

86. What does the term "Repo Rate" stand for in the context of credit control?

- A) Repurchase Rate
- B) Reserve Policy Rate
- C) Repayment Rate
- D) Reserve Price Rate

Answer: A) Repurchase Rate

87. Which of the following is an expansionary monetary policy measure?

- A) Increasing the Repo Rate
- B) Selling government securities in the open market
- C) Decreasing the Cash Reserve Ratio (CRR)
- D) Raising the Statutory Liquidity Ratio (SLR)

Answer: C) Decreasing the Cash Reserve Ratio (CRR)

88. What is the primary tool used by central banks to influence short-term interest rates?

- A) Cash Reserve Ratio (CRR)
- B) Open Market Operations (OMO)
- C) Repo Rate
- D) Moral suasion

Answer: C) Repo Rate

89. Which of the following is NOT a traditional tool of monetary policy?

- A) Repo Rate
- B) Moral suasion
- C) Quantitative easing
- D) Currency pegging

Answer: C) Quantitative easing

90. What is the primary objective of using credit control measures in monetary policy?

- A) Reducing fiscal deficit
- B) Managing government expenditures
- C) Influencing money supply and credit availability

D) Stabilizing exchange rates

Answer: C) Influencing money supply and credit availability

91. Which committee recommended the establishment of the Monetary Policy Committee (MPC) in India?

- A) BimalJalan Committee
- B) RaghuramRajan Committee
- C) Urjit Patel Committee
- D) Y.H. Malegam Committee

Answer: C) Urjit Patel Committee

92. What role does the Reserve Bank of India play in implementing monetary policy in India?

- A) Formulating fiscal policy
- B) Implementing fiscal policy
- C) Formulating and implementing monetary policy
- D) Regulating stock markets

Answer: C) Formulating and implementing monetary policy

93. Which credit control tool involves the central bank setting a limit on the amount of loans that commercial banks can give?

- A) Repo Rate
- B) Cash Reserve Ratio (CRR)
- C) Credit Rationing
- D) Statutory Liquidity Ratio (SLR)

Answer: C) Credit Rationing

94. What is the function of the Statutory Liquidity Ratio (SLR) in credit control?

- A) Influencing money supply
- B) Regulating interest rates
- C) Controlling inflation
- D) Stabilizing exchange rates

Answer: A) Influencing money supply

95. Which credit control measure involves the central bank influencing the direction of credit rather than its quantity?

- A) Open Market Operations
- B) Moral suasion

- C) Repo Rate
- D) Quantitative easing

Answer: B) Moral suasion

96. How does an increase in the Cash Reserve Ratio (CRR) affect the money supply in the economy?

- A) Increases money supply
- B) Decreases money supply
- C) No impact on money supply
- D) Indeterminate effect

Answer: B) Decreases money supply

97. Which credit control measure is more effective in controlling inflation?

- A) Decreasing the Cash Reserve Ratio (CRR)
- B) Increasing the Repo Rate
- C) Lowering the Statutory Liquidity Ratio (SLR)
- D) Credit Rationing

Answer: B) Increasing the Repo Rate

98. How does the central bank use Open Market Operations (OMO) to influence credit conditions?

- A) Buying government securities to inject money into the system
- B) Selling government securities to reduce money supply
- C) Both A and B
- D) No impact on credit conditions

Answer: C) Both A and B

99. What is the objective of credit rationing as a credit control measure?

- A) Encouraging more lending
- B) Discouraging borrowing
- C) Allocating credit to priority sectors
- D) Stabilizing interest rates

Answer: B) Discouraging borrowing

100. How does the central bank's use of moral suasion impact commercial banks?

- A) Forces banks to increase interest rates
- B) Encourages banks to lend more
- C) Directs banks to reduce credit

D) Has no effect on banking behaviour

Answer: C) Directs banks to reduce credit

UNIT – 4

1. What is a negotiable instrument?

- A) Any written document
- B) A document that can be transferred to another person
- C) A non-transferable document
- D) An oral agreement

Answer: B) A document that can be transferred to another person

2. Which of the following is a negotiable instrument by nature?

- A) Bill of exchange
- B) Insurance policy
- C) Land deed
- D) Rental agreement

Answer: A) Bill of exchange

3. A promissory note is a written promise to:

- A) Pay a sum of money
- B) Transfer ownership of goods
- C) Exchange goods for services
- D) None of the above

Answer: A) Pay a sum of money

4. Which negotiable instrument is typically used in international trade transactions?

- A) Bill of exchange
- B) Promissory note
- C) Cheque
- D) Money order

Answer: A) Bill of exchange

5. In a promissory note, who is the promisor?

- A) The payee
- B) The drawer
- C) The maker
- D) The drawee

Answer: C) The maker

6. Who is the drawer in a cheque transaction?

- A) The person receiving the cheque
- B) The person issuing the cheque
- C) The bank
- D) The payee

Answer: B) The person issuing the cheque

7. What is an endorsement on a negotiable instrument?

- A) A promise to pay
- B) A transfer of rights
- C) A cancellation of the instrument
- D) A declaration of bankruptcy

Answer: B) A transfer of rights

8. Which type of endorsement restricts further negotiation of the instrument?

- A) Blank endorsement
- B) Special endorsement
- C) Conditional endorsement
- D) Restrictive endorsement

Answer: D) Restrictive endorsement

9. A cheque is a negotiable instrument that is drawn on:

- A) The payee's bank
- B) The drawer's bank
- C) The drawee's bank
- D) Any bank

Answer: C) The drawee's bank

10. Which instrument is commonly used for making small payments and is often used as a substitute for cash?

- A) Promissory note
- B) Cheque
- C) Bill of exchange
- D) Money order

Answer: B) Cheque

11. What does it mean to cross a cheque?

- A) Adding a signature

- B) Drawing two parallel lines with or without words
- C) Writing the amount in words and figures
- D) Tearing the cheque into two parts

Answer: B) Drawing two parallel lines with or without words

12. A crossed cheque can only be paid through:

- A) Cash
- B) Clearing process via a bank
- C) Money order
- D) Direct transfer to the payee's account

Answer: B) Clearing process via a bank

13. When is a negotiable instrument considered dishonored?

- A) When it is not endorsed
- B) When it is not accepted
- C) When it is not paid on maturity
- D) When it is not issued on stamp paper

Answer: C) When it is not paid on maturity

14. Who is liable in case of dishonor of a promissory note?

- A) The maker
- B) The payee
- C) The endorser
- D) The drawee

Answer: A) The maker

15. In case of dishonor, a notice of dishonor is generally sent to:

- A) The drawer
- B) The payee
- C) The endorser
- D) The maker

Answer: D) The maker

16. Who is a holder in due course?

- A) A person who holds an instrument for a fraudulent purpose
- B) A person who receives an instrument without giving value
- C) A person who holds an instrument in good faith and for consideration
- D) A person who holds an instrument without the proper endorsement

Answer: C) A person who holds an instrument in good faith and for consideration

17. A holder in due course takes the instrument free from:

- A) Forgery
- B) Material alteration
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

18. Who is primarily liable in the case of a promissory note?

- A) The drawer
- B) The drawee
- C) The maker
- D) The payee

Answer: C) The maker

19. In the case of a cheque, who is the drawee liable to pay?

- A) The drawer
- B) The payee
- C) The endorser
- D) The bank

Answer: B) The payee

20. Who is primarily liable in the case of a bill of exchange?

- A) The drawer
- B) The drawee
- C) The maker
- D) The payee

Answer: A) The drawer

21. What is the key difference between a holder and a holder in due course?

- A) A holder has possession; a holder in due course has ownership
- B) A holder must be a bank; a holder in due course can be any person
- C) A holder must have a valid endorsement; a holder in due course need not have an endorsement
- D) A holder must acquire the instrument legally; a holder in due course must acquire it for value and in good faith

Answer: D) A holder must acquire the instrument legally; a holder in due course must acquire it for value and in good faith

22. In a promissory note, who is the drawer?

- A) The person receiving the payment
- B) The person making the promise to pay
- C) The bank
- D) The endorser

Answer: B) The person making the promise to pay

23. What is the maturity period of a promissory note?

- A) As specified in the instrument
- B) 30 days from the date of issue
- C) 90 days from the date of issue
- D) 180 days from the date of issue

Answer: A) As specified in the instrument

24. Who is the drawer in a bill of exchange?

- A) The person receiving the payment
- B) The person making the promise to pay
- C) The person making the order to pay
- D) The endorser

Answer: C) The person making the order to pay

25. In a bill of exchange, who is the payee?

- A) The person receiving the payment
- B) The person making the promise to pay
- C) The person making the order to pay
- D) The endorser

Answer: A) The person receiving the payment

26. What is a crossed cheque?

- A) A cheque with two parallel lines
- B) A cheque with the payee's name omitted
- C) A cheque drawn on a foreign bank
- D) A cheque with an illegible signature

Answer: A) A cheque with two parallel lines

27. What is the purpose of crossing a cheque?

- A) To make it invalid
- B) To make it payable only to the payee
- C) To make it payable to a specific bank
- D) To make it negotiable by delivery

Answer: C) To make it payable to a specific bank

28. In a special endorsement, the payee specifies:

- A) The name of the endorsee
- B) "Pay to bearer" or "Pay to order"
- C) "Not negotiable"
- D) The amount of the cheque

Answer: A) The name of the endorsee

29. What is a blank endorsement on a cheque?

- A) The signature of the payee only
- B) The payee's name omitted
- C) The cheque amount left blank
- D) The cheque without any signature

Answer: A) The signature of the payee only

30. In case of dishonor, a notice of dishonor is generally sent to:

- A) The drawer
- B) The payee
- C) The endorser
- D) The maker

Answer: D) The maker

31. Who is primarily liable in case of dishonor of a cheque?

- A) The drawer
- B) The payee
- C) The endorser
- D) The drawee

Answer: A) The drawer

32. What is the effect of holder in due course taking an instrument?

- A) Holder takes the instrument subject to all defects
- B) Holder takes a valid title free from all defects
- C) Holder can be subject to counterclaims

D) Holder has limited rights

Answer: B) Holder takes a valid title free from all defects

33. A holder in due course is protected against which of the following defenses?

- A) Lack of consideration
- B) Fraud in the inducement
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

34. Who is primarily liable in the case of a bill of exchange?

- A) The drawer
- B) The drawee
- C) The maker
- D) The payee

Answer: A) The drawer

35. Who is primarily liable in the case of a cheque?

- A) The drawer
- B) The payee
- C) The endorser
- D) The bank

Answer: A) The drawer

36. Who is a collecting banker?

- A) Bank that lends money
- B) Bank that collects instruments on behalf of the customer
- C) Bank that issues currency
- D) Bank that invests in stocks

Answer: B) Bank that collects instruments on behalf of the customer

37. What is the primary role of a collecting banker?

- A) Issuing currency notes
- B) Accepting deposits
- C) Collecting instruments for customers
- D) Providing loans to customers

Answer: C) Collecting instruments for customers

38. Which of the following is a duty of a collecting banker?

- A) Issuing credit cards
- B) Safekeeping customer's valuables
- C) Ensuring prompt collection of instruments
- D) Speculating in the stock market

Answer: C) Ensuring prompt collection of instruments

39. What is the responsibility of a collecting banker regarding crossed cheques?

- A) Making immediate payment
- B) Ensuring proper endorsement
- C) Ignoring the crossing
- D) Rejecting crossed cheques

Answer: B) Ensuring proper endorsement

40. When does a collecting banker become an agent for collection?

- A) When the cheque is drawn on another branch of the same bank
- B) When the cheque is drawn on a different bank
- C) When the cheque is drawn on the same branch
- D) When the cheque is drawn on a foreign bank

Answer: B) When the cheque is drawn on a different bank

41. What is the purpose of endorsing a cheque for collection?

- A) To transfer ownership
- B) To cancel the cheque
- C) To make it payable to the bearer
- D) To initiate legal proceedings

Answer: A) To transfer ownership

42. In which case can a collecting banker debit the customer's account before receiving payment for a cheque?

- A) When the cheque is drawn on the same bank
- B) When the cheque is drawn on a different bank
- C) When the cheque is post-dated
- D) When the cheque is stale

Answer: A) When the cheque is drawn on the same bank

43. What type of bill is payable on a fixed future date after sight or acceptance?

- A) Demand bill
- B) Usance bill

- C) Accommodation bill
- D) Clean bill

Answer: B) Usance bill

44. What is the responsibility of a collecting banker regarding a dishonoured bill?

- A) Making immediate payment
- B) Accepting the bill despite dishonour
- C) Notifying the customer promptly
- D) Ignoring the dishonour

Answer: C) notifying the customer promptly

45. What is the liability of a collecting banker if the cheque is forged?

- A) No liability
- B) Limited liability
- C) Full liability
- D) Liability only to the drawee bank

Answer: B) Limited liability

46. In which case is a collecting banker not liable for negligence?

- A) Loss due to improper endorsement
- B) Loss due to delay in presenting the instrument
- C) Loss due to accepting a post-dated cheque
- D) Loss due to forgery of the drawer's signature

Answer: C) Loss due to accepting a post-dated cheque

47. When can a collecting banker consider the cheque as collected and credit the customer's account?

- A) Immediately upon receipt
- B) After obtaining the drawer's permission
- C) After realizing the funds
- D) Without any specific conditions

Answer: C) After realizing the funds

48. What is the purpose of the "collection basis" used by a collecting banker?

- A) To expedite the payment process
- B) To postpone the payment process
- C) To minimize the risk of dishonor
- D) To maximize interest income

Answer: B) To postpone the payment process

49. When can a collecting banker consider a foreign bill as collected and credit the customer's account?

- A) Immediately upon receipt
- B) After obtaining the drawer's permission
- C) After realizing the funds
- D) Without any specific conditions

Answer: C) After realizing the funds

50. What is a documentary collection in banking terms?

- A) Collection of bills without any documentation
- B) Collection of bills with supporting documents
- C) Collection of bills through electronic means
- D) Collection of bills with a blank endorsement

Answer: B) Collection of bills with supporting documents

51. In a documentary collection, who holds the title documents until payment or acceptance occurs?

- A) Drawee bank
- B) Drawee
- C) Collecting banker
- D) Remitting bank

Answer: C) Collecting banker

52. What is a "clean bill" in the context of foreign bills?

- A) A bill without any endorsements
- B) A bill with a blank endorsement
- C) A bill with no discrepancies
- D) A bill without any supporting documents

Answer: D) A bill without any supporting documents

53. What is a "bill for collection" in the context of foreign exchange?

- A) A bill payable in a foreign currency
- B) A bill with a collection basis
- C) A bill drawn on a foreign bank
- D) A bill with documentary evidence

Answer: B) A bill with a collection basis

54. When should a collecting banker send a notice of dishonour to the customer?

- A) Before presenting the instrument
- B) Immediately upon receiving the instrument
- C) After presenting the instrument and dishonour
- D) Only if the customer requests it

Answer: C) After presenting the instrument and dishonour

55. What information is typically included in a notice of dishonour?

- A) Advice on investment opportunities
- B) Details of the customer's account balance
- C) Reasons for dishonor and steps to be taken
- D) Marketing promotions

Answer: C) Reasons for dishonor and steps to be taken

56. What is a "token" in the context of a collecting banker?

- A) A form of currency
- B) A written confirmation of payment
- C) A physical object representing value
- D) A collection instruction

Answer: D) A collection instruction

57. When does a collecting banker incur liability in case of loss or delay?

- A) Only if negligence is proven
- B) In all circumstances
- C) Never
- D) Only for foreign bills

Answer: A) Only if negligence is proven

58. What is the role of a collecting banker in the customer's relationship?

- A) Issuing credit cards
- B) Ensuring investment opportunities
- C) Safeguarding valuables
- D) Providing collection services

Answer: D) Providing collection services

59. What is a "crossed cheque" and how does it impact a collecting banker's role?

- A) A cheque with a decorative pattern; no impact
- B) A cheque with two parallel lines; cannot be paid in cash

- C) A cheque with a foreign currency; increases risk
- D) A cheque with multiple endorsements; accelerates collection

Answer: B) A cheque with two parallel lines; cannot be paid in cash

60. Who has the right to stop payment on a cheque?

- A) The drawer
- B) The payee
- C) The endorser
- D) The collecting banker

Answer: A) The drawer

61. What is the legal implication if a collecting banker fails to present a cheque promptly?

- A) No legal implication
- B) The collecting banker is liable for damages
- C) The drawer is liable for damages
- D) The payee is liable for damages

Answer: B) The collecting banker is liable for damages

62. What is the liability of a collecting banker if a cheque is lost during collection?

- A) No liability
- B) Limited liability
- C) Full liability
- D) Liability only to the drawee bank

Answer: B) Limited liability

63. What is the responsibility of a collecting banker regarding a dishonored bill?

- A) Making immediate payment
- B) Accepting the bill despite dishonor
- C) Notifying the customer promptly
- D) Ignoring the dishonor

Answer: C) Notifying the customer promptly

64. When should a collecting banker send a notice of dishonor to the customer?

- A) Before presenting the instrument
- B) Immediately upon receiving the instrument
- C) After presenting the instrument and dishonor
- D) Only if the customer requests it

Answer: C) After presenting the instrument and dishonor

65. What information is typically included in a notice of dishonor?

- A) Advice on investment opportunities
- B) Details of the customer's account balance
- C) Reasons for dishonor and steps to be taken
- D) Marketing promotions

Answer: C) Reasons for dishonor and steps to be taken

66. What is a "clean bill" in the context of foreign bills?

- A) A bill without any endorsements
- B) A bill with a blank endorsement
- C) A bill with no discrepancies
- D) A bill without any supporting documents

Answer: D) A bill without any supporting documents

67. What is a "bill for collection" in the context of foreign exchange?

- A) A bill payable in a foreign currency
- B) A bill with a collection basis
- C) A bill drawn on a foreign bank
- D) A bill with documentary evidence

Answer: B) A bill with a collection basis

68. What is a "token" in the context of a collecting banker?

- A) A form of currency
- B) A written confirmation of payment
- C) A physical object representing value
- D) A collection instruction

Answer: D) A collection instruction

69. When does a collecting banker incur liability in case of loss or delay?

- A) Only if negligence is proven
- B) In all circumstances
- C) Never
- D) Only for foreign bills

Answer: A) Only if negligence is proven

70. What is the role of a collecting banker in the customer's relationship?

- A) Issuing credit cards
- B) Ensuring investment opportunities

- C) Safeguarding valuables
- D) Providing collection services

Answer: D) Providing collection services

71. Who is a paying banker?

- A) Bank that lends money
- B) Bank that collects instruments on behalf of the customer
- C) Bank that makes payments as per customer's instructions
- D) Bank that issues currency

Answer: C) Bank that makes payments as per customer's instructions

72. What is the primary role of a paying banker?

- A) Issuing currency notes
- B) Accepting deposits
- C) Making payments as per customer's mandates
- D) Providing loans to customers

Answer: C) Making payments as per customer's mandates

73. When does a banker become a paying banker?

- A) When a cheque is deposited
- B) When a cheque is presented for payment
- C) When a cheque is drawn
- D) When a cheque is endorsed

Answer: B) When a cheque is presented for payment

74. What is the purpose of crossing a cheque?

- A) To make it invalid
- B) To make it payable only to the payee
- C) To make it payable to a specific bank
- D) To make it negotiable by delivery

Answer: C) To make it payable to a specific bank

75. Which of the following is a duty of a paying banker?

- A) Ensuring prompt collection of instruments
- B) Safeguarding customer's valuables
- C) Making payments as per customer's mandates
- D) Speculating in the stock market

Answer: C) Making payments as per customer's mandates

76. What is the responsibility of a paying banker regarding a post-dated cheque?

- A) Make immediate payment
- B) Wait until the date mentioned on the cheque
- C) Reject the cheque
- D) Encash the cheque without waiting

Answer: B) Wait until the date mentioned on the cheque

77. What is the purpose of the clearing process in banking?

- A) To issue credit cards
- B) To facilitate interbank transactions
- C) To lend money to customers
- D) To collect instruments for customers

Answer: B) To facilitate interbank transactions

78. When can a banker consider a cheque as cleared and the payment finalized?

- A) When the cheque is deposited
- B) When the cheque is presented to the drawee bank
- C) When the cheque is issued
- D) When the cheque is endorsed

Answer: B) When the cheque is presented to the drawee bank

79. What does "payment in due course" mean for a banker?

- A) Early payment
- B) Prompt payment
- C) Payment according to the terms of the cheque
- D) Delayed payment

Answer: C) Payment according to the terms of the cheque

80. In case of payment in due course, who has the right to recover from the true owner?

- A) The drawer
- B) The payee
- C) The collecting banker
- D) The paying banker

Answer: D) The paying banker

81. Who has the right to stop payment on a cheque?

- A) The drawer
- B) The payee

- C) The endorser
- D) The collecting banker

Answer: A) The drawer

82. What is the effect of a stop-payment order on the cheque?

- A) The cheque becomes invalid
- B) The cheque can still be paid
- C) The cheque can only be paid in cash
- D) The cheque is returned to the drawer

Answer: B) The cheque can still be paid

83. What is the liability of a paying banker if the signature on the cheque is forged?

- A) No liability
- B) Limited liability
- C) Full liability
- D) Liability only to the drawer

Answer: C) Full liability

84. In which case is a paying banker not liable for negligence?

- A) Loss due to improper endorsement
- B) Loss due to delay in presenting the instrument
- C) Loss due to accepting a post-dated cheque
- D) Loss due to forgery of the drawer's signature

Answer: C) Loss due to accepting a post-dated cheque

85. Can a paying banker make payment in cash for a crossed cheque?

- A) Yes, always
- B) No, never
- C) Yes, with the payee's permission
- D) Yes, if the cheque is post-dated

Answer: B) No, never

86. What is the purpose of crossing a cheque?

- A) To make it invalid
- B) To make it payable only to the payee
- C) To make it payable to a specific bank
- D) To make it negotiable by delivery

Answer: C) To make it payable to a specific bank

87. In the case of wrongful dishonor, what can the drawer claim from the paying banker?

- A) No claim
- B) Damages for actual loss
- C) Damages for any inconvenience
- D) Replacement cheque

Answer: B) Damages for actual loss

88. When is a banker not liable for wrongful dishonor?

- A) Always liable
- B) When the cheque is not properly endorsed
- C) When the cheque is drawn on a different bank
- D) When the cheque is drawn on the same bank

Answer: B) When the cheque is not properly endorsed

89. When should a paying banker send a notice of dishonor to the customer?

- A) Before presenting the instrument
- B) Immediately upon receiving the instrument
- C) After presenting the instrument and dishonor
- D) Only if the customer requests it

Answer: C) After presenting the instrument and dishonor

90. What information is typically included in a notice of dishonor?

- A) Advice on investment opportunities
- B) Details of the customer's account balance
- C) Reasons for dishonor and steps to be taken
- D) Marketing promotions

Answer: C) Reasons for dishonor and steps to be taken

91. What is a "token" in the context of a paying banker?

- A) A form of currency
- B) A written confirmation of payment
- C) A physical object representing value
- D) A payment instruction

Answer: B) A written confirmation of payment

92. When does a paying banker incur liability in case of loss or delay?

- A) Only if negligence is proven
- B) In all circumstances

- C) Never
- D) Only for foreign instruments

Answer: A) Only if negligence is proven

93. What is the role of a paying banker in the customer's relationship?

- A) Issuing credit cards
- B) Ensuring investment opportunities
- C) Safeguarding valuables
- D) Making payments as per mandates

Answer: D) Making payments as per mandates

94. What is a "crossed cheque" and how does it impact a paying banker's role?

- A) A cheque with a decorative pattern; no impact
- B) A cheque with two parallel lines; cannot be paid in cash
- C) A cheque with multiple endorsements; accelerates payment
- D) A cheque with no impact on payment

Answer: B) A cheque with two parallel lines; cannot be paid in cash

95. Who has the right to stop payment on a cheque?

- A) The drawer
- B) The payee
- C) The endorser
- D) The collecting banker

Answer: A) The drawer

96. What is the legal implication if a paying banker fails to honor a cheque?

- A) No legal implication
- B) The paying banker is liable for damages
- C) The drawer is liable for damages
- D) The payee is liable for damages

Answer: B) The paying banker is liable for damages

97. What is the liability of a paying banker if the cheque is lost during payment?

- A) No liability
- B) Limited liability
- C) Full liability
- D) Liability only to the drawer

Answer: A) No liability

98. What is the responsibility of a paying banker regarding a dishonored cheque?

- A) Making immediate payment
- B) Accepting the cheque despite dishonor
- C) Notifying the customer promptly
- D) Ignoring the dishonor

Answer: C) Notifying the customer promptly

99. When should a paying banker send a notice of dishonor to the customer?

- A) Before presenting the instrument
- B) Immediately upon receiving the instrument
- C) After presenting the instrument and dishonor
- D) Only if the customer requests it

Answer: C) After presenting the instrument and dishonor

100. What information is typically included in a notice of dishonor?

- A) Advice on investment opportunities
- B) Details of the customer's account balance
- C) Reasons for dishonor and steps to be taken
- D) Marketing promotions

Answer: C) Reasons for dishonor and steps to be taken

101. What is a "token" in the context of a paying banker?

- A) A form of currency
- B) A written confirmation of payment
- C) A physical object representing value
- D) A payment instruction

Answer: B) A written confirmation of payment

102. When does a paying banker incur liability in case of loss or delay?

- A) Only if negligence is proven
- B) In all circumstances
- C) Never
- D) Only for foreign instruments

Answer: A) Only if negligence is proven

103. What is the role of a paying banker in the customer's relationship?

- A) Issuing credit cards
- B) Ensuring investment opportunities

- C) Safeguarding valuables
- D) Making payments as per mandates

Answer: D) Making payments as per mandates

104. What is a "crossed cheque" and how does it impact a paying banker's role?

- A) A cheque with a decorative pattern; no impact
- B) A cheque with two parallel lines; cannot be paid in cash
- C) A cheque with multiple endorsements; accelerates payment
- D) A cheque with no impact on payment

Answer: B) A cheque with two parallel lines; cannot be paid in cash

105. Who has the right to stop payment on a cheque?

- A) The drawer
- B) The payee
- C) The endorser
- D) The collecting banker

Answer: A) The drawer

UNIT – 5

1. What is e-banking?

- A) Exponential banking
- B) Electronic banking
- C) Efficient banking
- D) Exceptional banking

Answer: B) Electronic banking

2. Which of the following is a key advantage of e-banking?

- A) Limited accessibility
- B) Time-consuming transactions
- C) Increased convenience
- D) Manual record-keeping

Answer: C) Increased convenience

3. What is the primary function of online banking?

- A) Cash withdrawals only
- B) In-person transactions
- C) Electronic fund transfers
- D) Paper-based transactions

Answer: C) Electronic fund transfers

4. Which technology is commonly used for secure online transactions?

- A) SSL (Secure Sockets Layer)
- B) VHS (Video Home System)
- C) CRT (Cathode Ray Tube)
- D) CD-ROM (Compact Disc Read-Only Memory)

Answer: A) SSL (Secure Sockets Layer)

5. What is the term for banking services accessible through mobile devices?

- A) Web banking
- B) Mobile banking
- C) Branch banking
- D) Traditional banking

Answer: B) Mobile banking

6. Which feature is commonly offered in mobile banking apps?

- A) Manual check deposits
- B) Face-to-face customer service
- C) Augmented reality games
- D) Mobile check deposits

Answer: D) Mobile check deposits

7. What is two-factor authentication in e-banking?

- A) Using two different devices for transactions
- B) Providing two forms of identification
- C) Logging in with a username only
- D) Conducting transactions without any security measures

Answer: B) Providing two forms of identification

8. How does encryption contribute to e-banking security?

- A) By slowing down transactions
- B) By displaying personal information
- C) By converting data into a secure code
- D) By allowing public access to data

Answer: C. By converting data into a secure code

9. Which service allows customers to view their account balance and transactions online?

- A) In-person consultation

- B) Branch banking
- C) Online account access
- D) Manual statement generation

Answer: C) Online account access

10. What is the term for a recurring, automatic payment made from a bank account?

- A) Manual payment
- B) Automatic deposit
- C) Standing order
- D) Traditional transfer

Answer: C) Standing order

11. What is an Electronic Funds Transfer (EFT)?

- A) Efficient Financial Transaction
- B) Electronic Fund Transfer
- C) Excessive Fund Transfer
- D) Easy Financial Transaction

Answer: B) Electronic Fund Transfer

12. Which technology is commonly used for secure electronic transfers?

- A) QR Code
- B) NFC (Near Field Communication)
- C) Blockchain
- D) Fax Machine

Answer: C) Blockchain

13. What is the primary purpose of a Wire Transfer?

- A) Sending electronic messages
- B) Transmitting electrical signals
- C) Moving funds between banks electronically
- D) Charging electronic devices

Answer: C) Moving funds between banks electronically

14. Which type of electronic transfer is commonly used for recurring payments?

- A) Wire Transfer
- B) Automated Clearing House (ACH)
- C) Electronic Check
- D) Mobile Payment

Answer: B) Automated Clearing House (ACH)

15. How is security maintained in electronic transfers?
- A) Publicly sharing transaction details
 - B) Using unencrypted communication channels
 - C) Implementing encryption and authentication measures
 - D) Ignoring password protection

Answer: C) Implementing encryption and authentication measures

16. What is a One-Time Password (OTP) used for in electronic transfers?
- A) Setting up a new bank account
 - B) Accessing online banking
 - C) Authenticating a specific transaction
 - D) Generating monthly statements

Answer: C) Authenticating a specific transaction

17. What is the role of Online Banking in electronic transfers?
- A) Conducting transactions only at the bank branch
 - B) Enabling customers to perform transactions via the internet
 - C) Facilitating paper-based transactions
 - D) Excluding customers from financial services

Answer: B) Enabling customers to perform transactions via the internet

18. Which electronic transfer feature allows users to schedule future payments?
- A) Real-time transfers
 - B) Automated recurring payments
 - C) One-time transfers
 - D) Manual fund transfers

Answer: B) Automated recurring payments

19. How does Mobile Banking contribute to electronic transfers?
- A) By limiting transaction options
 - B) By providing access to account information on mobile devices
 - C) By requiring physical visits to the bank
 - D) By eliminating security measures

Answer: B) By providing access to account information on mobile devices

20. Which technology allows contactless electronic transfers using mobile devices?
- A) Bluetooth

- B) Infrared
- C) NFC (Near Field Communication)
- D) QR Code

Answer: C) NFC (Near Field Communication)

21. What does RTGS stand for?

- A) Real-Time Gross Settlement
- B) Real-Time Global System
- C) Real-Time Gross Securities
- D) Rapid Transfer Gateway

Answer: A) Real-Time Gross Settlement

22. Which of the following best describes RTGS?

- A) A payment system that settles transactions in batches
- B) A payment system that settles transactions immediately and individually
- C) A system for stock trading
- D) A system for currency exchange

Answer: B) A payment system that settles transactions immediately and individually

23. In which industry is RTGS commonly used?

- A) Healthcare
- B) Retail
- C) Banking and finance
- D) Transportation

Answer: C) Banking and finance

24. What is the primary purpose of RTGS?

- A) To facilitate delayed transactions
- B) To facilitate high-value and time-sensitive fund transfers
- C) To facilitate small-value transactions
- D) To facilitate cryptocurrency transactions

Answer: B) To facilitate high-value and time-sensitive fund transfers

25. Which entity typically operates RTGS systems?

- A) Government agencies
- B) International organizations
- C) Central banks

D) Private corporations

Answer: C) Central banks

26. Which of the following is a key feature of RTGS?

- A) Delayed settlement
- B) Low transaction fees
- C) Real-time processing
- D) Bulk processing

Answer: C) Real-time processing

27. What is the minimum transaction amount for RTGS transactions?

- A) Varies depending on the bank
- B) No minimum amount
- C) \$1,000
- D) \$10,000

Answer: C) \$1,000

28. Which system is often considered the counterpart to RTGS for smaller transactions?

- A) ACH (Automated Clearing House)
- B) SWIFT (Society for Worldwide Interbank Financial Telecommunication)
- C) CHAPS (Clearing House Automated Payment System)
- D) EFT (Electronic Funds Transfer)

Answer: A) ACH (Automated Clearing House)

29. How does RTGS mitigate counterparty risk?

- A) By delaying settlement
- B) By netting transactions
- C) By settling transactions individually and immediately
- D) By outsourcing settlement to third parties

Answer: C) By settling transactions individually and immediately

30. Which of the following statements is true regarding RTGS?

- A) It operates only during business hours.
- B) It settles transactions in batches at the end of the day.
- C) It is primarily used for low-value transactions.
- D) It settles transactions on a continuous and real-time basis.

Answer: D) It settles transactions on a continuous and real-time basis.

31. What does ECS stand for?

- A) Electronic Clearing System
- B) Electronic Currency Service
- C) Efficient Clearing Solution
- D) Electronic Card System

Answer: A) Electronic Clearing System

32. What is the primary purpose of ECS?

- A) Real-time fund transfers
- B) Automated clearing of paper-based transactions
- C) Electronic voting system
- D) Digital identity verification

Answer: B) Automated clearing of paper-based transactions

33. Which of the following transactions can be processed through ECS?

- A) Credit card payments
- B) Cheque payments
- C) Cash withdrawals
- D) Cryptocurrency transactions

Answer: B) Cheque payments

34. In which country is ECS commonly used?

- A) United States
- B) United Kingdom
- C) India
- D) Japan

Answer: C) India

35. Which entity typically operates ECS systems?

- A) Central banks
- B) Commercial banks
- C) Credit card companies
- D) Government agencies

Answer: A) Central banks

36. What is the minimum transaction amount for ECS transactions in India?

- A) Varies depending on the bank
- B) No minimum amount
- C) ₹1,000

D) ₹10,000

Answer: B) No minimum amount

37. Which of the following is true regarding ECS transactions?

- A) Transactions are settled in real-time.
- B) Transactions are settled individually and immediately.
- C) Transactions are settled in batches at specific intervals.
- D) Transactions are settled manually.

Answer: C) Transactions are settled in batches at specific intervals.

38. Which of the following statements is true regarding ECS in India?

- A) ECS is primarily used for high-value transactions.
- B) ECS can only be used by businesses, not individuals.
- C) ECS is regulated by the Reserve Bank of India (RBI).
- D) ECS transactions can only be initiated during business hours.

Answer: C) ECS is regulated by the Reserve Bank of India (RBI).

39. What type of transactions does the National Automated Clearing House (NACH) facilitate in India?

- A) Real-time fund transfers
- B) Electronic bill payments
- C) Currency exchange transactions
- D) Digital wallet transfers

Answer: B) Electronic bill payments

40. What is the advantage of ECS for businesses?

- A) Higher transaction fees
- B) Delayed processing
- C) Streamlined and automated payment collection
- D) Limited geographical coverage

Answer: C) Streamlined and automated payment collection

41. What does ATM stand for?

- A) Automated Transaction Machine
- B) Automatic Teller Machine
- C) Advanced Transaction Module
- D) Automated Transfer Method

Answer: B) Automatic Teller Machine

42. Who invented the first ATM?

- A) John Shepherd-Barron
- B) John Pierpont Morgan
- C) James Goodfellow
- D) Thomas Edison

Answer: A) John Shepherd-Barron

43. What is the primary function of an ATM?

- A) Deposits
- B) Cash withdrawals
- C) Balance inquiries
- D) All of the above

Answer: D) All of the above

44. Which technology is commonly used for ATM transactions?

- A) NFC (Near Field Communication)
- B) RFID (Radio Frequency Identification)
- C) EMV (Europay, Mastercard, Visa)
- D) Magnetic stripe

Answer: C) EMV (Europay, Mastercard, Visa)

45. What is the maximum amount of cash one can withdraw from an ATM in a single transaction?

- A) Varies depending on the ATM's location
- B) \$200
- C) \$500
- D) \$1000

Answer: A) Varies depending on the ATM's location

46. What is a debit card?

- A) A card used only for online shopping
- B) A card issued by the government for social welfare payments
- C) A card linked directly to a bank account, allowing for electronic transactions
- D) A card used for credit purchases only

Answer: C) A card linked directly to a bank account, allowing for electronic transactions

47. Which of the following is true about a debit card?

- A) It allows users to borrow money up to a credit limit.
- B) It deducts funds directly from the linked bank account.
- C) It charges interest on purchases made.
- D) It requires a monthly repayment like a credit card.

Answer: B) It deducts funds directly from the linked bank account.

48. What is the primary difference between a debit card and a credit card?

- A) Debit cards have higher interest rates.
- B) Debit cards are not linked to a bank account.
- C) Debit cards withdraw money directly from a bank account, while credit cards allow borrowing against a line of credit.
- D) Debit cards have higher spending limits.

Answer: C) Debit cards withdraw money directly from a bank account, while credit cards allow borrowing against a line of credit.

49. Which network processes most debit card transactions worldwide?

- A) Visa
- B) Mastercard
- C) American Express
- D) Discover

Answer: A) Visa

50. Can a debit card be used to make purchases online?

- A) No, debit cards can only be used in physical stores.
- B) Yes, but only with a PIN.
- C) Yes, with or without a PIN, depending on the merchant.
- D) No, debit cards are not accepted online.

Answer: C) Yes, with or without a PIN, depending on the merchant.

51. What is a credit card?

- A) A card used only for cash withdrawals from ATMs
- B) A card issued by the government for tax refunds
- C) A card that allows the cardholder to borrow funds up to a certain limit to purchase goods and services
- D) A card used exclusively for international transactions

**Answer: C) A card that allows the cardholder to borrow funds up to a
Certain limit to purchase goods and service**

52. Who bears the responsibility for paying off the balance on a credit card?

- A) The bank
- B) The merchant
- C) The cardholder
- D) The government

Answer: C) The cardholder

53. What is the credit limit on a credit card?

- A) The maximum amount that can be borrowed using the card
- B) The maximum amount of cash withdrawals allowed
- C) The amount of money deposited in the cardholder's bank account
- D) The amount of money the cardholder owes to the bank

Answer: A) The maximum amount that can be borrowed using the card

54. Which of the following is NOT a typical credit card fee?

- A) Annual fee
- B) Interest rate
- C) Overdraft fee
- D) Balance transfer fee

Answer: C) Overdraft fee

55. What is the grace period on a credit card?

- A) The period during which no interest is charged on purchases if the balance is paid in full by the due date
- B) The time it takes for a new credit card to be activated
- C) The period during which a cardholder can return purchases for a refund
- D) The time it takes for a credit card application to be approved

**Answer: A) The period during which no interest is charged on purchases if
the balance is paid in full by the due date**

56. Which organization sets the rules and regulations for credit card issuers?

- A) Federal Reserve
- B) Securities and Exchange Commission (SEC)
- C) Visa and Mastercard
- D) Consumer Financial Protection Bureau (CFPB)

Answer: C) Visa and Mastercard

57. What is the minimum payment required on a credit card statement?

- A) The total outstanding balance
- B) 50% of the outstanding balance
- C) A fixed amount set by the card issuer
- D) A percentage of the outstanding balance, typically around 2-3%

Answer: D) A percentage of the outstanding balance, typically around 2-3%

58. Which of the following statements is true regarding credit card rewards programs?

- A) They are only available for business credit cards.
- B) They typically offer cashback or travel rewards based on spending.
- C) They are mandatory for all credit card users.
- D) They charge additional fees for participation.

Answer: B) They typically offer cashback or travel rewards based on spending.

59. What is a balance transfer in the context of credit cards?

- A) Transferring money from a credit card to a bank account
- B) Moving the balance from one credit card to another, often to take advantage of lower interest rates
- C) Paying off the full credit card balance each month
- D) Converting credit card debt into a loan

Answer: B) Moving the balance from one credit card to another, often to take Advantage of lower interest rates

60. Which of the following is NOT a factor used to calculate credit scores?

- A) Payment history
- B) Age and type of credit
- C) Debit card usage
- D) Credit utilization

Answer: C) Debit card usage

61. What is mobile banking?

- A) Banking services provided through physical branches
- B) Banking services accessed through a mobile device
- C) Banking services offered exclusively through ATMs
- D) Banking services accessible only through telephone calls

Answer: B) Banking services accessed through a mobile device

62. Which of the following activities can be performed using mobile banking?

- A) Opening a new bank branch
- B) Ordering a checkbox
- C) Transferring funds between accounts
- D) Attending a seminar at the bank

Answer: C) Transferring funds between accounts

63. Which technology enables secure mobile banking transactions?

- A) Bluetooth
- B) Near Field Communication (NFC)
- C) GPS (Global Positioning System)
- D) Encryption and secure authentication protocols

Answer: D) Encryption and secure authentication protocols

64. What is the primary advantage of mobile banking?

- A) Limited accessibility compared to traditional banking methods
- B) Increased risk of fraud and security breaches
- C) Convenience and accessibility anytime, anywhere
- D) Higher transaction fees

Answer: C) Convenience and accessibility anytime, anywhere

65. Which of the following is NOT a typical feature of mobile banking apps?

- A) Bill payment
- B) Account balance inquiry
- C) Access to physical branches
- D) Fund transfer between accounts

Answer: C) Access to physical branches

66. What is a mobile wallet in the context of mobile banking?

- A) A physical wallet designed to hold mobile phones
- B) A digital wallet stored on a mobile device for making payments
- C) A wallet provided by the bank exclusively for mobile banking transactions
- D) A wallet designed for storing physical cash and credit cards

Answer: B) A digital wallet stored on a mobile device for making payments

67. Which of the following authentication methods is commonly used in mobile banking?

- A) Signature verification

- B) PIN (Personal Identification Number)
- C) Handwritten checks
- D) Fingerprint scanning

Answer: D) Fingerprint scanning

68. What is the process of depositing a check using mobile banking apps called?

- A) Cash withdrawal
- B) Checkbook ordering
- C) Remote deposit capture
- D) Account balance inquiry

Answer: C) Remote deposit capture

69. What is the term for the practice of using mobile banking to make payments at physical retail stores?

- A) Mobile shopping
- B) Mobile wallet usage
- C) Mobile point-of-sale (mPOS)
- D) Mobile currency exchange

Answer: C) Mobile point-of-sale (mPOS)

70. Which of the following is a potential risk associated with mobile banking?

- A) Limited accessibility compared to traditional banking methods
- B) Increased risk of identity theft and fraud
- C) Higher transaction fees
- D) Limited transaction capabilities

Answer: B) Increased risk of identity theft and fraud

71. What does WAP stand for?

- A) Wireless Access Point
- B) Wireless Application Protocol
- C) Wireless Authentication Protocol
- D) Web Application Programming

Answer: B) Wireless Application Protocol

72. What is the primary purpose of WAP?

- A) Secure wireless network connection
- B) Accessing the internet on mobile devices
- C) Sending encrypted messages

D) Transmitting data via radio waves

Answer: B) Accessing the internet on mobile devices

73. Which technology enables WAP-enabled devices to access web content?

A) Bluetooth

B) Wi-Fi

C) GSM (Global System for Mobile Communications)

D) WML (Wireless Markup Language)

Answer: D) WML (Wireless Markup Language)

74. What type of devices commonly use WAP?

A) Desktop computers

B) Smartphones and feature phones

C) Tablets

D) Laptops

Answer: B) Smartphones and feature phones

75. Which of the following statements about WAP is true?

A) WAP requires a physical cable connection to the internet.

B) WAP is primarily used for accessing the internet on desktop computers.

C) WAP-enabled devices require special browsers to access web content.

D) WAP allows users to access the internet via mobile networks.

Answer: D) WAP allows users to access the internet via mobile networks.

76. What is telephone banking?

A) Banking services accessed through a computer

B) Banking services provided through physical branches

C) Banking services accessed via telephone

D) Banking services accessible only through mobile devices

Answer: C) Banking services accessed via telephone

77. What types of transactions can be performed using telephone banking?

A) Fund transfers between accounts

B) Bill payments

C) Balance inquiries

D) All of the above

Answer: D) All of the above

78. Which of the following is a common authentication method used in telephone banking?

- A) Fingerprint scanning
- B) Voice recognition
- C) Facial recognition
- D) PIN (Personal Identification Number)

Answer: D) PIN (Personal Identification Number)

79. What is the primary advantage of telephone banking?

- A) Limited accessibility compared to traditional banking methods
- B) Higher risk of fraud and security breaches
- C) Convenience of accessing banking services remotely
- D) Lower transaction fees

Answer: C) Convenience of accessing banking services remotely

80. Which of the following is a potential limitation of telephone banking?

- A) Limited hours of operation
- B) Limited transaction capabilities
- C) Limited security measures
- D) Limited customer support

Answer: B) Limited transaction capabilities

81. What is internet banking?

- A) Banking services accessed through telephone calls
- B) Banking services accessed via physical branches
- C) Banking services accessed through the internet
- D) Banking services accessible only through mobile devices

Answer: C) Banking services accessed through the internet

82. Which of the following activities can be performed using internet banking?

- A) Cash withdrawals from ATMs
- B) Bill payments
- C) Checkbook ordering
- D) Accessing physical branches

Answer: B) Bill payments

83. What is the primary advantage of internet banking?

- A) Limited accessibility compared to traditional banking methods
- B) Higher risk of fraud and security breaches

- C) Convenience of accessing banking services anytime, anywhere
- D) Lower transaction fees

Answer: C) Convenience of accessing banking services anytime, anywhere

84. Which technology enables secure internet banking transactions?

- A) RFID (Radio Frequency Identification)
- B) NFC (Near Field Communication)
- C) SSL (Secure Sockets Layer) encryption
- D) GPS (Global Positioning System)

Answer: C) SSL (Secure Sockets Layer) encryption

85. What is a potential risk associated with internet banking?

- A) Limited transaction capabilities
- B) Limited accessibility
- C) Higher risk of identity theft and fraud
- D) Lower security measures

Answer: C) Higher risk of identity theft and fraud

86. What is a phishing attack in the context of internet banking?

- A) A method of withdrawing cash from ATMs using stolen credentials
- B) A fraudulent attempt to obtain sensitive information by impersonating a legitimate entity
- C) A type of malware that infects computers to steal banking information
- D) A service offered by banks to protect against online fraud

**Answer: B) A fraudulent attempt to obtain sensitive information
by impersonating a legitimate entity**

87. Which of the following is NOT a typical feature of internet banking?

- A) Account balance inquiry
- B) Fund transfers between accounts
- C) Access to physical branches
- D) Bill payments

Answer: C) Access to physical branches

88. What is two-factor authentication in the context of internet banking?

- A) A method of authentication that requires two PINs
- B) A method of authentication that uses two different devices

- C) A method of authentication that combines something the user knows with something the user has
- D) A method of authentication that requires two different biometric identifiers

Answer: C) A method of authentication that combines something the user knows with something the user has

89. Which of the following statements about internet banking is true?

- A) Internet banking requires physical presence at a bank branch.
- B) Internet banking transactions are always processed in real-time.
- C) Internet banking can only be accessed via desktop computers.
- D) Internet banking allows users to perform a wide range of banking activities online.

Answer: D) Internet banking allows users to perform a wide range of banking activities online.

90. Which organization sets guidelines and regulations for internet banking security?

- A) Federal Reserve
- B) World Bank
- C) International Monetary Fund (IMF)
- D) Financial Industry Regulatory Authority (FINRA)

Answer: A) Federal Reserve

91. What is an e-cheque?

- A) A digital representation of a physical cheque
- B) A cheque issued electronically by the bank
- C) A cheque sent via email
- D) A cheque deposited using a mobile app

Answer: A) A digital representation of a physical cheque

92. Which technology enables the creation and processing of e-cheques?

- A) Magnetic ink character recognition (MICR)
- B) Optical character recognition (OCR)
- C) Digital signatures and encryption
- D) Near Field Communication (NFC)

Answer: C) Digital signatures and encryption

93. What is the primary advantage of e-cheques?

- A) Faster processing compared to physical cheques

- B) Lower risk of fraud and forgery
- C) Compatibility with all types of banking software
- D) Ability to withdraw cash immediately

Answer: A) Faster processing compared to physical cheques

94. How are e-cheques deposited into bank accounts?

- A) By mailing physical copies to the bank
- B) By scanning and uploading them through online banking platforms
- C) By visiting a bank branch and presenting them in person
- D) By sending them via fax

Answer: B) By scanning and uploading them through online banking platforms

95. Which of the following is NOT a characteristic of e-cheques?

- A) Paper-based processing
- B) Electronic transmission
- C) Digital signatures
- D) Encryption for security

Answer: A) Paper-based processing

96. What is the Cheque Truncation System (CTS)?

- A) A system for truncating physical cheques and converting them into electronic images
- B) A system for printing cheques electronically
- C) A system for verifying signatures on cheques
- D) A system for encrypting cheque data for security purposes

Answer: A) A system for truncating physical cheques and converting them into electronic images

97. What is the purpose of the CTS?

- A) To increase the circulation of physical cheques
- B) To reduce the time and cost of cheque clearance
- C) To eliminate the need for bank branches
- D) To increase the risk of cheque fraud

Answer: B) To reduce the time and cost of cheque clearance

98. Which organization is responsible for implementing and managing the CTS in India?

- A) Reserve Bank of India (RBI)
- B) Securities and Exchange Board of India (SEBI)

- C) National Payments Corporation of India (NPCI)
- D) Indian Banks' Association (IBA)

Answer: A) Reserve Bank of India (RBI)

99. What happens to physical cheques after they are truncated in the CTS?

- A) They are destroyed
- B) They are archived for future reference
- C) They are sent to the payer's bank for verification
- D) They are returned to the payer

Answer: A) They are destroyed

100. How does the CTS improve the efficiency of cheque processing?

- A) By introducing manual processing methods
- B) By reducing the need for physical transportation of cheques
- C) By increasing the number of verification steps
- D) By allowing only paper-based transactions

Answer: B) By reducing the need for physical transportation of cheques

101. What is the Bank Ombudsman Scheme?

- A) A scheme for resolving disputes between banks and their customers
- B) A scheme for promoting online banking services
- C) A scheme for providing financial assistance to small businesses
- D) A scheme for regulating bank mergers and acquisitions

Answer: A) A scheme for resolving disputes between banks and their customers

102. Who appoints the Banking Ombudsman?

- A) The Prime Minister
- B) The President of the country
- C) The Reserve Bank of India (RBI)
- D) The Finance Minister

Answer: C) The Reserve Bank of India (RBI)

103. What types of complaints can be filed with the Banking Ombudsman?

- A) Complaints related to bank mergers
- B) Complaints related to interest rates on loans
- C) Complaints related to non-payment or delay in payment of cheques
- D) Complaints related to bank holidays

Answer: C) Complaints related to non-payment or delay in payment of cheques

104. How does the Banking Ombudsman resolve disputes between banks and their customers?

- A) By issuing fines to banks
- B) By conducting investigations and issuing recommendations
- C) By terminating the customer's account
- D) By taking legal action against the bank

Answer: B) By conducting investigations and issuing recommendations

105. What is the maximum compensation amount that can be awarded by the Banking Ombudsman?

- A) ₹1 lakh
- B) ₹5 lakh
- C) ₹10 lakh
- D) ₹25 lakh

Answer: B) ₹5 lakh

106. How many Banking Ombudsman offices are there in India?

- A) One office for each state
- B) One central office in New Delhi
- C) Multiple offices located in major cities across India
- D) Only one office in Mumbai

Answer: C) Multiple offices located in major cities across India

107. What is the time limit for filing a complaint with the Banking Ombudsman?

- A) 30 days from the date of the incident
- B) 60 days from the date of the incident
- C) 90 days from the date of the incident
- D) 180 days from the date of the incident

Answer: D) 180 days from the date of the incident

108. What is the role of the Banking Ombudsman in resolving complaints?

- A) To take legal action against the bank
- B) To mediate between the bank and the customer
- C) To provide financial compensation to the customer
- D) To terminate the bank's license

Answer: B) To mediate between the bank and the customer

109. Who can file a complaint with the Banking Ombudsman?

- A) Only individuals with high net worth
- B) Only employees of the bank
- C) Any person who has a grievance against a bank
- D) Only government officials

Answer: C) Any person who has a grievance against a bank

110. What is the Banking Ombudsman's decision binding on?

- A) The customer
- B) The bank
- C) Both the customer and the bank
- D) The Reserve Bank of India (RBI)

Answer: B) The bank

