

# Nesto Institute Of Finance

## PRINCIPALS OF BANKING MODUALE-A

1. RBI has now permitted banks to carry on the business of leasing, Hire Purchase and Factoring directly by themselves, the leadings under each category should not exceed:
  - A. 1% of the total bank credit
  - B. 5% of the total bank credit
  - C. 10% of the total bank credit
  - D. None of the above
2. As per sec. 6 of the BR Act, a banking company can undertake:
  - A. Merchant banking
  - B. Issue of guarantee and indemnity
  - C. Executor and trustee business
  - D. All of the above
3. The Banking Companies Act, 1949 was enacted to consolidate and amend the law relating to banking companies w.e.f 1<sup>st</sup> March 1966, the name of the act has been changed as:
  - A. Negotiable Instruments Act
  - B. Reserve Bank of India Act
  - C. The Banking and Transfer of Undertaking Act
  - D. The Banking Regulation Act
4. New Private Sector Banks (NPSB) have been authorized to be set up under the new liberalization policy, the minimum paid up capital should be:
  - A. ` 50 crore
  - B. ` 100 crore
  - C. ` 150 crore
  - D. ` 200 crore
5. The first public sector bank to issue capital to public is:
  - A. Corporation Bank
  - B. Indian Overseas Bank
  - C. Oriental Bank of Commerce
  - D. Punjab National Bank
6. Banking is defined wide section 5(1) (b) of the Banking Regulation Act, 1949 as:
  - A. The accepting, for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise and withdrawal by cheque, drafts, order or otherwise
  - B. Accepting deposits and making advances to public
  - C. Accepting money and keeping the same in their vault and repay the same on the demand of customer
  - D. None of these
7. RBI was established in 1935 pursuant to the recommendation of:
  - A. The Hilton Young Commission
  - B. All India Rural Credit Survey Committee
  - C. Gorawala Committee
  - D. Talwar Committee
8. RBI was nationalised in:
  - A. 1935
  - B. 1949
  - C. 1955
  - D. 1969
9. On 9<sup>th</sup> July 1969, 14 banks were nationalised, these banks had deposits of more than:
  - A. Rs. 25 crore
  - B. Rs. 75 crore
  - C. Rs. 85 crore
  - D. Rs. 100 crore
10. In 1993, a loss making nationalised bank was merged with the profit making Punjab National Bank as a result total number of public sector bank is now:
  - A. 27
  - B. 28
  - C. 19
  - D. 14
11. Social control on banks was introduced in the year :
  - A. 1974.
  - B. 1950.
  - C. 1967.
  - D. 1975.
12. Banks were nationalized first time on :
  - A. 19<sup>th</sup> July 1969.
  - B. 15<sup>th</sup> April 1980.
  - C. 15<sup>th</sup> August 1947.
  - D. 2<sup>nd</sup> October 1947.
13. Which of the following were considered to be compelling reasons for Bank Nationalization ?
  - A. Concentration of wealth and economic power in the hands of industrialists and businessmen.
  - B. Branch expansion was confined to urban areas and rural areas were being neglected.

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- C. Sectors like agriculture, small scale industries and the other deserving sectors were outside the purview of bank lending operations.  
D. All of the above.
14. Enumerate the main functions of a banker as per Banking Regulation Act, 1949 :
- A. Accepting deposit of money.
  - B. Advancing of loans.
  - C. Issuance of letters of credit.
  - D. All of these.
15. The Banking Regulation Act, 1949, consists of :
- A. 50 sections.
  - B. 142 sections
  - C. 56 sections.
  - D. 100 sections
16. The commercial Banking System in India comprises of :
- A. Scheduled and Non-Scheduled Banks.
  - B. Nationalised banks and Private sector banks.
  - C. Regional Rural Banks, Cooperative Banks.
  - D. Land Development Banks.
17. Scheduled Bank refers to a bank :
- A. Authorized by central Government to transact government business.
  - B. Registered with Ministry of Finance Government of India.
  - C. Which is included in the second schedule of the Reserve Bank of India Act 1934.
  - D. Incorporated as a cooperative society.
18. Before a bank is included in the second schedule of the RBI Act, it must fulfil the following conditions:
- A. Paid up capital and reserves of the Bank should not be less than ` 5 lakh.
  - B. It must satisfy the Reserve Bank of India that its affairs are not being conducted in a manner detrimental to the interest of the depositors.
  - C. It must be a State Cooperative Bank or a Company as defined in the Companies Act, 1956 or an institution notified by the Central Government in this behalf or a corporation on a company incorporated by or under any law in force in any place outside India.
  - D. All of the above.
19. Whole Sale Banking refers to the borrowing and lending funds of:
- A. Government departments or agencies
  - B. Other banks
  - C. Large domestic and international companies
  - D. All of the above
20. Which of the following would not fall under the category of Whole Sale Banking?
- A. Credit facilities for Rupee one lacs and above to industries and trading firms
  - B. Personal loans/Consumer loans to the individual
  - C. Loan syndication
  - D. (a) and (b)
21. Which of the following would fall under the category of retail banking?
- A. Personal loans to individuals.
  - B. Vehicle loans.
  - C. Home loans.
  - D. All of the above.
22. Retail Banking refers to:
- A. Provision of the basic services of a bank to the individuals.
  - B. Credit facilities provided to retail traders, departmental shares etc.
  - C. Collection and payment of large numbers of dividend warrants, interest warrants and refund orders.
  - D. Salary distribution of a large organization.
23. What are the various segments of Retail Banking?
- A. Deposit products (i.e., convenient deposit schemes such as Fixed deposit, Auto-sweep schemes etc.)
  - B. Loan products (i.e., loan for conveyance, loan for housing, education and personal loans etc.)
  - C. Value added services (i.e., free collection of out station cheques, issue of free ATM/Debit/Credit cards)
  - D. All of the above
24. The various channels for delivery of retail banking are:
- A. Through Branch Banking
  - B. Through Internet Banking
  - C. Through Mobile Banking
  - D. All of the above
25. Which of the following does not come in the purview of Retail Banking?
- A. Advances to traders
  - B. Advances to small scale units
  - C. Financing of weaker sections of the society
  - D. Loan syndicate

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26. Sources of funds which do not appear in the balance sheet and consequently not owned by the entity are known as:
- A. Off balance sheet business
  - B. Current assets
  - C. Contingent liabilities
  - D. All of the above
27. Which of the following is an example of off balance sheet finance?
- A. Accommodation Bill
  - B. WCTL
  - C. Financial Loans
  - D. Intangible Assets
28. Which is the CORRECT statement in regard to off balance sheet finance?
- A. It represents the time liabilities
  - B. It represents the funds invested in subsidiary/holding companies
  - C. It represent the claims not admitted as debts
  - D. As there is no capital outlay, there is no reduction in working control
29. The lending and borrowing of funds between banks for one day (overnight) is called:
- A. Reserve Money
  - B. Term Money
  - C. Notice Money
  - D. Call Money
30. What is the maximum amount that the banks are permitted to borrow normally, in call and notice money market?
- A. 25% of capital Funds
  - B. 50% of capital Funds
  - C. 100% of capital Funds
  - D. 125% of capital Funds
31. What is the amount that Cooperative Banks can borrow as % of their aggregate deposits as at end of March of previous year, in the call / notice money market.
- A. 0.5%
  - B. 1%
  - C. 2%
  - D. 5%
32. Treasury bills are issued by govt. to borrow money with a maturity period of (1) less than 91 days (2) 91 days (3) 182 days and (4) 364 days:
- A. 1 to 4 all
  - B. 1 to 3 only
  - C. 2 to 4 only
  - D. 1 only
33. Certificate of deposit is issued
- A. At a discount to face value
  - B. At par value
  - C. On a yield basis
  - D. Redeemable value
34. What is the minimum and maximum amount for which certificate of deposit can be issued:
- A. Rs.1 lac and Rs.1 cr
  - B. Rs.1 lac and Rs.10 lac
  - C. Rs.1 lac and Rs.5 lac
  - D. Rs.1 lac and no ceiling on maximum
35. What is the maturity period range for issue of certificate of deposit?
- A. 7 days to one year
  - B. 7 days to 10 years
  - C. 15 days to one year
  - D. 15 days to 10 years
36. Commercial paper can be issued by companies having (1) net worth of Rs.4 cr (2) loan accounts in standard category (3) Sanctioned working capital limits of Rs.10 cr and above (d) Credit rating of P-2 of CRISIL. Which of these statements are correct?
- A. 1 to 4 all
  - B. 1 and 4 only
  - C. 2 and 3 only
  - D. 1 and 2 only
37. What is the minimum and maximum amount for which commercial paper can be issued?
- A. Rs.1 lac and Rs.1 cr
  - B. Rs.1 lac and Rs.10 lac
  - C. Rs.1 lac and Rs.5 lac
  - D. Rs.1 lac and no ceiling on maximum

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38. What is the maturity period range for issue of commercial paper?
- A. 7 days to one year
  - B. 7 days to 10 years
  - C. 15 days to one year
  - D. 15 days to 10 years
39. A Mutual Fund is a mechanism (Which one is not Correct):
- A. To pool resources from the public by issues units
  - B. To invest the funds so pooled as per objectives
  - C. To invest the funds so pooled as per disclosed in the offer document
  - D. None of the above
40. For protection of investors of mutual funds, who formulates the policies and regulates the mutual funds to protect the interest of investors?
- A. Company law board
  - B. Insurance regulatory and development authority
  - C. Reserve Bank of India
  - D. None of the above
41. The responsibility to make investment in various types of securities for a mutual fund lies with which of the following:
- A. Sponsor
  - B. Trustee
  - C. Asset management company
  - D. Custodians
42. As per regulation of SEBI \_\_\_ directors or trustee of a mutual fund should be independent:
- A. 33%
  - B.  $\frac{1}{2}$
  - C. 2/3 rd
  - D. 75%
43. As per SEBI guidelines, a person engaged in the marketing and selling of mutual funds products is required to pass a certification test and obtain a registration no. from:
- A. AMFI
  - B. SEBI
  - C. NSE or BSE
  - D. IIBF
44. In a close ended mutual fund scheme ,as per SEBI guidelines, the fund must offer exit route to the investor in which of the following form:
- A. Only repurchase of units
  - B. Only listing of the units at a stock exchange
  - C. The fund may offer both
  - D. The investor does not get any exit facility unless the scheme is closed
45. Which out of the following, is the aim of income fund schemes of a mutual fund
- A. To provide regular income and appreciation of capital
  - B. To provide appreciation of capital
  - C. To provide regular income
  - D. To provide maximum income
46. To Provide regular income and growth of investment, the balance fund schemes invest in :
- A. Govt.Securities
  - B. Equity of Companies
  - C. Debentures of companies
  - D. Equity and debt instruments
47. Which of the following is not a feature of an index fund
- A. The investment replicated the portfolio of a particular index
  - B. The investment of the scheme is in the same weightage comprising the index
  - C. The NAV of the scheme would fall or rise exactly in accordance with fall or rise of the index
  - D. None the above
48. In case of \_\_\_\_,the investment primarily is in other scheme of the same mutual fund or other mutual funds:
- A. Assured returns funds
  - B. Fund of funds
  - C. Master Funds
  - D. Index funds
49. At organizational level in each bank, the overall responsibility of risk management is assigned to:
- A. Risk management organization
  - B. Risk management committee
  - C. Board of directors
  - D. Risk management sub-committee of board of directors
50. The process of credit grading in a bank comprises of which of the following (which one is not correct):
- A. Assessment of credit quality
  - B. Identification of problem loans
  - C. Assignment of risk ratings
  - D. Evaluation of portfolio quality
51. Credit risk may take which of the following form:
- A. Default of principal or interest in a central govt. guaranteed loan
  - B. Crystallization of liability under a letter of credit

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- C. Securities settlement not being affected by the other bank  
D. All the above
52. Which of the following cannot be categorized as part of the market risk:  
A. Liquidity risk  
B. Legal risk  
C. Foreign exchange risk  
D. Interest rate risk
53. Basle committee on banking supervision recommendations relate to:  
A. Provisions against non – performing loans  
B. Credit risk management  
C. Maintenance of adequate capital  
D. Principles of effective deposit insurance
54. If there is possibility of loss due to some breakdown in the internal controls of a bank, this is called  
A. Market risk  
B. Technology risk  
C. Systemic risk  
D. Operational risk
55. Basel II is based on the following three pillars. Which of these does match:  
A. Pillar-1: Credit risk  
B. Pillar- 2 supervisory review  
C. Pillar – 3 operational risk  
D. All the above
56. The implementation of pillar 3 requirement is focused on:  
A. Maintenance of adequate capital  
B. Disclosure of relevant information in the balance sheet regarding capital adequacy  
C. Making the banks more responsive to the market conditions.  
D. All the above
57. As per Basel II, the Tier 2 capital amount:  
A. Can be equal to 50% of Tier III  
B. Can be maximum 100% of Tier I  
C. Can be maximum 50% of Tier I  
D. Can be maximum 100% of capital amount.
58. As per Basel 2 recommendations, the amount of general provisions and general loan loss reserves should not exceed  
A. 55% of capital fund  
B. 2% of capital fund  
C. 1.25% of risk weighted assets  
D. 55% of risk weighted assets
59. The major promoters of CIBIL are (which one is not correct):  
A. SBI and HDFC  
B. Reserve Bank of India  
C. Trans Union International Inc.  
D. Dun & Bradstreet information services India
60. The individual customers are covered by \_\_\_\_ of the CIBIL:  
A. Retail credit bureau  
B. Consumer credit bureau  
C. Personal credit bureau  
D. Commercial credit bureau
61. CIBIL maintains a central database of information relating to borrower which:  
A. It collects from market  
B. It collects through newspaper reports  
C. It receives from banks  
D. It receives from Reserve Bank
62. The fair practices code for lenders:  
A. Casts responsibility on banks to provide proper information to customers  
B. Is a code specifying the obligations of banks towards the borrowers  
C. Is a code specifying the obligations of banks towards the borrower  
D. Is a code specifying the obligations of banks towards the borrower and depositors
63. If loan application up to Rs. 2 lac is rejected by the bank:  
A. The borrower cannot apply for a loan to that bank again  
B. The main reasons of rejection should conveyed in writing  
C. The borrower cannot apply for a loan to any other bank again  
D. All the above
64. The code of bank's commitment to customers, to be followed by banks:  
A. Are the instructions issued by RBI that sets the minimum standards of banking practices for banks to follow while dealing with individual customers.  
B. Sets the normal standards of banking practices for banks to follow while dealing with individual customers.  
C. Sets the minimum standards of banking practices for banks to follow while dealing with individual customers.

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- D. Sets the highest standards of banking practices for banks to follow while dealing with individual customers.
65. The 'bankers fair practice code was brought in 2004 by:
- A. Reserve Bank of India
  - B. Indian Banks' Association
  - C. Banking codes and standards Board of India
  - D. Govt. of India
66. If bank is member of BCSBI and adopts the code of bank's commitment to customer, which of the following codes will not be applicable on that bank:
- A. IBA'S Fair practice code
  - B. IBA's Fair practice code for credit card operations
  - C. IBA's Model code for collection of dues and re-possession of security
  - D. All the above
67. Which of the following regulates the business of Credit Information companies?
- A. Credit Information Companies Rules framed by Govt. of India
  - B. Credit Information Regulations framed by Govt. of India
  - C. Credit Information companies (Regulation) Act and Credit Information Companies Rules of RBI
  - D. All the above
68. Which of the following is not a credit information company, approved by RBI:
- A. Experian Credit Information company (India) Pvt Ltd
  - B. CRISIL Credit information company
  - C. Equifax Credit Information Company (India) Pvt Ltd
  - D. Credit Information Bureau India Limited (CIBIL)
69. What is the, that a person has to pay, to obtain his credit report under RBI guidelines on Credit Information Companies?
- A. Rs.10
  - B. Rs. 25
  - C. Rs.50
  - D. Rs.100
70. The reforms in the financial services sector were initiated in India on recommendations of:
- A. Rangarajan committee
  - B. Narasimham committee
  - C. Narhari committee
  - D. Parekh committee
71. The liquidity adjustment facility relates to:
- A. Temporary loans by RBI to central govt.
  - B. Sale of govt. securities by RBI
  - C. Short term loans by RBI to banks
  - D. Overdraft facility to state govt.
72. Information regarding commercial papers issued is available on:
- A. SEBI website
  - B. Website of CIBIL
  - C. Website of RBI of India
  - D. Website of clearing corporation
73. The objective of introduction of post-shipment Export credit in Foreign Currency (PCFC) is to:
- A. Increase the flow of credit for exports
  - B. Enable exporters to access funds at international rates
  - C. Help exporters to cover the foreign currency fluctuation risk
  - D. All the above
74. The primary market, within the capital market, comprises \_\_\_ market and \_\_\_ market:
- A. Public issue market, secondary issue market
  - B. Public issue market, private placement market
  - C. Private placement market, secondary issue market
  - D. Equity share market, preference share market
75. The transition process of an exchange from a mutually owned association to the shareholders owned company, is called
- A. Mutualisation
  - B. Demutualisation
  - C. Decorporatisation
  - D. None of the above
76. What is the advantage of demutualized stock exchange over the mutual stock exchange:
- A. The ownership is different from reading interest
  - B. The management is different from ownership and reading
  - C. The trading is different from the ownership and management
  - D. All the above
77. The maximum shareholding of a stock exchange can be held by a single investor, is restricted to:
- A. 2%
  - B. 5%
  - C. 10%
  - D. 15%
78. Which of the following is not a characteristics of and equity share:

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- A. It is called ordinary share also  
B. It represents complete ownership of the company  
C. The holder undertakes entrepreneurial risk associated with a business venture  
D. It provides voting right to the holder.
79. Which of the following is not a characteristics of a preference share:  
A. Holders get voting rights similar to an equity shareholder  
B. Owners get a fixed dividend  
C. Owners get the dividend in preference over the equity shareholders  
D. In case of liquidation of the company, they get preference for return of capital
80. Which of the following is not a characteristics of a bonus shares/bonus issue:  
A. It is called capitalization of reserves  
B. These are issued to shareholders without charging any price  
C. These are issued out of accumulated reserves of a company  
D. These cannot be issued out of share premium reserves
81. The term 'security receipt' represents which of the following:  
A. The receipt issued by a company for having received the security deposit for a contract  
B. Where a company receives a receipt for deposit of security for various purchases  
C. The receipt issued by a securitization/reconstruction company in the process of securitization of financial assets  
D. The receipt issued by a public company for the money receipt pending allotment of shares.
82. The negotiable certificate evidencing indebtedness is called  
A. Debenture  
B. Bond  
C. Ordinary share  
D. Preference share
83. In the secondary market, the trading of the coupon bonds is at \_\_\_\_ based on the market rate of interest:  
A. Expected yield  
B. Expected maturity value  
C. Yield to maturity  
D. The current market price
84. In case of a micro enterprise, the maximum investment in plant and machinery is Rs. \_\_\_\_ & in equipment Rs. \_\_\_\_\_.  
A. Rs. 10 lac, Rs. 25 lac  
B. Rs. 25 lac, Rs. 25 lac  
C. Rs. 10 lac, Rs. 10 lac  
D. Rs. 25 lac, Rs. 10 lac
85. In case of a small enterprise, the maximum investment in plant and machinery is Rs. \_\_\_\_\_ & in equipment Rs. \_\_\_\_\_:  
A. Rs. 100 lac, Rs. 100 lac  
B. Rs. 200 lac, Rs. 200 lac  
C. Rs. 500 lac, Rs. 200 lac  
D. Rs. 500 lac, Rs. 500 lac
86. In case of a medium enterprise, the maximum investment in plant and machinery is Rs. \_\_\_\_ & in equipment Rs. \_\_\_\_:  
A. Rs. 10 cr, Rs. 5 cr  
B. Rs. 5 Cr, Rs.500 lac  
C. Rs. 1000 lac, Rs. 1000 lac.  
D. Rs. 500 lac, Rs. 1000 lac
87. Which among the following loans is not part of the loans to micro and small service enterprises:  
A. To a professional & self employed  
B. To small business  
C. To small road and water transport operators  
D. For software development
88. Investment in plant machinery criteria does not apply in respect of:  
A. Manufacturing activity  
B. Production activity  
C. Preservation activity  
D. Servicing activity
89. Which of the following loans are part of priority sector loans:  
A. Loans for exports, by and indian banks  
B. Loans to medium enterprise engaged in production  
C. Loans to medium enterprise engaged in servicing  
D. Investment made in securitized asset representing direct and indirect SSI advances.  
E. Any of the above
90. Which of the following advance is part of indirect finance to micro & small enterprises:  
A. Loans granted to NBFCs for on-lending to MSEs  
B. Deposits placed with SIDBI by foreign banks as on 29.4.2007

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- C. Deposits placed with SIDBI by foreign banks as on 29.4.2007
- D. Investment made in bonds issued by NABARD.
- E. Loan to a medium enterprise.

1	C	2	d	3	d	4	d	5	c
6	A	7	A	8	A	9	B	10	A
11	C	12	A	13	D	14	D	15	C
16	A	17	C	18	D	19	D	20	A
21	D	22	A	23	D	24	D	25	D
26	D	27	C&A	28	D	29	D	30	A
31	C	32	C	33	A	34	D	35	A
36	D	37	D	38	A	39	D	40	D
41	C	42	C	43	A	44	C	45	C
46	D	47	D	48	B	49	B	50	D
51	D	52	B	53	C	54	D	55	B
56	B	57	B	58	C	59	B	60	B
61	C	62	B	63	B	64	C	65	B
66	D	67	C	68	B	69	C	70	B
71	C	72	C	73	B	74	B	75	B
76	D	77	B	78	B	79	A	80	D
81	C	82	B	83	C	84	A	85	B
86	A	87	D	88	D	89	E	90	A



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