

NESTO INSTITUTE OF FINANCE
PRINCIPLES & PRACTICES OF BANKING
MODULE C & D

1. RAM stands for:
 - A. Random Access Memory.
 - B. Readable Access Memory.
 - C. Read A Machine.
 - D. Read A Memory.
2. What are the various input units?
 - A. Key Board.
 - B. Mouse.
 - C. Scanners, Floppy Disk, C.D. Dat etc.
 - D. All of the above.
3. Which of the following is called the brain of computer?
 - A. Input Unit.
 - B. CPU (Central Processing Unit).
 - C. RAM.
 - D. Hard Disk.
4. CPU can be divided into:
 - A. Three parts i.e. Control Unit, Arithmetical Logic Unit (ACU) and Memory Unit.
 - B. Two parts i.e. Control Unit and Memory Unit.
 - C. No division.
 - D. All of the above.
5. Which of the following are considered output units of a computer?
 - A. Floppy Disk, Dat, CD etc.
 - B. Printers.
 - C. Video Display Unit, Micro film.
 - D. All of the above.
6. Which of the following is a CORRECT statement about smart/debit cards?
 - A. Banks are generally extending this facility to savings/current account/fixed deposit account holders with built in liquidity features.
 - B. Smart/debit card facility is not extended to cash credit and loan account holder.
 - C. Both of the above.
 - D. Debit card can be issued to PMRY beneficiaries.
7. Credit cards are cards made of plastic material as such they are also known as:
 - A. Plastic cards.
 - B. Card money.
 - C. Plastic card full of money.
 - D. All of these.
8. Credit cards are of standard size and thickness and are embossed with the following detail:
 - A. Name of card holder.
 - B. Card number.
 - C. Validity date etc.
 - D. All of these.
9. The credit cards are usually valid for:
 - A. One or two years.
 - B. Five years.
 - C. Ten years.
 - D. No time limit.
10. The holder of the card can purchase goods and avail services, up to a specified limit, from:
 - A. Shops, department stores, hotels, restaurants.
 - B. Railway stations, airlines etc.
 - C. Emporiums.
 - D. All of the above.
11. The need for a secured and common messaging solution that would serve as the basic platform for intrabank and interbank application and would fulfil the requirements of domestic financial messaging, gave birth to the:
 - A. Internet.
 - B. Structured Financial Messaging Solution (SFMS).
 - C. RBI net.
 - D. Infinet.
12. Which of the following statements are CORRECT, in respect of SFMS (Structured Financial Messaging Solution)?
 - A. The system is built on the lines of SWIFT and has many more utilities to offer.
 - B. The major advantages of SFMS are that it can be used practically for all purposes of secure communication within the bank and between banks.
 - C. The intrabank messaging part, which is most important can be used by the banks to take full advantage of the secured messaging facility it provides.
 - D. All of the above.
13. Which of the following statements about SFMS are CORRECT?
 - A. SFMS system consists of four main units Hub, Gateway, Branch Serves and Thin or Thick Clients.
 - B. Banks can link all their important, high volume branches, irrespective of their category to the

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- SFMS through appropriate connectivity like PSTN/ISDN or Leased Lines.
- C. Use of SFMS is not restricted only to computerized or partially computerized branches.
- D. All of the above.
14. Which of the following statements about SFMS is INCORRECT?
- A. There are four kinds of users in SFMS namely – Creator, Verifier, Authorizer and Super Users.
- B. Messages are encrypted with the receiving node's public key to protect confidentiality of the message while in transit.
- C. SFMS uses X.509 Digital Signatures for access control and authentication messages.
- D. None of the above.
15. The interbank messaging part of SFMS is useful for applications like:
- A. Electronic Fund Transfer (EFT).
- B. Real Time Gross Settlement System (RTGS).
- C. Delivery Versus Payment (DVP) System.
- D. All of the above.
16. What is the amount per withdrawal that can be withdrawn by a customer by using ATM of other bank?
- A. ` 1,000.
- B. ` 5,000.
- C. ` 10,000.
- D. No such limit.
17. What is the maximum number of transactions by a customer by using ATM of other bank?
- A. 2 per month.
- B. 5 per month.
- C. 10 per month.
- D. No such limit.
18. With effect from July 1, 2009, a fee ofper instrument each from the presenting bank and from the paying bank in the cheque truncation system (CTS) has been introduced.
- A. ` 0.10.
- B. ` 0.20.
- C. ` 0.25.
- D. ` 0.50.
19. As a step towards enhancing customer convenience in using plastic cards, cash withdrawals up to `per day at POS terminals have been allowed for all debit cards issued in India.
- A. ` 500.
- B. ` 1,000.
- C. ` 5,000.
- D. ` 10,000.
20. The electronic signatures are issued by:
- A. Bank with whom the account is maintained.
- B. The certifying authority appointed by Government.
- C. Electronic signature controller of India.
- D. Income Tax Department.
21. INFINET stands for:
- A. International Financial Network.
- B. Indoor Financial Network.
- C. Indian Financial Network.
- D. Internet Financial Network.
22. A bank is required to reimburse to the customers the amount wrongfully debited in an ATM within a maximum period ofdays from the date of receipt of customer complaints.
- A. 3 days.
- B. 7 days.
- C. 10 days.
- D. 12 days.
23. EFT stands for:
- A. Early Funds Transactions.
- B. Electronic Funding Transactions.
- C. Electronic Funds Transfers.
- D. Equity Funding Transactions.
24. What time gap is given in RTGS, between customer timings and inter-bank timings, to ensure that a customer transaction where credit cannot be afforded to the beneficiary, would have to be returned to the account of sender?
- A. 2 hr 20 min.
- B. 1 hr 30 min.
- C. 60 min.
- D. 45 min.
25. A market may comprise:
- A. One seller and many buyers.
- B. Many sellers and one buyer. Few sellers and many buyers.
- C. Many sellers and many buyers.
- D. All of the above.
26. A market can be divided into followings, on the basis of geographical area:
- A. Local market.
- B. Regional Market, National Market.
- C. World Global Market.
- D. All of the above.
27. Market, on basis of volume transactions, can be divided into:

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- A. Retail Market.
B. Wholesale Market.
C. Scattered Market.
D. (a) and (b).
28. The following are various types of market, on the basis of nature of transactions:
A. Cash/Spot Market.
B. Futures market.
C. (a) and (b).
D. Street market.
29. Which of the following statements is NOT CORRECT regarding marketing?
A. Marketing is concerned with creation and maintenance of mutually satisfying exchange relationship.
B. Marketing is the business function which identifies the unsatisfied needs and wants.
C. Marketing is the process of determining consumer demand for a product or services.
D. Marketing is the process of determining needs of sellers/manufacturers.
30. The word 'Market' :
A. Refers to a place where goods can be bought and sold.
B. Consists of all the potential customers sharing a particular need or want who might be able to engage in exchange to satisfy the need or want.
C. It implies a situation where buyers and sellers of commodity interact.
D. All of the above.
31. Which of the following does not represent a market situation?
A. A small distributing Prasad in a temple.
B. A bank running a dispensary located in its staff college.
C. A meditation camp of a religious organization for its members.
D. A fund raising charity show for the victims of tsunami tidal waves.
32. Market can be classified into different types based on:
A. Geographical Area.
B. Products.
C. Nature of transaction and Volume of transaction.
D. All of the above.
33. Which of the statements is CORRECT in respect of concept of marketing?
A. Marketing is a concept of selling the product and services.
B. Marketing is also considered advertising or promoting a product.
C. Marketing is essentially related to customer satisfaction.
D. All of the above.
34. Marketing is a:
A. Political activity.
B. Legal activity.
C. Socio-economic activity.
D. All of the above.
35. Which of the following is correct not with regard to marketing?
A. Marketing is management function
B. Marketing is a philosophy
C. Marketing is not limited to business activity alone
D. Marketing means selling
E. Objective of marketing is to achieve corporate objective through customer satisfaction
36. Which of the following term explains the term 'market':
A. Where the goods are sold
B. Where the services are sold
C. Where the buyers and seller of products interact and decide to sell and purchase
D. Where the sellers dictate terms
E. Where the buyers dictate terms
37. Which of the following cannot be a market situation:
A. One seller many buyers
B. Many sellers and many buyers
C. Few sellers and many buyers
D. Many sellers and few buyers
E. None of the above
38. On the basis of geographical area, this kind of market does not exist:
A. Retail Market
B. Local Market
C. Regional Market
D. National Market
E. Global Market
39. Which of the following statement is not a part of definition of marketing:

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- A. It is a process of determining consumer demand for goods and services
B. It is a process of certain of goods and services as per consumer requirement
C. It is a process of selling the goods and service which a firm produces
D. It is a process of satisfying consumer
E. It is a process of achieving corporate objectives through customer service
40. Focus of a marketing exercise is:
- A. Consumer and consumer requirements
B. Market demand
C. Goods and services
D. Sale of products
E. All the above
41. Important of marketing has increased in the recent years due to which of the following?
- A. Consumer experiencing wider choices of goods and services
B. Availability of information to consumer about goods and services
C. Customized and target communications and offerings
D. All the above
E. None of the above
42. Which of the following is not correct with regard to marketing and selling:
- A. Marketing is a broader concept than selling
B. Selling in a Broader concept than selling
C. In marketing, focus is the consumer
D. In selling, the focus is the products
E. In selling profit increases with maximization of volume and market profit maximizes with customer satisfaction
43. Which of the following is not a true statement?
- A. Market is a geographical place where goods can be bought or sold
B. Market is relevant to a temple
C. Market is also concerned with selling
D. Marketing implies meeting needs profitability
E. Marketing identifies opportunities is customer requirements
44. Which of the following is not a part of the marketing management?
- A. Identification of business opportunities
B. Understanding the customer needs
C. Producing according to customer needs
D. Delivering as per customer conveniences
E. All the above
45. Which of the following are categories of product?
- A. Durable goods (i.e. tangible goods which have longer use – cooking range, computer).
B. Non-Durable goods (i.e. tangible goods which get consumed during uses – shampoo, hair oil etc...)
C. Services (i.e. Massage, Courier, Bank loans etc...)
D. All of the above.
46. Which of the following is not a level of product?
- A. Core.
B. Augmented.
C. Potential.
D. Fragmented.
47. Which of the following is not a product?
- A. Agra.
B. Ballet performance by Hema Malini.
C. Visit to Singapore branch of the bank.
D. Religious lecture of Babu Asha Ram Ji Maharaj.
48. Product planning comprises:
- A. The process of developing and maintaining a portfolio of products.
B. Which satisfy the needs and wants of customers.
C. From different segments.
D. All of the above.
49. What are the various elements of product planning?
- A. Product line, Product mix.
B. Branding.
C. Packaging and New product development.
D. All of the above.
50. According to Mr. Kotler a product:
- A. Is anything.
B. That can be offered to a market.
C. For attention, acquisition, use or consumption and that might satisfy a want or need.
D. All of the above.
51. Product includes:
- A. Physical goods.
B. Services.
C. Persons, place, organizations and ideas.

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- D. All of the above.
52. What are the various components of product personality?
- A. The core, the package and cable.
 - B. The associated features.
 - C. The brand name and logo.
 - D. All of these.
53. Which of the following is not a product?
- A. Pilgrimage tour to Vaishno Devi.
 - B. 'Green Agra clean Agra' calls.
 - C. Anant Housing Society.
 - D. Discourse for public by Sh. Asha Ram Ji at Kothi Meena Bazaar.
54. Describe the various levels of product:
- A. Core benefit.
 - B. Basic product and expected product.
 - C. Augmented product, Potential product.
 - D. All of the above.
55. The objectives, generally thought by the firms in setting prices of their products, can be listed as:
- A. Profit.
 - B. Product quality.
 - C. Market share and Cash flow.
 - D. All of the above.
56. The factors, which influences the firms approach in determining the price of products, can be classified in:
- A. Internal factors.
 - B. External factors.
 - C. Political factors.
 - D. (a) and (b).
57. Which of the following are not the pricing methods?
- A. Mark up pricing method.
 - B. Absorption cost pricing method.
 - C. Target returns pricing method.
 - D. None of the above.
58. Which of the followings are the pricing method:
- A. Perceived value pricing method.
 - B. Going-rate pricing method.
 - C. Auction type pricing method, Value pricing method.
 - D. None of the above.
59. Which of the followings are the various strategy adopted by the firm for deciding price-structure of the product?
- A. Geographical pricing.
 - B. Price discounts and allowances.
 - C. Psychological pricing.
 - D. Promotional pricing.
60. Enumerate the various elements of market mix:
- A. Product.
 - B. Price.
 - C. Promotion and Place.
 - D. All of these.
61. Which of the following elements of market mix generates revenue for the organization?
- A. Product.
 - B. Price.
 - C. Promotion.
 - D. Place.
62. Which of the following elements of market mix involves cost?
- A. Product.
 - B. Promotion.
 - C. Place.
 - D. All of the above.
63. In simple terms, price is the amount of money charged for a:
- A. Product.
 - B. Service.
 - C. Both of the above.
 - D. Something.
64. Which of the following purposes are served by the price for the consumers?
- A. Price helps buyers to allocate their purchasing power among various products to meet their needs and wants.
 - B. Price gives information about the quality or value of the product to consumers.
 - C. Both of the above.
 - D. Price gives information about satisfaction consumer will get from the product.
65. Choose the CORRECT statement in respect of advertising:
- A. Advertising reaches people geographically dispersed and it can be repeated several times.
 - B. The use of color, visuals and sound etc. make advertising very expressive.
 - C. Banks also use the local advertisements media like-headings on road, railway stations, bus stands etc.
 - D. All of the above.
66. Make the CORRECT statement in regard to personnel selling as a tools of promotion mix:
- A. Personal selling involves personal interaction between buyer and seller.
 - B. It is most effective tools at a certain stage of the buying process. It develops the long term

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- relationship between the sales personnel and consumer.
- C. In personal selling, the buyer's needs are better understood and quick adjustments can be made in offerings to satisfy the buyers.
- D. All of the above.
67. Promotion seeks to influence the buyer in decision making through :
- A. Persuasion.
- B. Reminding.
- C. Information and Reinforcement.
- D. All of these.
68. Direct marketing does not cover :
- A. Public relations.
- B. Online marketing.
- C. Personal selling.
- D. Catalogue marketing.
69. Public relations element will not include :
- A. A report on the bank appearing in a periodical.
- B. A program of Belle-Dance sponsored by the bank.
- C. A medical checkup sponsored by the bank.
- D. A presentation made to employees of ABC Cosma Ltd.
70. Social control on banks was introduced in the year :
- A. 1974.
- B. 1950.
- C. 1967.
- D. 1975.
71. Banks were nationalized first time on :
- A. 19th July 1969.
- B. 15th April 1980.
- C. 15th August 1947.
- D. 2nd October 1947.
72. 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.
- 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.
73. 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.
74. The Banking Regulation Act, 1949, consists of :
- A. 50 sections.
- B. 142 sections
- C. 56 sections.
- D. 100 sections
75. 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.
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- D. All of the above.
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 - D. All of the above.
84. Marketing is a:
- A. Political activity.
 - B. Legal activity.
 - C. Socio-economic activity.
 - D. All of the above.
85. Marketing is a management concept which comprises of:
- A. Identification of customer needs.
 - B. Developing suitable products to meet the customer needs, Delivery of products to customers.
 - C. Facilitating their consumption for ultimate satisfaction of those needs.
 - D. All of the need.
86. Which of the following is authorized to act as agent of Reserve Bank Of India at the places where there is no branch of Reserve Bank of India?
- A. Central Bank of India
 - B. State Bank of India
 - C. All bank situated at that place
 - D. All Nationalized Banks
87. Which of the following banks is not wholly owned by the Govt. of India?
- A. Reserve Bank of India
 - B. State Bank of India
 - C. All bank situated at that place
 - D. All Nationalized Banks
88. Share Capital of Nationalized banks is held by:
- A. Central Government and Public
 - B. Reserve Bank of India
 - C. Both (a) and (b)
 - D. None of these
89. At present, there are Nationalized banks in India:
- A. 14
 - B. 20
 - C. 19
 - D. 27
90. Commercial Banking System means:
- A. Scheduled and Non Scheduled Banks
 - B. Private Sector and Public Sector Banks
 - C. Both (a) and (b)
 - D. Regional Rural Banks, Co-operative Banks and NBFCs
91. What is a financial system?
- A. Financial System means a mechanism in an economy to mobilize the monetary resources/capital from various surplus sectors of the economy and to allocated and distribute the same to various needy sectors
 - B. A system to access the demand and supply of the finance
 - C. An arrangement to finance the farmers of the country
 - D. A system to put financial management on the borrowers of the schedule commercial banks of the country
92. Financial system consists of two broad categories, normally:
- A. Scheduled and non scheduled commercial banks
 - B. Public sector and private sector banks
 - C. Organized sector and unorganized sector
 - D. Reserve Bank of India and Government of India
93. Organized sector refers to:
- A. Nationalized banks and private sector banks
 - B. Regional Rural Banks, Co-operative Banks and Development Banks
 - C. Both (a) and (b)
 - D. None of the above
94. Unorganized sector includes:
- A. Money lenders, indigenous bankers

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- B. Power brokers, traders etc.,
 - C. Non Banking financial companies which do not fulfill the criteria notified by the Reserve Bank of India
 - D. All of the above
95. Central Monetary Authority of India is:
- A. Government of India, Ministry of Finance
 - B. Reserve Bank of India
 - C. Planning Commission
 - D. Central Bank of India
96. Without the approval of the RBI, a bank can not declare dividend in excess of:
- A. 10%
 - B. 15%
 - C. 20%
 - D. 25%
97. S.17 of the BR Act lays down that Banks shall create a reserve fund out of the balance of profit of each year, also before the declaration of dividend a certain percentage of such profit should be transferred to the reserve fund. This percentage is:
- A. 10% of such profit
 - B. 15% of such profit
 - C. 20% of such profit
 - D. 25% of such profit
98. Under Sec.20 of BR Act, a bank is prohibited from granting any loan or advance to:
- A. Any of its directors
 - B. Any firm (s) in which directors are interested as partner, manager etc
 - C. Any company in which a director is interested as director manager etc
 - D. All of the above
99. Regional Rural Banks were established pursuant to the recommendations of:
- A. Narsimham Committee
 - B. Kelkar Committee
 - C. Khusro Committee
 - D. Marathe Committee
100. In 1992 RBI had appointed a committee to make recommendations to tone up the working of the Urban Co-operative Banks. The name of the committee was:
- A. Marathe Committee
 - B. Narsimham Committee
 - C. Tondon Committee
 - D. Talwar Committee

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PRINCIPLES & PRACTICES OF BANKING ANSWERS

1	A	2	D	3	B	4	A	5	D
6	C	7	A	8	B	9	A	10	D
11	B	12	D	13	D	14	D	15	D
16	C	17	B	18	D	19	B	20	B
21	A	22	D	23	C	24	B	25	D
26	D	27	D	28	C	29	D	30	D
31	A	32	D	33	D	34	C	35	D
36	C	37	E	38	A	39	C	40	A
41	D	42	B	43	A	44	E	45	D
46	D	47	C	48	D	49	D	50	D
51	D	52	D	53	D	54	D	55	D
56	D	57	D	58	D	59	D	60	D
61	B	62	D	63	C	64	C	65	D
66	D	67	D	68	A	69	D	70	C
71	A	72	D	73	D	74	C	75	A
76	D	77	D	78	C	79	D	80	D
81	A	82	D	83	D	84	C	85	D
86	B	87	B	88	A	89	C	90	C
91	A	92	C	93	C	94	D	95	B
96	D	97	B	98	D	99	A	100	A