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BNK601
Final Term MCQs
Mega File

Question # 1 of 15 (Start time: 10:47:48 PM)

Total M a r k s: 1

Which of the following may be cancelled or modified after its date of issue, by the issuing bank?

Select correct option:

Revocable letter of credit

Irrevocable letter of credit

Irrevocable confirmed letter of credit

Revolving credit Revocable letter of credit

A revocable letter of credit may be cancelled or modified after its date of issue, by the issuing bank. According to UCP-600, credit shall be irrevocable.

page 200

Question # 2 of 15 (Start time: 10:48:22 PM)

Total M a r k s: 1

According to Section 36 of Banking Companies Ordinance, 1962, the Federal Government can issue a certificate of Moratorium, upon an application of State Bank, for which of the following MAXIMUM periods?

Select correct option:

Three Months

Six Months

Nine Months

One Year

The Federal Government, after considering the application made by the State Bank under sub-section (1), may make an order of moratorium staying the commencement or continuance of all action and proceedings against the company for a fixed period of time on such terms and conditions as it thinks fit and proper and may from time to time extend the period so however that the total period of moratorium shall not exceed six months.

option 2 page 73

Question # 3 of 15 (Start time: 10:49:51 PM)

Total M a r k s: 1

An endorsement is said to be Full endorsement, if it satisfies which of the following conditions?

Select correct option:

If the endorser signs his name only

If the endorser adds a direction to pay the amount mentioned in the instrument to, or to the order of, a specified person

If the endorser restricts or excludes the right to further negotiate the instrument

If the endorser purports to transfer to the endorsee only a part of the amount payable

first option page 168

Question # 4 of 15 (Start time: 10:51:23 PM)

Total M a r k s: 1

Which of the following refers to “the transfer of an interest in specific immoveable property for the purpose of securing the payment of money advanced or to be advanced by way of loan, an

existing or future debt, or the performance of an engagement which may give rise to a pecuniary liability”?

Select correct option:

Bailment

Mortgage

Lien

Pledge

Mortgage Defined: sec 58: (a) A mortgage is the transfer of an interest in specific immoveable property for the purpose of securing the payment of money advanced or to be advanced by way of loan, an existing or future debt, or the performance of an engagement which may give rise to a pecuniary liability. Mortgagor: The transferor is called a mortgagor Mortgagee: The transferee a mortgagee Mortgage Money: The principal money and interest of which payment is secured for the time being are called the mortgage-money Mortgage Deed: the instrument (if any) by which the transfer is effected is called a mortgage deed.

page 144

Question # 5 of 15 (Start time: 10:52:02 PM)

Total M a r k s: 1

Which of the following represent individuals or companies?

Select correct option:

Public Agents

Private Agents

General Agents

Special Agents

Private Agents—these agents represent individuals or companies

page 137

Question # 6 of 15 (Start time: 10:52:43 PM)

Total M a r k s: 1

Under Section 10 (Penalty) of the Co-operative Societies and Co-operative Banks (Repayment of Loans) Ordinance, 1966, if a person whoever contravenes any of the provisions of this Ordinance or the rules made shall be punishable with imprisonment of which of the following?

Select correct option:

Term which may extend to five years

Term which may extend to six years

Term which may extend to seven years

Term which may extend to eight years

Penalty: Sec 10 Whoever contravenes any of the provisions of this Ordinance or the rules made there under shall be punishable with imprisonment for a term which may extend to seven years, or with fine, which, in the case of default in the repayment of a loan, shall not be less than one-fourth of the amount of the loan outstanding against him, or with both.

page 106

Question # 7 of 15 (Start time: 10:53:47 PM)

Total M a r k s: 1

Which of the following refers to “a business in which a person participates with his money and another with his efforts or skill or both his efforts and skill and shall include unit, trust and mutual fund by whatever name called”?

Select correct option:

Musharika

Modaraba

Istisna

Ijara

Modaraba Company means a company engaged in the business of floating and managing modaraba. The definition of the modaraba is given hereunder. Modaraba means a business in which a person participates with his money and another with his efforts or skill or both his efforts and skill and shall include Unit, Trust and Mutual Fund by whatever name called.

page 47

Question # 8 of 15 (Start time: 10:54:32 PM)

Total Marks: 1

Which of the following countries adopted the model for the redressal of public grievances against agencies of state after Sweden?

Select correct option:

Finland

Denmark

New Zealand

France

In 1919, more than a century after Sweden appointed an ombudsman, another Scandinavian country, Finland, adopted the Swedish model for the redressal of public grievances against agencies of state

page 76

Question # 9 of 15 (Start time: 10:55:44 PM)

Total Marks: 1

The letter of credit includes all of the following documents, EXCEPT:

Select correct option:

A commercial invoice

A transport document

A certificate of origin

A certificate of investment

Documents requested in a Letter of Credit would often include: a commercial invoice; a transport document such as a Bill of lading or Airway bill; an insurance document; an inspection certificate; and/or a certificate of origin. Other documents could be required, depending on the underlying transaction.

option 4 page 192

Question # 10 of 15 (Start time: 10:57:00 PM)

Total Marks: 1

An endorsement is said to be Restrictive endorsement, if it satisfies which of the following conditions?

Select correct option:

If the endorser signs his name only

If the endorser adds a direction to pay the amount mentioned in the instrument to, or to the order of, a specified person

If the endorser restricts or excludes the right to further negotiate the instrument

If the endorser purports to transfer to the endorsee only a part of the amount payable

Restrictive Endorsement: It has been defined in section 50(2) of the Act which is reproduced below: An endorsement is restrictive which either-- Restricts or excludes the right to further negotiate the instrument, or Constitutes the endorsee an agent of the endorser to endorse the instrument or to receive its contents for the endorser or for some other specified person Such endorsement restricts further negotiation of the instruments

3rd option 168 page

Question # 11 of 15 (Start time: 10:58:31 PM)

Total M a r k s : 1

All of the following are examples of Negotiable Instruments, under the Negotiable Instrument Act, 1881, EXCEPT:

Select correct option:

Promissory note

Bill of exchange

Cheque

Bearer debentures

Question # 12 of 15 (Start time: 10:59:57 PM)

Total M a r k s : 1

According to the Corporate and Industrial Restructuring Corporation Ordinance, 2000, “Customer” means a person in whose name a deposit is held by which of the following?

Select correct option:

A Commercial Bank

An Investment bank

A Microfinance Institution

An Islamic Bank

lec 19

“Customer” means any person or group of persons availing the services of a microfinance institution;

Question # 13 of 15 (Start time: 11:01:27 PM)

Total M a r k s : 1

According to the Contract Act, 1872, which of the following is/are the cause of a biased consent?

Select correct option:

Coercion

Misrepresentation

Mistake

All of the given options

Consent is said to be free if not caused by: • Coercion • Undue influence • Fraud •

Misrepresentation or • Mistake

Question # 14 of 15 (Start time: 11:02:51 PM)

Total M a r k s : 1

Which of the following refers to “a bank for the time being included in the list of banks maintained under sub-section (1) of Section 37; under Banking Companies Ordinance, 1962”?

Select correct option:

Scheduled Bank

Commercial Bank

Investment Bank

Financial Intermediary

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"Scheduled bank" means a bank for the time being included in the list of banks maintained under sub-section (1) of Section 37;

Question # 15 of 15 (Start time: 11:03:41 PM)

Total Marks: 1

In letter of credit, which of the following is payable as soon as it is presented for payment?

Select correct option:

Demand draft

Time draft

Sight draft

Order draft .

A sight draft is payable as soon as it is presented for payment. The bank is allowed a reasonable time to review the documents before making payment.

According to the Section 4 of State Bank of Pakistan Act, 1956, which of the following is the face value of the share of a Bank?

Rs. 10

Rs. 20

Rs. 50

Rs. 100

According to Section 4 of State Bank of Pakistan Act, 1956, which of the following should be the original Capital of the Bank?

Rs. 20 Millions

Rs. 30 Millions

Rs. 40 Millions

Rs. 50 Millions

LESSON 16

Share Capital: Sec 4: The original share capital of the Bank shall be three corers of rupees.

Under section 10 (Penalty) of the co-operative societies and co-operative banks (repayment of loans) ordinance, 1966, if a person whoever contravenes any of the provisions of his ordinance or the rules made shall be punishable with imprisonment of which of the following?

⋮

Term which may extend to five years

Term which may extend to six years

Term which may extend to seven years

Term which may extend to eight years

LESSON 18

Penalty: Sec 10

Whoever contravenes any of the provisions of this Ordinance or the rules made there under shall be punishable with imprisonment for a term which may extend to seven years

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Which of the following has defined the banker as “Any person carrying on a bonafide banking business in the United Kingdom is a banker”?

American version

United Kingdom’s version

Finance Act, 1915

Negotiable instruments Act, 1881

LESSON 20

According to Finance Act, 1915:

“Any person carrying on a bonafide banking business in the United Kingdom is a banker”

Which of the following is also called the Legal Mortgage?

Equitable Mortgage

Registered Mortgage

Un-registered Mortgage

Non-equitable Mortgage

LESSON 12

(Registered or Legal Mortgage): This is created through a formal document called mortgage deed. Mortgage deed is registered with the Registrar of titles. It is comparatively expensive as it involves stamp duty and registration fee.

⋮
All of the following are included in the financial intermediaries, EXCEPT:

Mutual Funds

Pension Funds

Stock Exchange

Credit Union

LESSON 3

Financial institutions are also called Financial Intermediaries, these include the following:

Commercial Banks, Credit Unions, Savings and Loan Associations, Mutual Saving Banks, Mutual Funds, Finance Companies, Pension Funds etc.

According to Section 23 of Banking Companies Ordinance, 1962, a subsidiary to banking company can perform which of the following function(s)?

To carry on of banking business strictly in conformity with Islam

To carry on business of modaraba

Such other purposes as are incidental to the business of banking

All of the given options

LESSON 12

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Sec 23, (aa) the carrying on of banking business strictly in conformity with the Injunctions of Islam as laid down in the Holy Quran and Sunnah;'' the undertaking of the administration of estates as executor, trustee or otherwise.

(bb) the carrying on of business of modaraba under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance 1980 the providing of safe deposit vaults, with the previous permission in writing of the State Bank, the carrying on of the business of banking exclusively outside Pakistan.

(dd) the conduct of any form of business permitted by section 7.

(e) Such other purposes as are incidental to the business of banking.

All of the following are contents of the Memorandum of unlimited company, under Banking Companies Ordinance, 1962, EXCEPT:

Name of the company

Objects

Limited liability of shareholders

Authorized capital

LESSON 8

Which of the following condition(s) makes the purpose of the trust unlawful?

If it is forbidden by law

If it is fraudulent

If it involves or implies injury to the person or property of another

All of the given options

LESSON 10

According to the State Bank of Pakistan Act, 1956, "Member" refers to which of the following?

Member of the Local Board

Member of the Committee

Member of the Legislature

Member of the Bank

LESSON 16

"Member" means a Member for the Local Board.

All of the following are merits of Nationalization of banks, EXCEPT:

Availability of funds to the government for meeting its social sector targets

Equitable distribution of credit to the different sectors, industries and regions

Centrally coordinated policy frame work

Excessive government control leading to the decisions on non professional considerations

LESSON 6

Banking, not in the present form but in its elementary stages was traced as old as:

1000 B.C

2000 B.C

3000 B.C

4000 B.C

Ref: The banking has been in practice in one way or other from the inception of societies. Some authors maintain that banking, not in the present form but in its elementary stages was traced as old as 2000 B.C.

:

Which of the following is/are the requirement(s) to become a customer?

Customer should be of the age of majority

Customer should be of sound mind

Customer should not be debarred under any law

All of the given options

LESSON 20

Legal Requirements to be qualified as Customer: Customer should be of age of majority should be of sound mind Not debarred under any law there must be an offer/ proposal and acceptance of that offer/ proposal.

Which of the following condition(s) may lead to cancellation of license of a banking company?

If the company ceases to carry on banking business in Pakistan

If the company at any time fails to comply with any of the conditions imposed upon it under sub-section (1)

If at any time, any of the conditions referred to in sub-section (3) ceases to be fulfilled.

All of the given options

LESSON 19

The State Bank may suspend or cancel a license granted to a microfinance institution if such institution:

(a) At any time fails to comply with any of the conditions imposed upon it under sub-section (2);

(b) Fails to fulfill, at any time, any of the conditions referred to in sub-section (3);

(c) Has furnished false or misleading information in its application for a license.

Which of the following is NOT the primary purpose of Mortgage?

Securing the payment of money advanced or to be advanced by way of loan.

Securing the payment for future lending.

Securing the payment for an existing debt or future debt.

Securing the payment for performance of an engagement which may give rise to pecuniary liability.

LESSON 12

(Mortgage): A mortgage is the transfer of an interest in specific immoveable property for the purpose of securing the payment of money advanced or to be advanced by way of loan, an

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existing or future debt, or the performance of an engagement which may give rise to a pecuniary liability.

Which of the following refers to “a person employed to do any act for another person or to represent another person in dealing with third person”?

Employee

Agent

Representative

Shareholder

LESSON 22

Agent is a person employed to do any act for another or to represent another in dealing with a third persons.

:

According to Section 17 of Banking Companies Ordinance, 1962, the banking company cannot create charge on which of the following?

Paid up capital

Issued capital

Unpaid capital

Subscribed capital

LESSON 12

Prohibition of charge on unpaid capital: Sec 17

No banking company shall create any charge upon any unpaid capital of the company and such charge, if created, shall be invalid.

Which of the following refers to “rules that regulate the conduct of individuals, businesses, and other organizations within society”?

Jurisprudence

Law

Legal system

Legal opinion

LESSON 2

“The law consists of rules that regulate the conduct of individuals, businesses, and other organizations within society”

As per Banking Companies Ordinance, 1962, the total suspension time of the operation of all or any provision of Companies ordinance, 1962 should not exceed:

Three months

Six months

Nine months

One year

LESSON 7

The Federal Government may, by notification in the official Gazette, extend from time to time, the period of any suspension under subsection for such period or periods, not exceeding sixty days at any one time, as it thinks fit so however that the total period does not exceed one year.

:

According to the section 30 of Banking Companies Ordinance, 1962, at the close of business on any day, the assets in Pakistan of every banking company shall not be less in value than such percentage of its time and demand liabilities in Pakistan as may be prescribed by the State Bank from time to time provided that the percentage so prescribed shall not exceed:

65% of time and demand liabilities

75% of time and demand liabilities

85% of time and demand liabilities

95% of time and demand liabilities

LESSON 13

Assets in Pakistan: Sec 30

At the close of business on any day the assets in Pakistan of every banking company shall not be less in value than an amount representing such percentage of its time and demand liabilities in Pakistan as may be prescribed by the State Bank from time to time provided that the percentage so prescribed shall not exceed eighty five per cent.

How many foreign banks were there in Pakistan, at the time of independence?

09 banks

19 banks

29 banks

39 banks

Ref: There were 19 foreign banks having small branches and controlled through their head offices.

:

According to Section 16 of Banking Companies Ordinance, 1962, which of the following is the MAXIMUM commission, brokerage, discount or remuneration paid by banking company on issue of share capital?

2% of the paid up value of the issued shares

2.5% of the paid up value of the issued shares

3% of the paid up value of the issued shares

3.5% of the paid up value of the issued shares

LESSON 12

Restriction on commission, brokerage, discount, etc. on sale of shares: Sec 16

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Notwithstanding anything to the contrary in sections 105 and 105A of the Companies Act, 1913 , no banking company shall pay out directly or indirectly by way of commission, brokerage, discount or remuneration in any form in respect of any shares issued by it, any amount exceeding in the aggregate two and one-half per cent of the paid-up value of the said shares.

Which of the following refers to “a financial market in which new issues of a security such as bonds or stocks are sold to initial buyers”?

Equity Market

Over the Counter Market (OTC)

Primary Market

Secondary Market

LESSON 3

Primary Market and Secondary Markets

Primary Market is a financial market in which new issues of a security such as Bonds or stocks are sold to initial buyers whereas in secondary Markets there is further sale of already issued securities.

Subscribed Capital is part of which of the following?

Paid up capital

Issued capital

Un-issued capital

Retained capital/equity

LESSON 11

Paid-up Capital

Paid-up capital is that part of the issued capital which has been paid-up by the shareholders. Paid up capital is always equal to subscribed capital.

All of the following are the components of Part IV (Special Provisions for Speedy Disposal of Winding up Proceedings) of Banking Companies Ordinance, 1962, EXCEPT:

Transfer of pending proceedings

Settlement of list of debtors

Special provisions to make calls on contributories

Preferential payments to depositors

LESSON 7

Part –IV

Special Provisions for Speedy Disposal of Winding up Proceedings

following topics are covered under this part

- o Power of High Court to decide all claims in respect of banking companies.

- o Transfer of pending proceedings.

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- o Settlement of list of debtors.
- o Special provisions to make calls on contributories.

∴
Which of the following parties are engaged in a letter of credit?

Advising banks
Confirming banks
Negotiating banks

All of the given options

LESSON 9

- 1) Applicant (opener of L.C)
- 2) Issuing bank (opening bank)
- 3) Advising bank
- 4) Confirming bank
- 5) Negotiating bank
- 6) Nominated Bank

According to Section 4 of State Bank of Pakistan Act, 1956, which of the following should be the original Capital of the Bank?

Rs. 20 Millions
Rs. 30 Millions
Rs. 40 Millions
Rs. 50 Millions

LESSON 16

The original share capital of the Bank shall be three corers of rupees divided into three hundred thousand fully paid-up shares of the nominal value of one hundred rupees each, out of which not less than fifty one per cent shall be held by the Federal Government and the balance by the public.

Which of the following is termed as “science of civil law”?

Jurisprudence

Business Law
Legal system
Legal opinion

LESSON 2

The legal experts term civil law as science of jurisprudence.

∴

Which of the following is NOT the category of the Share Capital?

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Authorized capital

Un-issued capital

Issued capital

Retained capital/equity

LESSON 11

Categories of Share Capital

The term share capital used in connection with the capital of a limited company is used in several senses. So the capital of a company may be categorized as follows:

- a. Authorized capital
- b. Issued capital
- c. Unissued capital
- d. Subscribed capital
- e. Paid-up capital

:

Which of the following is the MINIMUM capital requirement for banks/Direct Financial Institutions as set out by the State Bank of Pakistan by 31/12/2009?

Rs 3 billion

Rs 4 billion

Rs 5 billion

Rs 6 billion

LESSON 11

:

In 14th century, Banking in structured form started in which of the following countries?

U.S.A.

England

France

Germany

Ref: Banking in structured form started in England in 14th century.

Which of the following statements holds TRUE for law?

It is to redress wrongs

It ensures public order

It is to maintain rights

All of the given options

LESSON 2

Join Us on <http://vustudents.ning.com/>

Significance of law: Law is to maintain rights, uphold justice and redress wrongs. Law ensures public order, balance, harmony, peace among the persons within the state and inter-states. We can easily conceive that in the absence of law and legal system there would have been disorder, unrest and chaos all around us.

:

Which of the following refers to “U.S. dollars deposited in foreign branches of U.S. banks or in foreign banks outside the United States”?

Bills of Exchange

Bankers' Acceptances

Repurchase Agreements

Eurodollars

LESSON 4

A banking company can engage itself in which of the following businesses under section 7 of Banking Companies Ordinance, 1962?

Borrowing, raising, or taking up of money

The lending or advancing of money either upon or without security

The granting and issuing of letters of credit

All of the given options

In which of the following financial markets, buyers and/sellers agree to trade certain quantity of commodity for a specific price at a specified date in future?

Equity Market

Over the Counter Market (OTC)

Future Market

Secondary Market

:

Which of the following is NOT the regulation of paid-up capital, subscribed capital and authorized capital and voting rights of share-holders under section 14 of Banking Companies Ordinance, 1962?

The subscribed capital of the company is not less than one half of the authorized capital

The capital of the company consists of ordinary shares only

Paid-up capital should be less than one half of the subscribed capital

The voting rights of any one shareholder, except those of the Federal Government or a Provincial Government do not exceed five per cent of the total voting rights of all the shareholders

Which of the following countries adopted the model for the redressal of public

grievances against agencies of state after Sweden?

Finland

Denmark

New Zealand

France

LESSON 15

Sweden appointed an ombudsman, another Scandinavian country, Finland, adopted the Swedish model for the redressal of public grievances against agencies of state.

:

In which of the following years, European Union established the first European Ombudsman?

1985

1986

1995

1996

LESSON 15

In 1995, the European Union established the first European Ombudsman under the Maastricht Treaty.

At the time of independence, how many branches of scheduled banks were there in Pakistan?

457 branches

467 branches

487 branches

497 branches

Ref: In Pakistan, before independence in March, 1947 there were 631 scheduled bank offices in the United Pakistan. Out of which 144 were located in Bangladesh and there were 130 offices of non-scheduled banks.

:

Which of the following refers to “a bank for the time being included in the list of banks maintained under sub-section (1) of Section 37; under Banking Companies Ordinance, 1962”?

Scheduled Bank

Commercial Bank

Investment Bank

Financial Intermediary

LESSON 8

"Scheduled bank" means a bank for the time being included in the list of banks maintained

under subsection of Section 37.

In which of the following years, “Wafaqi Mohtasib” was established?

1983

1995

2000

2005

LESSON 15

Which of the following terms is used under the Co-operative Societies and Co-operative Banks (Repayment of Loans) Ordinance, 1966 for a loan which is not secured by mortgage, pledge, hypothecation or assignment of such property of the borrower, as in the case of a loan not exceeding five hundred thousand rupees?

Unsecured Loan

Secured Loan

Insufficiently Secured

Insufficiently Unsecured

In which of the following years, an ombudsman was first established?

1806

1809

1919

1929

LESSON 15

±

Relationship between Principal and Agent is known as which of the following?

Business relationship

Formal relationship

Agency relationship

Personal relationship

LESSON 9

Which of the following studies is the evolution of law over a period of time?

Analytical Jurisprudence

Historical Jurisprudence

Ethical Jurisprudence

Behavioral Jurisprudence

LESSON 2

:

Which of the following factor leads towards the economic prosperity of a country?

Industrial growth

Stable law and order situation

Strong financial institutions

All of the given options

Short term sale of Government securities with an agreement to repurchase the securities at a higher price is called _____.

Federal fund

Repo

Banker's acceptance

Open market operation

LESSON 4

Short-term financial instrument used in the money market is known as:

Document

Paper

Bond

Bill

LESSON 4

:

According to Establishment of Federal Bank for Co-Operative and regulation of Co-Operative Banking Act, 1977, the term "Time Liabilities" refers to which of the following?

Liabilities which are to be met on demand

Liabilities which are not demand liabilities

Liabilities which are to be met in due course of time

Liabilities which are contingent in nature

LESSON 8

"Demand liabilities" means liabilities which must be met on demand, and "time liabilities" means liabilities which are not demand liabilities

Which of the following refers to "An obligation annexed to the ownership of property, and arising out of a confidence reposed in and accepted by the owner, or declared and accepted by him, for the benefit of another, or of another and the owner is the person who reposes or declares the confidence"?

Agency

Trust

Branch

Sole ownership

LESSON 10

:

If report of State Bank is not submitted with the application of stay order against winding up to the High Court, the high court can extend a stay order for which of the following Maximum periods?

15 Days

30 Days

45 Days

60 Days

LESSON 15

Which of the following are intermediate-term and long-term obligations issued by large, high-quality corporations to finance plant and equipment spending?

Bills of Exchange

Bankers' Acceptances

Corporate Bonds

Eurodollars

LESSON 4

:

All of the following are the components of Part III (Suspension of Business and winding up of Banking Companies) of Banking Companies Ordinance, 1962, EXCEPT:

Power to dispense with meetings of creditors, etc.

Booked depositors' credits to be deemed proved

Preferential payments to depositors

Special provisions to make calls on contributories

LESSON 7

All of the following are types of financial market, EXCEPT:

Foreign exchange markets

Stock markets

Bond markets

Future markets

LESSON 3

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According to the State Bank of Pakistan Act, 1956, “Central Board” refers to which of the following?

Central Board of Revenue

Central Board of Directors of the Bank

Central Board of Information Technology

Central Board of Investments

LESSON 16

Which of the following statements holds TRUE for law?

It is to redress wrongs

It ensures public order

It is to maintain rights

All of the given options

LESSON 2

Significance of law: Law is to maintain rights, uphold justice and redress wrongs. Law ensures public order, balance, harmony, peace among the persons within the state and inter-states. We can easily conceive that in the absence of law and legal system there would have been disorder, unrest and chaos all around us.

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Repurchase Agreements

Eurodollars

LESSON 4

A banking company can engage itself in which of the following businesses under section 7 of Banking Companies Ordinance, 1962?

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Borrowing, raising, or taking up of money

The lending or advancing of money either upon or without security

The granting and issuing of letters of credit

All of the given options

LESSON 9

In which of the following financial markets, buyers and/sellers agree to trade certain quantity of commodity for a specific price at a specified date in future?

Equity Market

Over the Counter Market (OTC)

Future Market

Secondary Market

LESSON 3

Forward Contracts and Futures Market: Under Forward Contract, buyers and/sellers agree to trade certain quantity of commodity for a specific price at a specified date in future, contracts are formally made in commodities exchange markets.

Which of the following is NOT the regulation of paid-up capital, subscribed capital and authorized capital and voting rights of share-holders under section 14 of Banking Companies Ordinance, 1962?

The subscribed capital of the company is not less than one half of the authorized capital

The capital of the company consists of ordinary shares only

Paid-up capital should be less than one half of the subscribed capital

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LESSON 11

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Investment Bank

Financial Intermediary

LESSON 8

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Relationship between Principal and Agent is known as which of the following?

Business relationship

Formal relationship

Agency relationship

Personal relationship

LESSON 9

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Analytical Jurisprudence

Historical Jurisprudence

Ethical Jurisprudence

Behavioral Jurisprudence

LESSON 2

Short term sale of Government securities with an agreement to repurchase the securities at a higher price is called _____.

Federal fund

Repo

Banker's acceptance

Open market operation

LESSON 4

Short-term financial instrument used in the money market is known as:

Document

Paper

Bond

Bill

LESSON 4

According to Establishment of Federal Bank for Co-Operative and regulation of Co-Operative Banking Act, 1977, the term "Time Liabilities" refers to which of the following?

Liabilities which are to be met on demand

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Liabilities which are not demand liabilities

Liabilities which are to be met in due course of time

Liabilities which are contingent in nature

LESSON 8

“Demand liabilities” means liabilities which must be met on demand, and “time liabilities” means liabilities which are not demand liabilities

Which of the following refers to “An obligation annexed to the ownership of property, and arising out of a confidence reposed in and accepted by the owner, or declared and accepted by him, for the benefit of another, or of another and the owner is the person who reposes or declares the confidence”?

Agency

Trust

Branch

Sole ownership

LESSON 10

Which of the following are intermediate-term and long-term obligations issued by large, high-quality corporations to finance plant and equipment spending?

Bills of Exchange

Bankers' Acceptances

Corporate Bonds

Eurodollars

LESSON 4

All of the following are the components of Part III (Suspension of Business and winding up of Banking Companies) of Banking Companies Ordinance, 1962, EXCEPT:

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Power to dispense with meetings of creditors, etc.
Booked depositors' credits to be deemed proved
Preferential payments to depositors
Special provisions to make calls on contributories
LESSON 7

All of the following are types of financial market, EXCEPT:

Foreign exchange markets
Stock markets
Bond markets
Future markets
LESSON 3

All of the following are demerits of Nationalization of banks, EXCEPT:

Excessive government control leading to the decisions on non professional considerations

Equitable distribution of credit to the different sectors, industries and regions

Neglect of personalized services to the customers
Mismanagement leading to alarming size of non-performing loans portfolio
LESSON 6

Cons:

- Excessive government control leading to the decisions on non professional considerations.
- Lack of fair market competition leading to absence of availability of innovative and diversified products to the customers.
- Neglect of personalized services to the customers.
- Mismanagement leading to alarming size of nonperforming loans portfolio.

Which of the following is also known as Repos?

Bills of Exchange

Bankers' Acceptances
Repurchase Agreements

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Eurodollars
LESSON 4

Which of the following terms is NOT defined by the Companies Ordinance, 1984?

Paid-up capital

Debenture
Dividend
Preference share

LESSON 12

The term dividend has not been defined in the Companies Ordinance.

Which of the following markets may, at preliminary stage, be termed as “market for bonds and stock market”?

Equity Market

Financial Market
Primary Market
Secondary Market
LESSON 3

According to Section 36 of Banking Companies Ordinance, 1962, the Federal Government can issue a certificate of Moratorium, upon an application of State Bank, for which of the following MAXIMUM periods?

Three Months

Six Months

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Nine Months
One Year
LESSON 11

Which of the following is NOT the kind of shares issued by the company under Law?

Ordinary shares

Preference shares
Deferred shares
Future shares
LESSON 11

The word “Bank” is derived from which of the following?

Bancus
Banque
Bench
All of the given options
LESSON 5

Which of the following studies theory of legislation, precedent and customs?

Analytical Jurisprudence

Historical Jurisprudence
Ethical Jurisprudence
Behavioral Jurisprudence
LESSON 2

All of the following are provisions regarding transfer of ownership of banks, under The Banks (Nationalization) Act, 1974, EXCEPT:

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The ownership, management and control of all banks shall stand transferred to, and vest in, the Federal Government on the commencing day

The Federal Government may, if it deems necessary, appoint a Chairman of the Board in respect of a bank

The safety of all deposits in banks shall stand guaranteed by the Federal Government

The provisions of this Act and the vesting of the shares of the banks in the Federal Government there under shall not in any way affect the status of the banks as bodies corporate.

LESSON 6

-----Studies history of law and evolution of law over a period of time and also amendments, introduction of new principles of law.

Analytical Jurisprudence.

Social Jurisprudence.

Historical Jurisprudence.

Ethical Jurisprudence.

LESSON 2

According to UCP 600, which of the following refers to any arrangement, however names or described, that is irrevocable and thereby constitutes a definite undertaking the issuing bank to honor a complying presentation?

Credit

Letter of credit

Confirmation

Honor

LESSON 9

Which of the following is the assumption of support for the company in case of a crisis?

Negative effect

Variable effect

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Positive effect

Dreary effect

Ref: Positive effect: assumption of support for the company in case of a crisis.

— Negative effect: spillover of a crisis to the company.

In 14th century, Banking in structured form started in which of the following countries In 14th century, Banking in structured form started in which of the following countries?

U.S.A.

England

France

Germany

Ref: Banking in structured form started in England in 14th century.

Banking, not in the present form but in its elementary stages was traced as old as:

1000 B.C

2000 B.C

3000 B.C

4000 B.C

Ref: The banking has been in practice in one way or other from the inception of societies. Some authors maintain that banking, not in the present form but in its elementary stages was traced as old as 2000 B.C.

How many foreign banks were there in Pakistan, at the time of independence?

09 banks

19 banks

29 banks

39 banks

Ref: There were 19 foreign banks having small branches and controlled through their head offices.

Which of the following is also called the Legal Mortgage?

Equitable Mortgage

Registered Mortgage

Un-registered Mortgage

Non-equitable Mortgage

LESSON 12

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(Registered or Legal Mortgage): This is created through a formal document called mortgage deed. Mortgage deed is registered with the Registrar of titles. It is comparatively expensive as it involves stamp duty and registration fee.

All of the following are included in the financial intermediaries, EXCEPT:

Mutual Funds
Pension Funds
Stock Exchange
Credit Union

LESSON 3

Financial institutions are also called Financial Intermediaries, these include the following: Commercial Banks, Credit Unions, Savings and Loan Associations, Mutual Saving Banks, Mutual Funds, Finance Companies, Pension Funds etc.

All of the following are contents of the Memorandum of unlimited company, under Banking Companies Ordinance, 1962, EXCEPT:

Name of the company
Objects
Limited liability of shareholders
Authorized capital
LESSON 8

Which of the following condition(s) makes the purpose of the trust unlawful?

If it is forbidden by law
If it is fraudulent
If it involves or implies injury to the person or property of another
All of the given options
LESSON 10

All of the following are merits of Nationalization of banks, EXCEPT:

Availability of funds to the government for meeting its social sector targets
Equitable distribution of credit to the different sectors, industries and regions
Centrally coordinated policy frame work
Excessive government control leading to the decisions on non professional considerations
LESSON 6

Which of the following refers to “the transfer of an interest in specific immoveable property for the purpose of securing the payment of money advanced or to be advanced by way of loan, an existing or future debt, or the performance of an engagement which may give rise to a pecuniary liability”?

Pledge

Hypothecation

Mortgage

Lien

LESSON 10

A mortgage is the transfer of an interest in specific immoveable property for the purpose of securing the payment of money advanced or to be advanced by way of loan, an existing or future debt, or the performance of an engagement which may give rise to a pecuniary liability.

Which of the following is NOT the primary purpose of Mortgage?

Securing the payment of money advanced or to be advanced by way of loan.

Securing the payment for future lending.

Securing the payment for an existing debt or future debt.

Securing the payment for performance of an engagement which may give rise to pecuniary liability.

LESSON 12

(Mortgage): A mortgage is the transfer of an interest in specific immoveable property for the purpose of securing the payment of money advanced or to be advanced by way of loan, an existing or future debt, or the performance of an engagement which may give rise to a pecuniary liability.

According to Section 17 of Banking Companies Ordinance, 1962, the banking company cannot create charge on which of the following?

Paid up capital

Issued capital

Unpaid capital

Subscribed capital

LESSON 12

Prohibition of charge on unpaid capital: Sec 17

No banking company shall create any charge upon any unpaid capital of the company and such charge, if created, shall be invalid.

Which of the following refers to “rules that regulate the conduct of individuals, businesses, and other organizations within society”?

Jurisprudence

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Law

Legal system

Legal opinion

LESSON 2

“The law consists of rules that regulate the conduct of individuals, businesses, and other organizations within society”

As per Banking Companies Ordinance, 1962, the total suspension time of the operation of all or any provision of Companies ordinance, 1962 should not exceed:

Three months

Six months

Nine months

One year

LESSON 7

The Federal Government may, by notification in the official Gazette, extend from time to time, the period of any suspension under subsection for such period or periods, not exceeding sixty days at any one time, as it thinks fit so however that the total period does not exceed one year.

According to Section 16 of Banking Companies Ordinance, 1962, which of the following is the MAXIMUM commission, brokerage, discount or remuneration paid by banking company on issue of share capital?

2% of the paid up value of the issued shares

2.5% of the paid up value of the issued shares

3% of the paid up value of the issued shares

3.5% of the paid up value of the issued shares

LESSON 12

Restriction on commission, brokerage, discount, etc. on sale of shares: Sec 16

Notwithstanding anything to the contrary in sections 105 and 105A of the Companies Act, 1913 , no banking company shall pay out directly or indirectly by way of commission, brokerage, discount or remuneration in any form in respect of any shares issued by it, any amount exceeding in the aggregate two and one-half per cent of the paid-up value of the said shares.

Which of the following refers to “a financial market in which new issues of a security such as bonds or stocks are sold to initial buyers”?

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Equity Market

Over the Counter Market (OTC)

Primary Market

Secondary Market

LESSON 3

Primary Market and Secondary Markets

Primary Market is a financial market in which new issues of a security such as Bonds or stocks are sold to initial buyers whereas in secondary Markets there is further sale of already issued securities.

Subscribed Capital is part of which of the following?

Paid up capital

Issued capital

Un-issued capital

Retained capital/equity

LESSON 11

Paid-up Capital

Paid-up capital is that part of the issued capital which has been paid-up by the shareholders. Paid up capital is always equal to subscribed capital.

All of the following are the components of Part IV (Special Provisions for Speedy Disposal of Winding up Proceedings) of Banking Companies Ordinance, 1962, EXCEPT:

Transfer of pending proceedings

Settlement of list of debtors

Special provisions to make calls on contributories

Preferential payments to depositors

LESSON 7

Part –IV

Special Provisions for Speedy Disposal of Winding up Proceedings following topics are covered under this part:

- Power of High Court to decide all claims in respect of banking companies.
- Transfer of pending proceedings.
- Settlement of list of debtors.
- Special provisions to make calls on contributories.

Which of the following parties are engaged in a letter of credit?

Advising banks

Confirming banks

Negotiating banks

All of the given options

LESSON 9

- 1) Applicant (opener of L.C)
- 2) Issuing bank (opening bank)
- 3) Advising bank
- 4) Confirming bank
- 5) Negotiating bank
- 6) Nominated Bank

Which of the following is NOT the category of the Share Capital?

Authorized capital

Un-issued capital

Issued capital

Retained capital/equity

LESSON 11

Categories of Share Capital

The term share capital used in connection with the capital of a limited company is used in several senses. So the capital of a company may be categorized as follows:

- a. Authorized capital
- b. Issued capital
- c. Unissued capital
- d. Subscribed capital
- e. Paid-up capital

Which of the following is the MINIMUM capital requirement for banks/Direct Financial Institutions as set out by the State Bank of Pakistan by 31/12/2009?

Rs 3 billion

Rs 4 billion

Rs 5 billion

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Rs 6 billion

LESSON 11

Of the following who make the contract void?

Minor

Insolvent

Lunatic

All of the given options

All of the following are requirements of the Memorandum, under Banking Companies Ordinance, 1962, EXCEPT:

Required to be printed

Issue of shares and allotment of shares

Should be divided into paragraphs

Paragraphs to be consecutively numbered

LESSON 8

In which of the following, head office of the bank should be situated under Section 3 of SBP Banking Services Corporation Ordinance, 2001?

Islamabad

Lahore

Karachi

Any provincial Capital

LESSON 16

Which of the following refers to “Credit Information” as provided by Section 25A of Banking Companies Ordinance, 1962?

The amounts and the nature of loans or advances or other credit facilities extended by a banking company to any borrower or class of borrowers

The nature of security taken from any borrower for credit facilities granted to him

The guarantees, indemnities or other engagements furnished to a banking company by any of its customers

All of the given options

LESSON 13

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Which of the following is the MAXIMUM period for which High Court can issue a stay order against winding up of a banking company?

Three Months

Six Months

Nine Months

One Year

LESSON 14

Which of the following entities CAN carry on a Banking Business?

Sole Proprietorship

Association of Persons

Hindu Undivided Family

A Company

LESSON 13

No individual or association or body of individuals, not being a company, shall carry on banking business in Pakistan and, save as hereinafter provided, no company shall carry on banking business in Pakistan unless it holds a license issued in that behalf by the State Bank; and any such license may be issued subject to such conditions as the State Bank may think fit to impose.

According to Section 36 of Banking Companies Ordinance, 1962, the banking company should submit its financial statements and the audit report to the State bank within which of the following periods?

2 Months

3 Months

4 Months

6 Months

LESSON 14

According to the SBP Banking Services Cooperation Ordinance, 2001, "The bank" refers to which of the following?

Commercial bank

Investment bank

SBP banking services corporation

State Bank of Pakistan

LESSON 17

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Which of the following is a microfinance institution under Section 4 of the Corporation and industrial Restructuring Corporation Ordinance, 2000?

Sole proprietorship
Association of persons
Hindu undivided family

Company

LESSON 19

Restrictions on establishment and operations: Sec 4

No person, other than a company, shall be established as a microfinance institution.

Which of the following risks encompasses the entire spectrum of risks arising from the economic, political and social environments of a foreign country that may have potential consequences for foreigners' debt and equity investments in the country?

Credit or default risk
Transfer risk
Systematic risk

Country or sovereign risk

Ref: Country or sovereign risk encompasses the entire spectrum of risks arising from the economic, political and social environments of a foreign country that may have potential consequences for foreigners' debt and equity investments in that country.

Which of the following requires specific technical know how?

Interval rating
Influential rating
Financial rating
Qualitative rating

Ref:

Which of the following refers to “a business in which a person participates with his money and another with his efforts or skill or both his efforts and skill and shall include unit, trust and mutual fund by whatever name called”?

Musharika
Modaraba
Istisna
Ijara
LESSON 9

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According to the Contract Act, 1872, which of the following is the result of acceptance of a proposal?

Contract
Agreement
Promise
Consideration
LESSON 21

Promise: When the person to whom the proposal is made signifies his assent thereto, the proposal is said to be accepted. A proposal when accepted becomes a promise.

As per Banking Companies Ordinance, 1962, upon the representation made by the State Bank, the Federal Government may suspend, at any time, the operation of all or any provision of Companies Ordinance, 1962, for a period of:

30 days
60 days
90 days
120 days
LESSON 7

The Federal Government shall have powers to suspend the operations of Ordinance under section 4. The Federal Government, if on a representation made by the State Bank in this behalf is satisfied that it is expedient so to do, may by notification in the Official Gazette suspend for such period, not exceeding sixty days.

Which of the following is a bank under Section 3 of SBP Banking Services Corporation Ordinance, 2001?

Sole Proprietorship
Association of Person
Hindu Undivided Family
Body Corporate
LESSON 16

Which of the following is the basic relationship between a banker and a customer?

Contractual Relationship
Legal Relationship
Professional Relationship
Personal Relationship
LESSON 21

Basic legal relationship between banker and customer is contractual relationship.

Which of the following refers to as “a promise that the bank will pay the amount of funds indicated to the recipient”?

Bills of Exchange

Bankers' Acceptances

Repurchase Agreements

Eurodollars

Which of the following refers to “an instrument issued by a bank in which the bank furnishes its credit which is both good and well known, in place of the buyer’s credit, which may be good but is not so well known”?

Letter of credit

Open account

Documentary collection

Payment in advance

LESSON 9

÷
Which of the following is/are the function(s) of a microfinance institution under Section 6 of the Corporate and Industrial Restructuring Corporation Ordinance, 2000?

To accept deposits

To provide storage and safe custody facilities

To borrow and raise money and open bank accounts

All of the given options

LESSON 19

Which of the following is NOT the regulation of paid-up capital, subscribed capital and authorized capital and voting rights of shareholders under section 14 of Banking Companies Ordinance, 1962?

-

The subscribed capital of the company is not less than one half of the authorized capital

The capital of the company consists of ordinary shares only

Paid-up capital should be less than one half of the subscribed capital

The voting rights of any one shareholder, except those of the Federal Government or a Provincial Government do not exceed five per cent of the total voting rights of all the shareholders

LESSON 11

÷
According to the State Bank of Pakistan Act, 1956, “The Bank” refers to which of the following?

Commercial bank

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Investment Bank

SBP Banking Services Corporation

State Bank of Pakistan

LESSON 17

"Bank" means the SBP Banking Services Corporation established under section 3

All of the following are demerits of Nationalization of banks, EXCEPT:

Excessive government control leading to the decisions on non professional considerations

Equitable distribution of credit to the different sectors, industries and regions

Neglect of personalized services to the customers

Mismanagement leading to alarming size of non-performing loans portfolio

LESSON 6

Cons:

- Excessive government control leading to the decisions on non professional considerations.
- Lack of fair market competition leading to absence of availability of innovative and diversified products to the customers.
- Neglect of personalized services to the customers.
- Mismanagement leading to alarming size of nonperforming loans portfolio.

Which of the following should be the capital of bank under Section 6 of SBP Banking Services Corporation Ordinance, 2001?

One Billion or any amount determined by SBP

Two Billion or any amount determined by SBP

Three Billion or any amount determined by SBP

Four Billion or any amount determined by SBP

LESSON 17

÷

In which of the following Countries, an ombudsman was first established?

Switzerland

Sweden

Finland

Denmark

LESSON 15

Under Section 10 (Penalty) of the Co-operative Societies and Co-operative Banks (Repayment of Loans) Ordinance, 1966, if a person whoever contravenes any of the

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provisions of this Ordinance or the rules made shall be punishable with imprisonment of which of the following?

Term which may extend to five years

Term which may extend to six years

Term which may extend to seven years

Term which may extend to eight years

LESSON 18

Penalty: Sec 10

Whoever contravenes any of the provisions of this Ordinance or the rules made there under shall be punishable with imprisonment for a term which may extend to seven years.

According to Section 20 of Banking Companies Ordinance, 1962, of the following who CANNOT be a director of the banking company?

Any person who is a director in any other banking company

A federal or provincial minister

A person in the service of Pakistan who is not appointed by Government as a director

All of the given options

LESSON 16

:

Which of the following represent individuals or companies?

Public Agents

Private Agents

General Agents

Special Agents

LESSON 22

In which of the following years, European Union established the first European Ombudsman?

1985

1986

1995

1996

LESSON 15

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Which of the following refers to “the transfer of an interest in specific immoveable property for the purpose of securing the payment of money advanced or to be advanced by way of loan, an existing or future debt, or the performance of an engagement which may give rise to a pecuniary liability”?

Pledge
Hypothecation
Mortgage
Lien

LESSON 10

A mortgage is the transfer of an interest in specific immoveable property for the purpose of securing the payment of money advanced or to be advanced by way of loan, an existing or future debt, or the performance of an engagement which may give rise to a pecuniary liability.

•
Among the following, who has defined banker as “A banker is a dealer in capital, or, more properly, a dealer in money. He is an intermediate party between the borrower and the lender. He borrows from one party and lends to another”?

J.W. Gilbert
Dr. Herbert L. Hart
Sir John Paged
Halsbury’s Laws of England
LESSON 20

Which of the following is the function(s) of commission under Section 7 of Pakistan Banking and Finance Services Commission Act, 1992?

To conduct open competitive examinations for recruitment to Grade III or higher posts in the financial institutions

To conduct interviews and tests for recruitment to posts in grades higher than Grade III

To conduct tests for promotion of existing employees from lower cadres to Grade III and above

All of the given options

LESSON 18

Which of the following studies theory of legislation, precedent and customs?

Analytical Jurisprudence
Historical Jurisprudence
Ethical Jurisprudence
Behavioral Jurisprudence

LESSON 2

Analytical Jurisprudence: It analyses the prevalent law that is the principles of law as exist now. It also studies theory of legislation, precedent and customs and study of different legal concepts such as property, possession, trust, contract, negligence etc.

:

All of the following are the components of Part II (Business of Banking Companies) of Banking Companies Ordinance, 1962, EXCEPT:

Appointment of director by the State Bank

Power to make declaration

Restriction on term of office of directors

Disposal of non-banking assets

LESSON 7

Which of the following is the function(s) of commission under Section 7 of Pakistan Banking and Finance Services Commission Act, 1992?

To conduct open competitive examinations for recruitment to Grade III or higher posts in the financial institutions

To conduct interviews and tests for recruitment to posts in grades higher than Grade III

To conduct tests for promotion of existing employees from lower cadres to Grade III and above

All of the given options

LESSON 18

Functions of the Commission: Sec 7

The functions of the Commission shall be— to conduct open competitive examinations for recruitment to Grade III or higher posts in the financial institutions; to conduct interviews and tests for recruitment to posts in grades higher than Grade III, except where such recruitment is excluded from the purview of the Commission by the Federal Government; to conduct tests for promotion of existing employees from lower cadres to Grade III and above, if so required by a financial institution; and to advise the Federal Government on matters relating to qualifications for, and methods of recruitment to, posts in Grade II or higher grades in the financial institutions, if so required by the Federal Government.

What is the bailment of goods as security for payment of a debt or performance of a promise called?

Hypothecation

Mortgage

Lien

Pledge

LESSON 23

"Pledge," "pawnor," and "pawnee" defined.

The bailment of goods as security for payment of a debt or performance of a promise is called "pledge".

:

In which of the following years, an ombudsman was first established?

1806

1809

1919

1929

LESSON 15

Evolution

In the modern world, an ombudsman was first established in 1809 in Sweden.

:

An endorsement is said to be Blank endorsement, if it satisfies which of the following conditions?

If the endorser signs his name only

If the endorser adds a direction to pay the amount mentioned in the instrument to, or to the order of, a specified person

If the endorser restricts or excludes the right to further negotiate the instrument

If the endorser purports to transfer to the endorsee only a part of the amount payable

LESSON 28

If the endorser signs his name only, the endorsement is said to be "in blank".

Which of the following refers to “U.S. dollars deposited in foreign branches of U.S. banks or in foreign banks outside the United States”?

Bills of Exchange

Bankers' Acceptances

Repurchase Agreements

Eurodollars

LESSON 4

:

Which of the following is NOT the essential of a cheque?

It must be in writing

It must be signed by drawer

The amount must be certain amount

It must not have date of issue

LESSON 27

Essentials of a Cheque:

A cheque must fulfill the following requirements:

1. It must be in writing
2. It should contain unconditional order
3. It must be signed by drawer

4. Cheque is always payable on demand
5. The cheque is always drawn on a specified banker
6. As a matter of practice, cheque leaves are in printed form
7. The amount payable should be specified in the form of legal tender money and is paid accordingly.
8. The amount must be certain amount
9. The cheque is payable to specified person or order of or to bearer.
10. Date of issue must be mentioned on the cheque.

According to the Section 35 of Banking Companies Ordinance, 1962, an auditor shall hold office for which of the following durations?

2 Years

3 Years

4 Years

5 Years

LESSON 14

Audit: Sec 35

An auditor shall hold office for a period of three years and shall not be removed from office before the expiry of that period except with the prior approval of the State Bank.

:

Which of the following is NOT the primary purpose of Mortgage?

Securing the payment of money advanced or to be advanced by way of loan

Securing the payment for future lending

Securing the payment for an existing debt or future debt

Securing the payment for performance of an engagement which may give rise to pecuniary liability

LESSON 23

Mortgage

Transfer of Property Act, 1882 defines mortgage as under:

“The transfer of an interest in specific immoveable Property for the purpose of securing the payment of money advanced or to be advanced by way of loan, an existing or future debt or performance of an engagement which may give rise to a pecuniary liability”.

Which of the following has defined the banker as “Any person carrying on a bonafide banking business in the United Kingdom is a banker”?

American Version

United Kingdom’s Version

Finance Act, 1915

Negotiable Instruments Act, 1881

LESSON 20

According to Finance Act, 1915:

“Any person carrying on a bonafide banking business in the United Kingdom is a banker”.

∴

All of the following makes the endorsement complete, EXCEPT:

The holder signs on the face or back of the instrument

The instrument is delivered to the endorsee

It is signed and delivered with the intention of vesting the endorsee with the rights of the holder

It is signed and delivered with the intention of vesting the endorsee with the duties of the holder

LESSON 28

An endorsement becomes complete only when:

The holder signs on the face or back of the instrument;

The instrument is delivered to the endorsee; and

It is signed and delivered with the intention of vesting the endorsee with the rights of the holder.

∴

According to the Contract Act, 1872, which of the following is/are the cause of a biased consent?

Coercion

Misrepresentation

Mistake

All of the given options

LESSON 21

Consent is said to be free if not caused by:

Coercion

Undue influence

Fraud

Misrepresentation or

Mistake

∴

An endorsement is said to be Restrictive endorsement, if it satisfies which of the following conditions?

If the endorser signs his name only

If the endorser adds a direction to pay the amount mentioned in the instrument to, or to the order of, a specified person

If the endorser restricts or excludes the right to further negotiate the instrument

If the endorser purports to transfer to the endorsee only a part of the amount payable

LESSON 28

An endorsement is restrictive which either--

Restricts or excludes the right to further negotiate the instrument, or constitutes the endorsee an agent of the endorser to endorse the instrument or to receive its contents for the endorser or for some other specified person. Such endorsement restricts further negotiation of the instruments.

All of the following are kinds of endorsement, EXCEPT:

Blank endorsement

Full endorsement

Reactive endorsement

Partial endorsement

LESSON 28

Kinds of Endorsement:

- ☐ The endorsements are divided as under:
- ☐ Blank or general
- ☐ Full or special endorsement
- ☐ Restrictive endorsement
- ☐ Partial endorsement
- ☐ :

Which of the following refers to “a bank for the time being included in the list of banks maintained under sub-section (1) of Section 37; under Banking Companies Ordinance, 1962”?

Scheduled Bank

Commercial Bank

Investment Bank

Financial Intermediary

LESSON 8

"Scheduled bank" means a bank for the time being included in the list of banks maintained under subsection of Section 37.

As per Banking Companies Ordinance, 1962, the total suspension time of the operation of all or any provision of Companies ordinance, 1962 should not exceed:

Three months

Six months

Nine months

One year

LESSON 7

The Federal Government may, by notification in the official Gazette, extend from time to time, the period of any suspension under subsection for such period or periods, not exceeding sixty days at any one time, as it thinks fit so however that the total period does not exceed one year.

Which of the following is/are the right(s) of customer towards his banker?

To receive a statement of his account from a banker

To sue the bank for any loss and damages

To sue the banker for not maintaining the secrecy of his account

All of the given options

LESSON 20

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Rights and Duties of Customer

The customer has the following universally accepted rights:

- (a) To draw cheques against his credit balance, or in the absence of credit balance, when there are arrangements for accommodation made with the banker earlier;
- (b) To receive a statement of his account from a banker.
- (c) To sue the bank for any loss and damages.
- (d) To sue the banker for not maintaining the secrecy of his account.

⋮

All of the following are examples of Quasi Negotiable Instruments, under the Negotiable Instrument Act, 1881, EXCEPT

Dividend Warrants
Share Warrants
Bearer Debentures

Promissory Note

LESSON 25

Quasi Negotiable Instruments—the negotiable Instruments Act, 1881 besides the three negotiable instruments as contained in section 13 also recognizes the following instruments as negotiable instrument.

These are called Quasi Negotiable Instruments.

Dividend Warrants
Share Warrants
Bearer Debentures
Government Promissory Notes etc.

⋮

Which of the following agents work along with the principal?

Public Agents
Private Agents
General Agents

Co-agents

LESSON 22

Co-Agents-- Such Agents act along with Principal.

All of the following are requirements for opening bank account of Clubs, Societies and Associations, EXCEPT:

Resolution passed by managing committee
Certified copy of by-laws/rules
Signatures of the persons authorized to operate account

The request for opening an account must be made by competent authority

LESSON 24

Accounts of Clubs, Societies & Association:

Resolution passed by managing committee/executive committee/Governing body etc.

Certified copy of by- laws/rules

Signatures of the persons authorized to operate account.

⋮

Which of the following is NOT the essential requirement for the endorsement as per Negotiable Instrument Act, 1881?

It should be on the instrument

It should be made by the holder or the maker

Signatures should be in ink and not by pencil or rubber stamp

It should contain unconditional order

LESSON 28

Essentials of an Endorsement: An endorsement must fulfill the following requirements:

It should be on the instrument. If there is no space on it, it may be on a separate slip of paper annexed to the instrument called 'allonge'.

The endorser should sign the endorsement in the same style and with the same spellings as written in the instrument.

Signatures should be in ink and not by pencil or rubber stamp.

It should be made by the holder or the maker. It cannot be endorsed by a stranger.

Which of the following refers to “the delivery of goods by one person to another for some purpose, upon a contract that they shall, when the purpose is accomplished, be returned or otherwise disposed of according to the directions of the person delivering them”?

Bailment

Mortgage

Lien

Pledge

LESSON 23

Bailment: The definition of bailment as contained in section 148 is given here under:

A “bailment” is the delivery of goods by one person to another for some purpose, upon a contract that they shall, when the purpose is accomplished, be returned or otherwise disposed of according to the directions of the person delivering them.

In documentary credit, which of the following banks is usually a foreign bank?

Issuing bank

Paying bank

Advising bank

Confirming bank

LESSON 33

Advising Bank: An advising bank, usually a foreign correspondent bank of the issuing bank will advise the beneficiary.

Which of the following parties are engaged in a letter of credit?

Advising banks
Confirming banks
Negotiating banks

All of the given options

LESSON 9, vuzs

In a letter of credit the following parties are engaged:

- 1) Applicant (opener of L.C)
- 2) Issuing bank (opening bank)
- 3) Advising bank
- 4) Confirming bank
- 5) Negotiating bank
- 6) Nominated Bank.

Which of the following can be used as an alternative to the transferable letter of credit?

Back-to-back letter of credit

Irrevocable confirmed letter of credit

Revolving credit

Transferable letter of credit

LESSON 34

Back-to-Back Letter of Credit: A back-to-back letter of credit can be used as an alternative to the transferable letter of credit.

According to URR525, which of the following is a bank that has issued a Credit and the Reimbursement Authorization under that Credit?

Issuing bank

Paying bank

Advising bank

Confirming bank

Lesson 35

"Issuing Bank" shall mean the bank that has issued a Credit and the Reimbursement Authorization under that Credit.

Letter of credit, which of the following is payable as soon as it is presented for payment?

Demand draft

Time draft

Sight draft

Order draft

LESSON 33

There are two types of drafts: sight and time. A sight draft is payable as soon as it is presented for payment.

Which of the following agents work along with the principal?

Public Agents
Private Agents
General Agents
Co-agents

LESSON 22, vuzs

Co-Agents-- Such Agents act along with Principal.

Which of the following are conditions for the holder in due course, EXCEPT:

He obtains the instrument for valuable consideration

He must become the endorser of the instrument after maturity

He must have obtained the instrument in good faith

He must take the instrument complete and regular on the face of it

LESSON 29

Conditions for a person to be called 'Holder in Due Course':

He must be holder

He obtains the instrument for valuable consideration

He must become the holder of the instrument before maturity

He must have obtained the instrument in good faith

He must take the instrument complete and regular on the face of it.

Which of the following refers to as “a promise that the bank will pay the amount of funds indicated to the recipient”?

Bills of Exchange

Bankers' Acceptances

Repurchase Agreements

Eurodollars

LESSON 4

A banker's acceptance is a check like promise that the bank will pay the amount of funds indicated to the recipient.

Which of the following markets may, at preliminary stage, be termed as “market for bonds and stock market”?

Equity Market

Financial Market

Primary Market

Secondary Market

LESSON 3

According to Negotiable Instrument Act, 1881, which of the following refers to “an instrument in writing (not being a bank note or a currency note) containing unconditional

undertaking, signed by the maker to pay on demand or at a fixed or determinable future time a certain sum of money only to or to the order of a certain person, or to the bearer of the instrument”?

Promissory note

Bill of exchange

Cheque

Bearer debentures

LESSON 4

“A bill of exchange is an instrument in writing containing an unconditional order, signed by maker, directing a certain person, to pay on demand or at fixed or determinable future time a certain sum of money only to, or to the order of, a certain person or to the bearer of the instrument”.

Under UCP 600, which of the following refers to the term “presentation”?

Delivery of goods to importer

Advising Letter of Credit

Delivery of documents under a credit to issuing bank or nominated bank

Delivery of commercial invoice to a importer

LESSON 36

Presentation: means either the delivery of documents under a credit to the issuing bank or nominated bank or the documents so delivered.

Which of the following is opened in Pak rupees and advised through local branch of issuing bank?

Inland letter of credit

Irrevocable confirmed letter of credit

Revolving credit

Transferable letter of credit

LESSON 34

Inland Letter of Credit: Procedure for inland letter of credit is same as for international letter of credit. Inland letter of credit is opened in Pak rupees and advised through local branch of issuing bank.

Which of the following condition(s) may lead to cancellation of license of a banking company?

If the company ceases to carry on banking business in Pakistan

If the company at any time fails to comply with any of the conditions imposed upon it under sub-section (1)

If at any time, any of the conditions referred to in sub-section (3) ceases to be fulfilled

All of the given options

LESSON 13, [vuzs](#)

The State Bank may cancel a license granted to a banking company under this section,

- i. If the company ceases to carry on banking business in Pakistan.
- ii. If the company at any time fails to comply with any of the conditions imposed upon it under subsection (1).
- iii. If at any time, any of the conditions referred to in sub-section (3) ceases to be fulfilled.

:

Which of the following refers to “the transfer of an interest in specific immoveable property for the purpose of securing the payment of money advanced or to be advanced by way of loan, an existing or future debt, or the performance of an engagement which may give rise to a pecuniary liability”?

Pledge

Hypothecation

Mortgage

Lien

LESSON 10, [vuzs](#)

A mortgage is the transfer of an interest in specific immoveable property for the purpose of securing the payment of money advanced or to be advanced by way of loan, an existing or future debt, or the performance of an engagement which may give rise to a pecuniary liability.

Which of the following allows an initial advance to the beneficiary before shipment of the goods?

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Irrevocable confirmed letter of credit

Revolving credit

Transferable letter of credit

Red clause credit

LESSON 34

Red Clause letter of credit: Letter of credit allowing an initial advance to the beneficiary before shipment of the goods. In the days of Telex, this clause in the Letter of Credit was printed in red ink.

:

Which of the following is NOT the kind of shares issued by the company under Law?

Ordinary shares

Preference shares

Deferred shares

Future shares

LESSON 11, vuzs

Kinds of Shares Allowed Under Law:

A company limited by shares may have different kinds of shares and classes therein as provided by its memorandum and articles. The shares which a company can issue are of following types

1. Ordinary or equity shares
2. Preference shares
3. Deferred shares

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Which of the following refers to “process by which managers identify, assess, monitor, and control risks associated with a financial institution’s activities”?

Bank management

Risk management

Credit management

Fraud management

LESSON 30, [vuzs](#)

Risk management is the process by which managers identify, assess, monitor, and control risks associated with a financial institution’s activities.

⋮

All of the following are contents of the Articles of Association, under Banking Companies Ordinance, 1962, EXCEPT:

Transfer of shares

Alteration of share capital

Authorized capital

Dividend

LESSON 8, [vuzs](#)

Contents of Articles of association is comprised of provisions, rules of Articles of Association:

Regulations concerning the internal management of the company which is outlined here under:

1. Transfer of shares

2. Alteration of share capital

3.Dividend

:

Which of the following statements holds TRUE for law?

It is to redress wrongs

It ensures public order

It is to maintain rights

All of the given options

LESSON 2,vuzs

Significance of law: Law is to maintain rights, uphold justice and redress wrongs. Law ensures public order, balance, harmony, peace among the persons within the state and inter-states. We can easily conceive that in the absence of law and legal system there would have been disorder, unrest and chaos all around us.

Which of the following can neither be amended nor cancelled without the agreement of all parties to the credit?

Revocable letter of credit

Irrevocable letter of credit

Irrevocable confirmed letter of credit

Revolving credit

LESSON 33,vuzs

An irrevocable letter of credit can neither be amended nor cancelled without the agreement of all parties to the credit.

:

In which of the following, head office of the bank should be situated under Section 3 of SBP Banking Services Corporation Ordinance, 2001?

Islamabad

Lahore

Karachi

Any provincial Capital

LESSON 16

Which of the following is/are the right(s) of customer towards his banker?

To receive a statement of his account from a banker

To sue the bank for any loss and damages

To sue the banker for not maintaining the secrecy of his account

All of the given options

LESSON 20, vuzs

Rights and Duties of Customer

The customer has the following universally accepted rights:

(a) To draw cheques against his credit balance, or in the absence of credit balance, when there are arrangements for accommodation made with the banker earlier;

(b) To receive a statement of his account from a banker.

(c) To sue the bank for any loss and damages.

(d) To sue the banker for not maintaining the secrecy of his account.

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:

According to the Banking and Companies Ordinance, 1962, which of the following refers to “Any company which transacts the business of banking in Pakistan”?

Microfinance Institution

Banking Company

Investment Bank

A corporate Body

LESSON 8, vuzs

“banking company” means any company which transacts the business of banking in Pakistan and includes their branches and subsidiaries functioning outside Pakistan of banking companies incorporated in Pakistan².

-

According to UCP 600, which of the following refers to the party on whose request the credit is issued?

Applicant

Issuer

Beneficiary

Issuing bank

LESSON 9, vuzs

Applicant (opener of L.C): means the party on whose request the credit is issued.

Under UCP 600, which of the following refers to the term “presentation”?

Delivery of goods to importer

Advising Letter of Credit

Delivery of documents under a credit to issuing bank or nominated bank

Delivery of commercial invoice to a importer

LESSON 36,vuzs

Presentation: means either the delivery of documents under a credit to the issuing bank or nominated bank or the documents so delivered.

:

All of the following are salient features of Value Driven Culture of the bank, EXCEPT:

Focus is on credit quality with strong risk management systems and controls

Primary emphasis is on bank soundness and stability and a consistent market presence

Underwriting is conservative and significant loan concentrations are not allowed

Management is often attracted to high-risk and high-return borrowers

LESSON 31,vuzs

Values Driven:

- ☐ Focus is on credit quality with strong risk management systems and controls.
- ☐ Primary emphasis is on bank soundness and stability and a consistent market presence.
- ☐ Underwriting is conservative and significant loan concentrations are not allowed.
- ☐ Typical outcome is lower current profit from loans with fewer loan losses.

:

Which of the following refers to “rules that regulate the conduct of individuals, businesses, and other organizations within society”?

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Jurisprudence

Law

Legal system

Legal opinion

LESSON 2,vuzs

“The law consists of rules that regulate the conduct of individuals, businesses, and other organizations within society”.

A foreign correspondent of issuing bank that advises the beneficiary of letter of credit is known as:

Confirming bank

Issuing bank

Investment bank

Advising bank

Advising Bank

An advising bank, usually a foreign correspondent bank of the issuing bank will advise the beneficiary.

The headquarter of Sate Bank of Pakistan was initially established in:

Lahore

Karachi

Islamabad

Peshawar

The headquarters are located in the financial capital of Pakistan, Karachi with its second headquarters in the capital, Islamabad.

The word letter of credit has been derived from which language?

British

American

German

French

Letter of Credit is an English name, which is derived from a French word.

Which of the following party must evaluate the credibility of the customers?

State Bank

Loan officer

Any agent of bank

Government official

The discounting rate of the first class bills by the State Bank is called:

Bank rate

Prime lending rate

Loan rate

Discounting rate

Which of the following is the reason of increasing investment in foreign markets?

Getting friends

Removal of trade barriers

Opening a foreign bank account

Less diversification

State Bank uses CAMEL as a supervisory framework to judge the financial health of financial institutions. This analysis involves _____ indicators.

Six

Five

Four

Three

CAMELS Rating System

The six factors examined are as follows:

C - Capital adequacy

A - Asset quality

M - Management quality

E - Earnings

L - Liquidity

S - Sensitivity to Market Risk.

Through which of the following we can lower the average cost of production?

Economies of scale

Economies of supply

Foreign exchange risk

Sovereign risk

If there are economies of scale, the increase can lower the average cost of production of a good.

All of the following are included in financial system EXCEPT:

Money

Central banks

Financial markets

Credit cards.

The financial system is the system that allows the transfer of money between savers and borrowers. It comprises a set of complex and closely interconnected financial institutions, markets, instruments, services, practices, and transactions.

AIL refers to which of the following?

Audio interface library

Aggregate investment in leasing

Asset interchange language

Automated integrated language

Which of the following is a form of risk that arises from the change in price of one money against another?

Currency

Transaction

Translation

Interest rate

Currency risk is a form of risk that arises from the change in price of one currency against another.

Which one of the following is the best describes the word ISC?

Buy when exchange rate is high sell when rate is too low

Buy & sell when exchange rate is at moderate level

Buy when exchange rate is low sell when rate is too high

Buy & sell when exchange rate is too high.

Which of the following is the market which facilitates the redistribution of various risks?

Insurance market

Forex market

Derivative market

Money market

Insurance markets – which facilitates the redistribution of various risks.

Which one of the following is charged to strive for soundness & stability of the financial system and safeguard interest of stakeholders?

Banking inspection

Finance department

Banking surveillance department

Islamic banking department

Banking Surveillance Department: To promote soundness and stability of the Banking System through proactive and effective supervision.

In which of the following year SWIFT was established?

1965

1970

1973

1980

Swift was established in 1973 as a cooperative association in Belgium between financial institutions in Europe.

SWIFT was established in which country?

Norway

Germany

France

Belgium

Ownership of asset is transferred to the lessee in which form of the lease?

Financial lease

Operating lease

Net lease

Fractional lease

Financial lease: ownership of the asset is transferred to the lessee at the end of the lease term.

All are the benefits attached with of foreign currency account for a customer EXCEPT:

Deposits facility

Limited cash withdrawals

Profit accrued on a daily basis

Automatic rollover of deposits

A banking transaction through ATM costs _____ as much a transaction conducted over the counter in a traditional branch.

One half

One third

One forth

One fifth

It has been estimated that a banking transaction through ATM costs one fourth as much a transaction conducted over the counter in a traditional branch.

Which of the following factor is important for the growth of Pakistan's economy?

Political stability

Supporting institutions

Good governance

All of the given options

Initially how many banks supported the SWIFT?

225

230

239

250

It was founded in Brussels in 1973, supported by 239 banks in 15 countries.

Short-term financial instrument used in the money market is known as:

Document

Paper

Bond

Bill

Commercial paper provides a liquid, short-term investment for savers and a source of funds for corporations.

Damage or any loss to a property during construction is called:

Social insurance

Retrospectively rated insurance

Builder's risk insurance

Pollution insurance

Builder's risk insurance: Builders risk coverage is a property insurance policy design to provide protection from loss to property during construction.

Enron Corporation was dealing in:

Lawyers

Medicines

Natural gas

Petroleum

Which country has introduced the mutual funds for the first time?

Norway

Italy

Holland

China

The idea of Mutual Fund first came from a Dutch Merchant ling back in 1774.

Under the provisions of which of the following law, banks are given a reasonable time after receipt of documents to honor the draft?

Company ordinance 1984

Banking company ordinance 1962

Prudential regulations

Uniform customs and practice for documentary credits

Under the provisions of the Uniform Customs and Practice for Documentary Credits, the bank is given a reasonable amount of time after receipt of the documents to honor the draft.

Which of the following strategies should give recognition to the goals of credit quality, earnings and growth?

The intensive strategy

The integration strategy

The diversification strategy

The credit risk strategy

The credit risk strategy should give recognition to the goals of credit quality, earnings and growth.

The letter of credit includes all the following documents, EXCEPT:

A commercial invoice

A transport document

A certificate of origin

A certificate of investment

LESSON 32

Documents requested in a Letter of Credit would often include: a commercial invoice; a transport document such as a Bill of lading or Airway bill; an insurance document; an inspection certificate; and/or a certificate of origin. Other documents could be required, depending on the underlying transaction.

Which of the following is NOT the essential of a cheque?

It must be in writing

It must be signed by drawer

The amount must be certain amount

It must not have date of issue

Essentials of a Cheque:

A cheque must fulfill the following requirements:

- It must be in writing
- It should contain unconditional order
- It must be signed by drawer
- Cheque is always payable on demand
- The cheque is always drawn on a specified banker
- As a matter of practice, cheque leaves are in printed form
- The amount payable should be specified in the form of legal tender money and is paid accordingly.
- The amount must be certain amount
- The cheque is payable to specified person or order of or to bearer.
- Date of issue must be mentioned on the cheque.

When prudential regulations were introduced for the first time?

1974

1989

1992

2001

These regulations were made effective from 1st of July, 1992.

In the financial marketplace, SWIFT services fall under four areas that are Securities, Treasury & Derivatives, Payments & Cash Management and _____.

Trade Services

Import Services

Export Services

None of the given options

As of 2010, SWIFT offers services in four different areas that are crucial in the financial world.

These four areas are:

- I. Securities
- I. Treasury and Derivatives
- I. Cash Management
- I. Trade Services

Which of the following is TRUE for a commercial invoice?

A commercial invoice must appear to have been issued by the beneficiary (except as provided in article 38)

A commercial invoice must be made out in the name of the applicant (except as provided in sub-article 38 (g))

A commercial invoice must be made out in the same currency as the credit

All of the given options

According to URR525, which of the following is a bank that has issued a Credit and the Reimbursement Authorization under that credit?

Issuing bank

Paying bank

Advising bank

Confirming bank

Which of the following is TRUE for potential future exposures?

These should be calculated over multiple space horizons

These should be calculated over single time horizon

These should be calculated over single space horizon

These should be calculated over multiple time horizons

Potential future exposure quantifies the counterparty risk/credit risk by evaluating existing trades done against the possible market prices in future during the lifetime of transactions. It can be called sensitivity of risk w.r.t market prices. Potential future exposures should therefore be calculated over multiple time horizons.

Which of the following exposures poses special challenges to the credit processed at banks?

Digital and light sensitive

Market and liquidity sensitive

Activity and profitability sensitive

Debt and activity sensitive

Growing liquidity on the secondary market are special challenges to credit risk management at the present time.

The credit information bureau (CIB) is a part of banking Surveillance Department of which of the following?

State Bank of Pakistan

Government of Pakistan

Institute of Bankers Pakistan

Central Board of Revenue, Pakistan

According to URR525, which of the following is a bank instructed and/or authorized to provide reimbursement pursuant to a Reimbursement Authorization issued by the Issuing Bank?

Reimbursing bank

Paying bank

Advising bank

Confirming bank

According to Prudential Regulations, which of the following refers to “loans to individuals for the payment of goods, services and expenses and include Running Finance / Revolving Credit to individuals”?

Business loan

Personal loan

Micro financing

House financing

According to Prudential Regulations, which of the following refers to “the assets which are readily convertible into cash without recourse to a court of law”?

Current assets

Liquid assets

Contingent assets

Physical assets

Which of the following is opened in Pak rupees and advised through local branch of issuing bank?

Inland letter of credit

Irrevocable confirmed letter of credit

Revolving credit

Transferable letter of credit

Inland Letter of Credit: Procedure for inland letter of credit is same as for international letter of credit. Inland letter of credit is opened in Pak rupees and advised through local branch of issuing bank.

According to Prudential Regulations for auto loan, which of the following is classified as “Doubtful”?

Where interest or principal is overdue by 45 days or more from the due date

Where interest or principal is overdue by 90 days or more from the due date

Where interest or principal is overdue by 180 days or more from the due date

Where interest or principal is overdue by one year or more from the due date

According to Prudential Regulations, unless there has been no transaction or no outstanding balance on the account, the Banks / DFIs shall provide statement of account to the credit card holders on:

Monthly basis

Quarterly basis

Half yearly basis

Annual basis

Which of the following international trade financing methods refers to “that the goods are shipped and delivered before payment is due, usually in 30 to 90 days”?

Letter of credit

Open account

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Documentary collection

Payment in advance

Under hire-purchase, at the time of delivery and possession of goods, which of the following is issued by the bank?

Delivery order

Delivery note

Delivery memo

Physical delivery of goods

According to URR525, which of the following is the bank that pays, incurs a deferred payment undertaking, accepts draft(s), or negotiates under a Credit and presents a Reimbursement Claim to the Reimbursing Bank?

Claiming bank

Paying bank

Advising bank

Confirming bank

Who, among the following should setting prudential limits to restrict bank exposures to single borrower or groups of connected counterparties?

Top level managers

Supervisors

Lower level managers

Middle level managers

Ref: Supervisors should consider setting prudential limits to restrict bank exposures to single borrowers or groups of connected counterparties.

Who among the following is appointed by a court to look after the estate of a person who died without leaving a WILL?

Agent

Lawyer

Lawyer

Administrator

An administrator is a person appointed by a court to look after the estate of a person who died without leaving a WILL or the person appointed as executor is not competent to perform the contract.

According to URR525, which of the following is a request for reimbursement from the Claiming Bank to the Reimbursing Bank?

Reimbursement authorizations

Reimbursement amendment

Reimbursement claim

Reimbursement undertaking

"Reimbursement Claim" shall mean a request for reimbursement from the Claiming Bank to the Reimbursing Bank.

Which of the following is NOT a legal requirement for opening a bank account of a limited company?

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Copy of Memorandum of Association

Copy of Articles of Association

Certificate of Incorporation

Specimen signatures of all the directors

Accounts of Companies

Documents Required:

Resolution passed by Board of Directors for opening the account

Copy of Memorandum of Association

Copy of Articles of Association

Certificate of Incorporation

Certificate of commencement of business

Balance Sheet.

Which of the following is NOT the essential requirement for the endorsement as per Negotiable Instrument Act, 1881?

It should be on the instrument

It should be made by the holder or the maker

Signatures should be in ink and not by pencil or rubber stamp

It should contain unconditional order

Essentials of an Endorsement: An endorsement must fulfill the following requirements:

It should be on the instrument. If there is no space on it, it may be on a separate slip of paper annexed to the instrument called 'allonge'.

The endorser should sign the endorsement in the same style and with the same spellings as written in the instrument. Signatures should be in ink and not by pencil or rubber stamp.

An endorsement is said to be Partial endorsement, if it satisfies which of the following conditions?

If the endorser signs his name only

If the endorser adds a direction to pay the amount mentioned in the instrument to, or to the order of, a specified person

If the endorser restricts or excludes the right to further negotiate the instrument

If the endorser purports to transfer to the endorsee only a part of the amount payable

A partial endorsement, i.e., an endorsement which purports to transfer to the endorsee a part only of the amount or which purports to transfer the instrument to two or more endorsees severally does not operate as a negotiation of instrument.

Which of the following is the technical term used for "Letter of Credit"?

Documentary credit

Documentary evidence

Documentary instrument

Documentary proposal

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All of the following are essentials of a valid acceptance of an instrument, EXCEPT:

Must be conditional

Signed by drawee or his agent

Acceptance must appear on the bill

Accepted bill must be delivered to the holder

Essentials of Valid Acceptance

Must be in writing

Signed by drawee or his agent

Acceptance must appear on the bill

Accepted bill must be delivered to the holder

According to UCP 600, which of the following refers to the bank with which the credit is available or any bank in the case of a credit available with any bank?

Advising bank

Issuing bank

Nominated bank

Paying bank

Nominated Bank: means the bank with which the credit is available or any bank in the case of a credit available with any bank.

According to Negotiable Instrument Act, 1881, which of the following is the essential of a cheque?

It should contain conditional order

It must not be signed by drawer

Cheque is not payable on demand

It is payable to specified person

According to Negotiable Instrument Act, 1881, which of the following refers to “an instrument in writing (not being a bank note or a currency note) containing unconditional undertaking, signed by the maker to pay on demand or at a fixed or determinable future time a certain sum of money only to or to the order of a certain person, or to the bearer of the instrument”?

Promissory note

Bill of exchange

Cheque

Bearer debentures

Bill of Exchange-(Draft)-Defined: “A bill of exchange is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person, to pay on demand or at a fixed or determinable future time a certain sum of money only to or to the order of a certain person or to the bearer of the instrument.” A bill of exchange drawn payable to bearer can not be made payable on demand.

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The letter of credit includes all of the following documents, EXCEPT:

- A commercial invoice
- A transport document
- A certificate of origin
- A certificate of investment**

Who among the following is entrusted responsibilities of executing WILL?

- Agent
- Lawyer
- Executor**
- Heir

Executor is a person who is entrusted responsibilities of executing WILL.

All of the following are salient features of Value Driven Culture of the bank, EXCEPT:

- Focus is on credit quality with strong risk management systems and controls
- Primary emphasis is on bank soundness and stability and a consistent market presence
- Underwriting is conservative and significant loan concentrations are not allowed
- Management is often attracted to high-risk and high-return borrowers**

According to UCP 600, which of the following refers to the party on whose request the credit is issued?

Applicant

- Issuer
- Beneficiary
- Issuing bank
- Applicant (opener of L.C): means the party on whose request the credit is issued.

How many articles are there in Uniform Customs and Practice for Documentary Credits (UCP 600)?

- 36 Articles
- 37 Articles
- 38 Articles
- 39 Articles**

An endorsement is said to be Restrictive endorsement, if it satisfies which of the following conditions?

If the endorser signs his name only

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If the endorser adds a direction to pay the amount mentioned in the instrument to, or to the order of, a specified person

If the endorser restricts or excludes the right to further negotiate the instrument

If the endorser purports to transfer to the endorsee only a part of the amount payable

LESSON 28

An endorsement is restrictive which either--Restricts or excludes the right to further negotiate the instrument, or Constitutes the endorsee an agent of the endorser to endorse the instrument or to receive its contents for the endorser or for some other specified person.

According to Negotiable Instrument Act, 1881, which of the following is NOT the type of promissory note?

A promise to pay a certain sum of money to a person

A promise to pay a certain sum of money to the order

A promise to pay the bearer

A promise to pay certain sum of money at some time

Which of the following is also known as “core capital”?

Paid up capital

Tier I capital

Authorized capital

Issued capital

Equity of the Bank / DFI means Tier-I Capital or Core Capital.

“Pledge of stocks as security for availing credit from bank” is the example of which of the following?

Bailment

Mortgage

Lien

Pledge

All of the following are parties to cheque, EXCEPT:

Drawer

Drawee

Acceptor

Payee

LESSON 29

Which of the following is the most prominent assumed risk for banks?

Default risk

Credit risk

Liquidity risk

Interest rate risk

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As such the most prominent assumed risk is credit risk.

According to Negotiable Instrument Act, 1881, which of the following refers to “a written document by which a right is created in favor of some person”?

Agreement
Contract
Instrument
Act
LESSON 25

Under Prudential Regulations, the maximum tenure of the auto loan finance shall not exceed:

Five years
Six years
Seven years
Eight years
REGULATION R-10

The maximum tenure of the auto loan finance shall not exceed seven years.

According to the Contract Act, 1872, which of the following is/are the legal requirement(s) to be a competent party?

Age of majority
Sound mind
No disqualification by law from contracting
All of the given options

In letter of credit, which of the following is payable as soon as it is presented for payment?

Demand draft
Time draft
Sight draft
Order draft
LESSON 33

A sight draft is payable as soon as it is presented for payment. The bank is allowed a reasonable time to review the documents before making payment.

Which of the following parts of prudential regulations covers “Definitions”?

Part A

Part B
R1 to R28
M1 & M2

Which of the following refers to “the delivery of goods by one person to another for some purpose, upon a contract that they shall, when the purpose is accomplished, be returned or otherwise disposed of according to the directions of the person delivering them”?

Bailment

Mortgage

Lien

Pledge

LESSON 23

A “bailment” is the delivery of goods by one person to another for some purpose, upon a contract that they shall, when the purpose is accomplished, be returned or otherwise disposed of according to the directions of the person delivering them. The person delivering the goods is called the “bailor”. The person to whom they are delivered is called the “bailee”.

What is the bailment of goods as security for payment of a debt or performance of a promise called?

Hypothecation

Mortgage

Lien

Pledge

LESSON 23

Under UCP 600, which of the following refers to the term “presentation”?

Delivery of goods to importer

Advising Letter of Credit

Delivery of documents under a credit to issuing bank or nominated bank

Delivery of commercial invoice to a importer

Presentation means either the delivery of documents under a credit to the issuing bank or nominated bank or the documents so delivered.

Which of the following is NOT an essential of Bailment?

Contract

Specific purpose

Delivery of goods

Change of ownership

Under Prudential Regulations, the vehicle to be utilized for commercial purposes shall not be included in which of the following?

SME financing

Corporate financing

Consumer financing

Micro financing

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The vehicles to be utilized for commercial purposes shall not be covered under the Prudential Regulations for Consumer Financing.

All of the following are salient features of Current Profit Driven Culture of the bank, EXCEPT:

Primary emphasis is on loan volume and growth with the intent of having the largest market share

Underwriting is very aggressive and management accepts loan concentrations and above-average credit risk

Outcome is typically higher profit in good times, followed by lower profit in bad times when loan losses increase

Outcome is that loan quality suffers over time, while profit is modest because loan growth comes from below-market pricing and greater risk taking

Which of the following is NOT the function of the credit process?

Business development and credit analysis

Underwriting or credit execution and administration

Credit review

Protecting the organization

Prudential Regulations issued by State Bank of Pakistan were announced on which of the following dates?

July 1, 1992

August 29, 1991

May 1, 1992

July 29, 1991

Which of the following is not payable, until the lapse of a particular time period, stated on the draft, in case of letter of credit?

Demand draft

Time draft

Sight draft

Order draft

According to Prudential Regulations, auto loan is issued to purchase a vehicle for which of the following?

Business use

Personal use

Social use

Official use

Which of the following refers to the possibility that operating expenses might vary significantly from what is expected?

- Credit risk
- Liquidity risk
- Market risk
- Operational risk**

All of the following makes the endorsement complete, EXCEPT:

- The holder signs on the face or back of the instrument
- The instrument is delivered to the endorsee
- It is signed and delivered with the intention of vesting the endorsee with the rights of the holder
- It is signed and delivered with the intention of vesting the endorsee with the duties of the holder**

Which of the following refers to “an instrument in writing containing an unconditional order, signed by maker, directing a certain person, to pay on demand or at fixed or determinable future time a certain sum of money only to, or to the order of, a certain person or to the bearer of the instrument”?

- Promissory note
- Bill of exchange**
- Cheque
- Bearer debentures

Which of the following is the party availing the facility in the hire-purchase agreement?

- Issuer
- Receiver
- Hirer**
- Beneficiary

Hire-Purchase agreement is the basis of facility/ finance provided by the bank to the hirer.

According to Negotiable Instrument Act, 1881, all of the following are types of the cheque, EXCEPT:

- Bearer Cheques
- Order Cheques
- Crossed Cheques
- Blank Cheques**

Which of the following is the fundamental objective of Bank Management?

- To maximize bank's profit
- To be the top most bank in the competition
- To maximize shareholder's wealth**

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To earn extraordinary profits

The fundamental objective of bank management is to maximize shareholders' wealth.

Which of the following endorsements is also called general endorsement?

Blank endorsement

Full endorsement

Restrictive endorsement

Partial endorsement

Kinds of Endorsement:

The endorsements are divided as under:

Blank or general

Which of the following refers to “a contract, by which one party promises to save the other from loss caused to him by the conduct of the Promisor himself, or by the conduct of any other person”?

Contract of guarantee

Contract of surety

Contract of indemnity

Contract of liability

LESSON 31

Which of the following international trade financing methods refers to “A method in which the exporter can avoid credit risk or the risk of nonpayment, since payment is received prior to the transfer of ownership of the goods”?

Letter of credit

Open account

Documentary collection

Payment in advance

Cash-in-Advance; with the cash-in-advance payment method, the exporter can avoid credit risk or the risk of nonpayment, since payment is received prior to the transfer of ownership of the goods.

Which of the following identifies preferred loan qualities and establishes procedures for granting, documenting and reviewing loans?

Credit process

Credit policy

Credit risk

Credit exposure

Which of the following can be used as an alternative to the transferable letter of credit?

Back-to-back letter of credit

Irrevocable confirmed letter of credit

Revolving credit

Transferable letter of credit

A back-to-back letter of credit can be used as an alternative to the transferable letter of credit.

In letter of credit, which of the following is a standard document evidencing the receipt of goods for shipment and issued by a freight carrier engaged in the business of forwarding or transporting goods?

Commercial invoice

Bill of lading

Warranty of title

Letter of indemnity

All of the following are examples of Quasi Negotiable Instruments, under the Negotiable Instrument Act, 1881, EXCEPT:

Dividend Warrants

Share Warrants

Bearer Debentures

Promissory Note

These are called Quasi Negotiable Instruments.

Dividend Warrants, Share Warrants, Bearer Debentures, Government Promissory Notes etc.

Question # 1 of 15

All of the following are provisions regarding management of banks, under The Banks (Nationalization) Act, 1974, EXCEPT:

▶ The Chief Executive and other officers of the bank shall act in accordance with the policies, criteria and guidelines determined by the Board

▶ The board shall appoint committees from amongst the executives of the bank, and determine the powers, functions and duties of such committees

▶ The Pakistan Banking Council (hereinafter referred to as the Council) shall stand dissolved forthwith

▶ The President, subject to the control and directions of the Board, shall exercise powers of management of the affairs of the bank

Question # 2 of 15

In letter of credit, which of the following is a standard document used for billing for the goods and services?

▶ Commercial invoice

▶ Bill of lading

▶ Warranty of title

▶ Letter of indemnity

Question # 3 of 15

All of the following are provisions regarding transfer of ownership of banks, under The Banks (Nationalization) Act, 1974, EXCEPT:

- ▶ The ownership, management and control of all banks shall stand transferred to, and vest in, the Federal Government on the commencing day
- ▶ **The Federal Government may, if it deems necessary, appoint a Chairman of the Board in respect of a bank**
- ▶ The safety of all deposits in banks shall stand guaranteed by the Federal Government
- ▶ The provisions of this Act and the vesting of the shares of the banks in the Federal Government thereunder shall not in any way affect the status of the banks as bodies corporate

Question # 4 of 15

All of the following are the components of Part III (Suspension of Business and winding up of Banking Companies) of Banking Companies Ordinance, 1962, EXCEPT:

- ▶ Power to dispense with meetings of creditors, etc.
- ▶ Booked depositors' credits to be deemed proved
- ▶ Preferential payments to depositors
- ▶ **Special provisions to make calls on contributories**

Question # 5 of 15

Who among the following is entrusted responsibilities of executing WILL?

- ▶ Agent
- ▶ Lawyer
- ▶ **Executor**
- ▶ Heir

:

Question # 6 of 15

Which of the following is one in which the exporter has the right to request the paying, or negotiating bank to make either part, or all, of the credit value available to one or more third parties?

- ▶ Irrevocable confirmed letter of credit
- ▶ Revolving credit
- ▶ **Transferable letter of credit**
- ▶ Red clause credit

Question # 7 of 15

Which of the following determines how much risk the bank will take and in what form?

- ▶ Management's credit process
- ▶ **Management's credit philosophy**
- ▶ Management's credit risk
- ▶ Management's credit exposure

Question # 8 of 15

Which of the following is/are the function(s) of a microfinance institution under Section 6 of the Corporate and Industrial Restructuring Corporation Ordinance, 2000?

- ▶ To accept deposits
- ▶ To provide storage and safe custody facilities
- ▶ To borrow and raise money and open bank accounts

▶ **All of the given options**

Question # 9 of 15

In letter of credit, which of the following is payable as soon as it is presented for payment?

- ▶ Demand draft
- ▶ Time draft
- ▶ **Sight draft**
- ▶ Order draft

Question # 10 of 15

All of the following are merits of Nationalization of banks, EXCEPT:

- ▶ Availability of funds to the government for meeting its social sector targets
- ▶ Equitable distribution of credit to the different sectors, industries and regions
- ▶ Centrally coordinated policy frame work

▶ **Excessive government control leading to the decisions on non professional considerations**

:

Question # 11 of 15

Which of the following is NOT defined by the Negotiable Instrument Act, 1881?

- ▶ Banker
- ▶ Delivery
- ▶ Material alteration
- ▶ **Notary public**

Question # 12 of 15

All of the following are stages in the risk management process, EXCEPT:

- ▶ Identification of inherent risks (risk acceptance)
- ▶ Developing solution to mitigate the identified risk
- ▶ **Share risk with another party such as insurance**
- ▶ Identifying opportunities (returns)

Question # 13 of 15

As per Banking Companies Ordinance, 1962, the total suspension time of the operation of all or any provision of Companies ordinance, 1962 should not exceed:

- ▶ Three months
- ▶ Six months
- ▶ Nine months
- ▶ **One year**

Question # 14 of 15

Among the following, who has defined banker as “A banker is a dealer in capital, or, more properly, a dealer in money. He is an intermediate party between the borrower and the lender. He borrows from one party and lends to another”?

► **J.W. Gilbert**

► Dr. Herbert L. Hart

► Sir John Paged

► Halsbury’s Laws of England

Question # 15 of 15

Which of the following has defined the banker as “Any person carrying on a bonafide banking business in the United Kingdom is a banker”?

► American Version

► United Kingdom’s Version

► **Finance Act, 1915**

► Negotiable Instruments Act, 1881

Question # 1 of 15

Which of the following is included in “Financial Institutions” as per Prudential Regulation issued by the State Bank of Pakistan?

Banks

Development Financial Institutions (DFIs)

Non-Banking Finance Companies (NBFCs)

Insurance Companies

Question # 2 of 15

In documentary credit, which of the following banks is usually a foreign bank?

Issuing bank

Paying bank

Advising bank

Confirming bank

Question # 3 of 15

Under hire-purchase, at the time of delivery and possession of goods, which of the following is issued by the bank?

Delivery order

Delivery note

Delivery memo

Physical delivery of goods

Question # 4 of 15

An endorsement is said to be Restrictive endorsement, if it satisfies which of the following conditions?

If the endorser signs his name only

If the endorser adds a direction to pay the amount mentioned in the instrument to, or to the order of, a specified person

If the endorser restricts or excludes the right to further negotiate the instrument

If the endorser purports to transfer to the endorsee only a part of the amount payable

Question # 5 of 15

According to the prudential regulations for the housing loan, the maximum monthly installment for repayment of loan should not exceed which of the following?

25% of net disposable income of the borrower

40% of net disposable income of the borrower

50% of net disposable income of the borrower

60% of net disposable income of the borrower

Question # 6 of 15

A banking company can engage itself in which of the following businesses under section 7 of Banking Companies Ordinance, 1962?

Borrowing, raising, or taking up of money

The lending or advancing of money either upon or without security

The granting and issuing of letters of credit

All of the given options

Question # 7 of 15

All of the following are contents of the Articles of Association, under Banking Companies Ordinance, 1962, EXCEPT:

Transfer of shares

Alteration of share capital

Authorized capital

Dividend

Question # 8 of 15

All of the following are examples of Negotiable Instruments, under the Negotiable Instrument Act, 1881, EXCEPT:

Promissory note

Bill of exchange

Cheque

Bearer debentures

Question # 9 of 15

According to the Banking and Companies Ordinance, 1962, which of the following refers to “Any company which transacts the business of banking in Pakistan”?

Microfinance Institution

Banking Company

Investment Bank

A corporate Body

Question # 10 of 15

All of the following are requirements of the Memorandum, under Banking Companies Ordinance, 1962, EXCEPT:

Required to be printed

Issue of shares and allotment of shares

Should be divided into paragraphs

Paragraphs to be consecutively numbered

Question # 11 of 15

Under Prudential Regulations, the vehicle to be utilized for commercial purposes shall not be included in which of the following?

SME financing

Corporate financing

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Consumer financing

Micro financing

Question # 12 of 15

What is the bailment of goods as security for payment of a debt or performance of a promise called?

Hypothecation

Mortgage

Lien

Pledge

Question # 13 of 15

Who among the following is appointed by a court to look after the estate of a person who died without leaving a WILL?

Agent

Lawyer

Lawyer

Administrator

Question # 14 of 15

According to the prudential regulations for housing finance, which of the following charges are applied in order to secure the collateral for the loan?

Hypothecation

Mortgage

Pledge

Lien

Question # 15 of 15

How many parties are involved in a Cheque?

Two

Three

Four

Five