

PSG COLLEGE OF ARTS & SCIENCE  
(AUTONOMOUS)

**BCom DEGREE EXAMINATION MAY 2019**  
(First Semester)

Branch - **COMMERCE (BANKING & INSURANCE)**

**FUNDAMENTALS OF BANKING**

Time; Three Hours

Maximum: 75 Marks

**SECTION-A (10 Marks)**

Answer **ALL** questions

**ALL** questions carry **EQUAL** marks (10 x 1 = 10)

- 1 \_\_\_\_\_ is the monetary unit in terms of which the accounts of a country are kept and transactions made.  
(i) Money of account (ii) Bank money  
(iii) Token money (iv) Standard money
- 2 Accepting deposit is the \_\_\_\_\_ functions of banking,  
(i) Primary (ii) Secondary  
(iii) Agency (iv) Utility
- 3 Contracts by lunatics in India are  
(i) Always void (ii) Always valid  
(iii) Always voidable (iv) At times voidable
- 4 The best suited account for a trading community is \_\_\_\_\_ .  
(i) Savings account (ii) Fixed deposit  
(iii) Current account (iv) Recurring deposit
- 5 \_\_\_\_\_ refers to the ability of an asset to be converted into cash without loss within a short time.  
(i) Liquidity (ii) Safety  
(iii) Profitability (iv) Security
- 6 \_\_\_\_\_ is the bailment of goods as security for payment of a debt or performance of a promise.  
(i) Lien (ii) Pledge  
(iii) Mortgage (iv) Hypothecation
- 7 The most important feature of a negotiable instrument is  
(i) Free transfer (ii) Transfer free from defects  
(iii) Right to sue (iv) (i) & (ii) together
- 8 The document which can be used only for making local payment is  
(i) Cheque (ii) A bill of exchange  
(iii) A banker's cheque (iv) A draft
- 9 The present reverse fepo rate is \_\_\_\_\_ %  
(i) 6 (ii) 7  
(iii) 6.25 (iv) 6.50
- 10 The current CRR is \_\_\_\_\_ %  
(i) 4 (ii) 5  
(iii) 6 (iv) 3.5

**Cont...**

**SECTION - B (35 Marks)**

Answer **ALL** Questions

**ALL** Questions Carry **EQUAL** Marks (5 x 7 = 35)

- 11 a What are the various functions of money?  
OR  
b Bring out the importance of indigenous bankers.
- 12 a Explain the various types of deposits.  
OR  
b Discuss the formalities which a banker has to observe before opening a new account.
- 13 a Distinguish between secured and unsecured advances.  
OR  
b State the precaution required to be taken by a banker in case of advances against the security of goods.
- 14 a Explain the various types of negotiable instruments.  
OR  
b Discuss the important features of cheques.
- 15 a Distinguish between bank rate and open market operation.  
OR  
b Write the meaning of following terms  
(i) Cash reserve ratio (ii) Reverse Repo rate (iii) Bank rate.

**SECTION - C (30 Marks)**

Answer any **THREE** Questions

**ALL** Questions Carry **EQUAL** Marks (3 x 10 = 30)

- 16 Discuss the role and functions of banks.
- 17 Examine the relationship between banker and customer.
- 18 Discuss the various forms of advances.
- 19 Discuss the important point to be considered by the paying banker before honouring a cheques.
- 20 Discuss the important functions of RBI.

Z-Z-Z

END