

JAIB PPB Practice Questions (Set -1)

Q1. Alok, a salaried employee, is concerned about the financial security of his family in case of any unforeseen events. He wants to opt for a government scheme that provides life insurance coverage along with affordable premiums. Which government scheme would be the most suitable choice for Alok to ensure financial protection for his family?

- (a) Alok should enroll in the Atal Pension Yojana to secure his family's financial future in case of any unforeseen events which offers a pension component
- (b) Alok should consider the Pradhan Mantri Suraksha Bima Yojana (PMSBY), which offers accidental death and disability coverage at affordable premiums
- (c) Alok should purchase RBI Bonds, which are government securities that offer a fixed interest rate and is a secure investment option
- (d) He should enroll in Pradhan Mantri Jan Dhan Yojana which is primarily focused on financial inclusion and providing bank accounts to the unbanked population

Q2. Which of the following statements is not true about the use of Banker's Cheques?

- (a) Banker's Cheques can be used for local payments at the request of the client.
- (b) Banker's Cheques are issued for international transactions.
- (c) Banker's Cheques can be used for payment to various contractors and service contracts.
- (d) Banker's Cheques can be issued for the payment of Deferred Payment Guarantees (DPGs).

Q3. What are the conditions that a collecting banker must fulfill to avail protection under Sec 131?

- (i) Acts in good faith and without negligence
- (ii) Receives payment for a customer
- (iii) The cheque is crossed generally or especially to the collecting bank

- (a) Only i
- (b) Only i and ii
- (c) Only i and iii
- (d) All from i to iii

Q4. Which of the following statements accurately describes preference shares?

Statement 1: Preference shares have a preference in terms of both dividend distribution and capital repayment compared to equity shares.

Statement 2: Banks typically accept listed equity shares as collateral, and they may also consider listed preference shares. However, unlisted shares, whether they are common equity or preference shares, are accepted as collateral only in specific situations.

- (a) Only Statement 1
- (b) Only Statement 2
- (c) Both Statements 1 and 2
- (d) Neither Statement 1 nor 2

Q5. If the working capital gap for a borrowing unit is ₹4,00,000, what is the maximum amount that the bank can finance using the first method of lending?

- (a) 1,00,000
- (b) 3,00,000
- (c) 2,00,000
- (d) 3,50,000

Q6. The bank shall report to the Central Government within _____ any transaction in respect of receipt or utilization of any foreign contribution by any person whether or not such person is registered or granted prior permission under the FCRA.

- (a) 12 hours
- (b) 24 hours
- (c) 48 hours
- (d) 72 hours

Q7. For a fiscal year, the company reported an Opening Stock of FG of ₹50,000 and a Closing Stock of FG of ₹60,000. If the Annual Cost of Production was ₹300,000 and they incurred an Excise Duty of ₹40,000 and Selling expenses of ₹10,000, find the Annual Cost of Sales (CoS).

- (a) ₹3,30,000
- (b) ₹3,40,000
- (c) ₹3,20,000
- (d) ₹3,10,000

Q8. Who are not the primary beneficiaries of a current account, which records a nation's transactions in goods and services with the rest of the world?

- A. Traders, business people, and entrepreneurs.**
- B. Individuals with a small number of transactions.**
- C. Investors looking to earn interest on their deposits.**
- D. Students and educational institutions.**

- (a) A, B, and C
- (b) B, C, and D
- (c) A, C, and D
- (d) All of the above

Q9. Under the Prevention of Money Laundering Act (PMLA), what is one of the primary obligations of banks and other reporting entities (REs)?

- (a) To provide high-interest loans to customers
- (b) To authenticate the identity of customers and beneficial owners
- (c) To ensure customers maintain a minimum balance
- (d) To monitor the daily withdrawal limit of customers

Q10. In the scenario where a cheque goes missing during the clearing process or at the paying bank's branch, what immediate actions should the bank take?

- (a) Notify the account holder to halt payment and prevent dishonored cheques.
- (b) Advise the drawer of the cheque to take necessary actions.
- (c) Ensure that the lost cheque's amount is not credited to avoid dishonored cheques.
- (d) All of the above.

Q11. What is the purpose of making the complaint handling process policy document available at all branches of the bank?

- (a) To ensure that only the management is aware of the complaint handling process.
- (b) To enhance customer service and ensure that all employees are aware of the complaint handling process.
- (c) To restrict the information to senior-level employees only.
- (d) To keep the document as a reference for auditors only.

Q12. Which of the following entities is included under Authorised Dealer Category II by the RBI?

- (a) Large multinational banks
- (b) Full Fledged Money Changers (FFMCs) that have been upgraded
- (c) Non-Banking Financial Companies (NBFCs) involved in stock trading
- (d) Insurance companies conducting foreign transactions

Q13. Why should one keep oneself posted about the latest changes in stamp laws?

- (a) To avoid paying stamp duty
- (b) To ensure that the stamp duty is uniform across all states
- (c) To avoid penalties for under stamping
- (d) Stamp law changes as they are revenue laws

Q14. A company has a net profit of ₹8,00,000, depreciation of ₹1,50,000, other non-cash expenses of ₹50,000, and interest on a term loan of ₹3,00,000. The total payment commitment including interest on the term loan and installments of the term loan sums up to ₹4,50,000. What will be its DSCR?

- (a) 1.5
- (b) 2.4
- (c) 3.45
- (d) 2.89

Q15. In calculating the drawing power, after deducting the value of unpaid stock from the total stock value, the stipulated margin is then deducted from the _____ to determine the final drawing power.

- (a) Gross stock value
- (b) Net stock value
- (c) Paid-up stock value
- (d) Residual stock value

Q16. The person who creates a Bill of Exchange or a Cheque and directs another party to pay a specified sum of money is known as the _____.

- (a) Payee
- (b) Drawee
- (c) Drawer
- (d) Endorser



Q17. The Presiding Officer (PO) holds office until which of the following occurs first?

- (a) Completion of 5 years of service or attaining the age of 65 years.
- (b) Completion of 5 years of service or attaining the age of 60 years.
- (c) Completion of 6 years of service or attaining the age of 60 years.
- (d) Completion of 4 years of service or attaining the age of 65 years.

Q18. Which of the following statements best captures the essence and impact of Open Banking on the financial industry?

In the evolving landscape of the financial industry, Open Banking is gaining traction as a transformative innovation. By utilizing application programming interfaces (APIs), banks and non-bank financial institutions are granting third-party service providers secure access to consumer banking data and transaction histories. This initiative enables customers to link their accounts across various platforms, enhancing convenience and fostering competition among service providers. As consumers increasingly embrace this interconnected ecosystem, the potential for personalized financial services and innovative solutions expands, reshaping the way financial transactions are conducted and managed.

- (a) Open Banking is a regulatory requirement that mandates banks to keep all customer data private and inaccessible to third parties, ensuring maximum security.
- (b) Open Banking enables banks and third-party service providers to use APIs to share consumer financial data, fostering innovation and enhancing customer convenience.
- (c) Open Banking primarily focuses on allowing customers to access traditional banking services through physical branches, without involving digital technology.
- (d) Open Banking restricts consumer choice by consolidating financial services under a few large institutions, limiting the role of third-party providers.

Q19. XYZ Corporation enters into a contract to import machinery from a European supplier with deferred payment terms. The agreement requires XYZ to make an advance payment of 10% of the total cost, followed by another 10% upon receipt of the shipping documents under a letter of credit. The remaining 80% will be paid in equal installments over five years, secured by a Deferred Payment Guarantee.

Which of the following risks might the supplier face in the contract with XYZ Corporation, despite the deferred payment terms being secured by a Deferred Payment Guarantee?

- (a) The supplier may face exchange rate fluctuations, which could affect the value of payments received in the supplier's currency over the five-year period.
- (b) XYZ Corporation may default on the installment payments, leading to potential delays in the supplier receiving the full payment.
- (c) The Deferred Payment Guarantee may not cover the full amount of the installments, leaving the supplier exposed to partial non-payment.
- (d) The supplier may not receive the advance payment on time, which could delay the production and shipment of the goods.

Q20. Which statement(s) accurately describe regulations related to foreign currency transactions and remittances under RBI guidelines?

Statement 1: Individuals are allowed to open and maintain foreign currency accounts with banks outside India for remittances under LRS without RBI approval, and these accounts can be used for related transactions.

Statement 2: Outward remittance in the form of a Demand Draft is permitted in the name of the individual or the beneficiary for permissible transactions during a private visit abroad, with a self-declaration by the remitter.

- (a) Only Statement 1
- (b) Only Statement 2
- (c) Both Statement 1 and Statement 2
- (d) Neither Statement 1 nor Statement 2

Q21. What is the purpose of creating savings habits through SHGs?

- (i) To uplift the living conditions of poor**
- (ii) To mobilize individual skills for the group's interest**
- (iii) To assist members financially in their time of need**

- (a) Only ii
- (b) Only ii and iii
- (c) Only i and iii
- (d) All of the above

Q22. A farmer cultivates 7 acres of land. The scale of finance for the crop as per DLTC is ₹25,000 per acre. What is the short-term limit for the first year, assuming 10% of the limit towards post-harvest/household/consumption requirements and 20% of the limit towards repairs and maintenance expenses of farm assets, crop insurance, and accident insurance?

- (a) ₹1,96,000
- (b) ₹2,31,000
- (c) ₹2,05,000
- (d) ₹2,27,500

Q23. Why are indemnities required by banks?

- (a) To protect themselves from subsequent claims made by individuals who may have received lost instruments for value.
- (b) To ensure that customers have sufficient funds to cover the cost of lost instruments
- (c) To limit the amount of liability that the bank may have to pay in the event of a lost instrument.
- (d) To provide customers with a guarantee that they will not be held responsible for lost instruments

Q24. In the context of leasing capital assets, what is the primary financial rationale behind a sale and leaseback arrangement for the lessee?

- (a) It allows the lessee to write off the full value of the asset through depreciation
- (b) It provides the lessee with liquidity by converting a fixed asset into cash while retaining the right to use the asset
- (c) It enables the lessee to transfer the risk of asset depreciation to the lessor
- (d) It gives the lessee ownership of the asset at the end of the lease term without any upfront payment

Q25. A bank has an infrastructure loan classified as 'Sub-standard (unsecured ab initio)' that has been an NPA for 5 months. The loan amount is 150,000. What is the regular provisioning percentage and the corresponding monetary value?

- (a) 25%, 37,500
- (b) 20%, 30,000
- (c) 15%, 22,500
- (d) 40%, 60,000

Q26. When a bank receives an order under Section 133 of the Income Tax Act, 1961, to furnish specific information, what must the bank do?

- (a) The bank can refuse to provide the information if it considers it confidential.
- (b) The bank must furnish the specific information and inform the customer about the request.
- (c) The bank should provide all the customer's account details, regardless of the order's specifics.
- (d) The bank must seek the customer's permission before furnishing the information.

Q27. Who is responsible for designating Public Information Officers (PIOs) in every public authority?

- (a) The government
- (b) The Prime Minister
- (c) The public authority itself
- (d) The Central/ State Information Commission

Q28. If an intermediary bank cannot send the originator information with a domestic wire transfer, how long is it required to preserve that information?

- (a) One year
- (b) Three years
- (c) Five years
- (d) Indefinitely

Q29. What costs can be recovered by the indemnity holder from the indemnifier?

- (a) All costs incurred by the indemnity holder in any way related to the claim
- (b) Only costs paid to solicitors and travelling expenses
- (c) Costs reasonably incurred in resisting or reducing or ascertaining the claim
- (d) None of the above

Q30. Fill in the Blanks:

- 1. RegTech or regulatory technology refers to technological solutions that _____ and improve regulatory processes.**
 - 2. Financial institutions are often overwhelmed by the number of _____, rules, and regulations they need to implement, execute, and monitor.**
 - 3. Fintechs and regulators are currently using RegTech to address increasingly _____ compliance processes.**
- (a) streamline, laws, cumbersome
 - (b) enhance, orders, streamlined
 - (c) build, directives, simple
 - (d) modernize, instructions, clear

Q31. Which of the following is NOT a characteristic of the debtor-creditor relationship when a customer deposits money with a bank?

- (a) The bank is obligated to use the money in a way most beneficial to the customer.
- (b) The customer should make a demand for payment in a specified manner.
- (c) The customer does not have any security from the bank for the deposited amount.
- (d) The law of limitation does not begin to run until a demand has been made for repayment.

Q32. A minor, Rohan, approached a bank for a loan to cover his educational expenses, which were considered necessities. The bank, aware of the legal implications, approved the loan. However, Rohan's guardian disputes the repayment, claiming the loan was unnecessary. The bank is now contemplating recovering the loan amount from Rohan's estate under the provisions of the Indian Contract Act.

If the bank decides to recover the loan amount from Rohan's estate, under which legal provision would this action be justified, assuming the loan was granted for necessities?

- (a) The bank can recover the loan amount from Rohan's guardian, as they are responsible for his financial obligations under Section 68 of the Indian Contract Act.
- (b) The bank cannot recover the loan from Rohan's estate because minors cannot be held liable for loans under any circumstances according to the general principles of contract law.
- (c) The bank can recover the loan amount from Rohan's estate under Section 68 of the Indian Contract Act, as the loan was granted to meet the necessities of life.
- (d) The bank can only recover the loan amount if the guardian had explicitly agreed to the loan, as the guardian is responsible for all financial transactions involving the minor.

Q33. During the "Storing" stage of terrorism financing, why are funds typically kept in bank accounts or financial investments?

- (a) To ensure regular activities of terrorist organizations can be funded over a period of time.
- (b) To generate income from financial investments for terrorist organizations.
- (c) To conceal the origin and purpose of the raised funds.
- (d) To accumulate large sums of money for carrying out acts of terrorism.

Q34. A company purchases equipment worth \$60,000, which has an estimated useful life of 5 years with no salvage value. What is the annual depreciation expense using the straight-line method?

- (a) \$12,000
- (b) \$18,000
- (c) \$12,500
- (d) \$17,500

Q35. Which of the following statements is correct?

A. The UCP 600 was approved by the ICC Banking Commission on 25 October 2006.

B. UCP 600 contains 59 articles, the same as UCP 500.

C. UCP 600 introduces new provisions for the discounting of deferred payment credits.

- (a) A, and C
- (b) B only
- (c) A, and B
- (d) B, and C

Q36. What is the difference between Ordinary Term deposits and Reinvestment or Special Term deposits?

- (a) Interest is paid periodically in Ordinary Term Deposit, while it is paid on maturity in Reinvestment or Special Term Deposit
- (b) Interest is paid on maturity in Ordinary Term Deposit, while it is paid periodically in Reinvestment or Special Term Deposit
- (c) Ordinary Term Deposit is for a shorter duration, while Reinvestment or Special Term Deposit is for a longer duration
- (d) There is no difference between Ordinary Term Deposit and Reinvestment or Special Term Deposit

Q37. If a company has a net profit of Rs. 5,00,000, depreciation of Rs. 1,00,000, other non-cash expenses of Rs. 50,000, and interest on a term loan of Rs. 2,00,000, while the total payment commitment including interest on the term loan and installments of the term loan sums up to Rs. 3,50,000, what will be its DSCR?

- (a) 1.5
- (b) 2.8
- (c) 1.7
- (d) 0.8

Q38. What is the purpose of the grievance redressal machinery for BCs/BFs in banks?

- (a) To provide feedback on BCs/BFs' performance
- (b) To redress complaints about services rendered by BCs/BFs
- (c) To monitor the activities of BCs/BFs
- (d) To evaluate the performance of BCs/BFs

Q39. When settling payments for commercial dealings or transferring money to an unfamiliar recipient, which inbound remittance technique is typically recommended?

- (a) Postal Bank Orders.
- (b) Checks in Foreign Currency.
- (c) Drafts Denominated in Foreign Currency.
- (d) Automated Clearing House (ACH) Direct Deposit.

Q40. Which groups in the Indian economy are in need of financial literacy?

1. Financially excluded and resource-poor individuals.
2. Individuals from lower and middle-income brackets.
3. High net worth individuals.

- (a) 1, 2, and 3
- (b) Only 2 & 3
- (c) Only 1 & 3
- (d) Only 1 & 2

Q41. Under which of the following circumstances will XYZ Bank be entitled to protection under Section 128 of the Negotiable Instruments Act, 1881, after paying a crossed cheque in due course?

XYZ Bank received a crossed cheque from one of its customers, Mr. P, who requested the amount be credited to his account. The cheque was crossed generally and was drawn on ABC Bank. XYZ Bank, after verifying the cheque, made the payment in due course. Later, a dispute arose questioning whether XYZ Bank was entitled to protection under Section 128 of the Negotiable Instruments Act.

- (a) XYZ Bank pays the cheque in due course, but the cheque was crossed specially, and the payment was made to a different bank.
- (b) XYZ Bank pays the cheque in due course, and the cheque was crossed generally, with payment made to a banker.
- (c) XYZ Bank pays the cheque without verifying if it was crossed generally or specially, and the payment was made to the bearer of the cheque.
- (d) XYZ Bank pays the cheque in due course, but the cheque was crossed generally, and the payment was made directly to the payee without involving a bank.

Q42. Which of the following statements accurately describe the distinctive features of a contract of indemnity versus a contract of guarantee?

Statement 1: In a contract of indemnity, there are three parties involved: the indemnifier, the indemnified, and the surety.

Statement 2: In a contract of guarantee, the liability of the surety is secondary, with the principal debtor being primarily liable.

Statement 3: A contract of indemnity involves contingent risk, whereas a contract of guarantee involves subsisting liability.

Statement 4: In a contract of guarantee, there are at least three separate contracts, while a contract of indemnity involves only one contract.

- (a) Statements 1 and 2 only
- (b) Statements 2 and 4 only
- (c) Statements 1, 3, and 4 only
- (d) Statements 2, 3, and 4 only

Q43. Which of the following statements about the registration of a partnership under the Indian Partnership Act, 1932 is correct?

- (a) Registration of a partnership is compulsory throughout India
- (b) Registration is optional, except in the states of Gujarat and Maharashtra
- (c) Registration is mandatory only for businesses earning above a certain threshold
- (d) Registration is optional but grants no legal benefits to an unregistered partnership

Q44. If a borrower from "All other eligible category of borrowers" defaults on Rs. 200 lakh, how much will be considered in default according to the policy?

- (a) 100 lakh
- (b) 150 lakh
- (c) 160 lakh
- (d) 200 lakh

Q45. Why is security and trust considered critical in electronic transmission of corporate data?

- (a) Because electronic transactions are always unreliable
- (b) To prevent loss of funds due to internal and external frauds
- (c) Because digital systems are inexpensive to maintain
- (d) To encourage more employees to work remotely

Q46. Mr. Kumar, a long-time customer of ABC Bank, maintains both a savings account and a current account with the bank. Due to recent financial difficulties, his current account is overdrawn by a significant amount. Meanwhile, his savings account has a substantial balance. ABC Bank decides to exercise its right of set-off, adjusting the debit balance in the current account against the credit balance in the savings account.

Which of the following actions by the bank would most likely breach the principles governing the right of set-off?

- (a) The bank applies the set-off without providing any prior notice to Mr. Kumar, thereby depleting his savings account entirely.
- (b) The bank exercises the set-off despite Mr. Kumar's current account being held jointly with another individual, while the savings account is in Mr. Kumar's sole name.
- (c) The bank applies the set-off against the savings account balance, which is specifically marked for Mr. Kumar's child's educational expenses.
- (d) The bank sets off the overdraft in Mr. Kumar's current account against his fixed deposit, which is not yet matured and was pledged as security for a loan.

Q47. The ABC Bank follows a strict protocol where the Beginning of Day (BOD) operations are influenced by the business days specified in the branch calendars. On a special occasion, all branches of the ABC bank were closed except for one branch in a remote area. Ravi, a bank officer at that operational branch, started the day ensuring the functions slated for the BOD operations were initiated as specified.

- (a) Ravi is expected to avoid starting the BOD operations for now since these operations rely heavily on the data obtained from the End of Day (EOD) operations of all the branches, which are closed due to the festival and hence, would not provide the necessary data.
- (b) Ravi should go ahead and initiate the BOD operations since the branch calendar recognizes the day as a business day; this involves executing various set functions such as initiating a new day, executing standing instructions, and processing time deposits concerning interests and maturities, among other tasks.
- (c) Ravi is supposed to hold off and wait for a green signal from the central data center to go ahead with the BOD operations given the special circumstance of only his branch being operational, thereby necessitating higher-up authorization.
- (d) Ravi has the liberty to only partially initiate the BOD operations by starting with vital functions such as inaugurating a new day and managing the value date processing of cheques, and he can defer other tasks, expecting to resume them the following business day when all branches reopen and resume their normal operations.

Q48. What banking services are required to be provided to visually impaired individuals without discrimination, as per the directives of the Indian Banks' Association (IBA) and the Chief Commissioner for Persons with Disabilities?

- (a) Exclusive provision of cheque book services
- (b) Access to both cheque book and ATM services
- (c) Availability of cheque book, ATM, and net banking services
- (d) Comprehensive access to cheque book, ATM, net banking, locker facilities, retail loans, credit cards, etc.

Q49. Which of the following statements can be inferred regarding the RBI's emphasis on linking Self Help Groups (SHGs) with banks?

1. SHGs, whether registered or unregistered, can open savings bank accounts with banks only if they are promoting savings habits among their members.
2. Banks are required to provide loans to SHGs at a fixed ratio of savings to loans, which cannot exceed 1:4.
3. The interest rates on loans given to SHGs are strictly regulated by the RBI and cannot be independently decided by the banks.
4. No service or inspection charges should be levied on loans up to ₹25,000 per SHG member for eligible priority sector loans.

- (a) Only 3, 4
- (b) Only 2, 3
- (c) Only 1, 3
- (d) Only 1, 4

Q50. What is the primary characteristic of a trust?

- (a) Ownership of property by a single individual.
- (b) An obligation arising from confidence for the benefit of another.
- (c) Legal documentation of property transfer.
- (d) Declaration of property as public domain.

Q51. The SHG "Uplift Together" has operated in a village for several years, following all required protocols and maintaining detailed financial records. As they are gearing up for their third business expansion phase, they plan to apply for their third term loan under the DAY-NRLM scheme, armed with a detailed Micro Credit Plan and a good credit history. What is the minimum amount they can request, and what factors will influence the approval?

- (a) They can apply for a minimum loan amount of Rs. 6 lakhs, and the loan amount will be determined based on their existing corpus, being a fixed criterion for the third dose of term loan.
- (b) The group has the choice to apply for a loan amount that is a minimum of Rs. 1 lakh, considering their credit history and the evaluation of their Micro Credit Plan by the Federations/Support agency.
- (c) Uplift Together can request a term loan where the minimum amount is set at Rs. 2 lakhs, relying heavily on their previous credit history to decide the final amount sanctioned.
- (d) The SHG can apply for a minimum loan of Rs. 6 lakhs. The determining factor for the approved loan amount will be the details and strategies laid out in their Micro Credit Plan, coupled with the appraisal by Federations/Support agency and their previous credit history.



Q52. What is the bank required to do immediately upon receiving a garnishee order from a court or an attachment order from the Income Tax Authorities under section 226 of the Income-tax Act?

- (a) Announce the order to the media
- (b) Increase the interest rate on the attached account
- (c) Proceed with the account's operations as normal
- (d) Cease debit transactions in the specified account

Q53. Which of the following individuals does not require prior permission from the Central Government to accept foreign hospitality while visiting abroad?

Mr. Gupta, a judge in India, received an invitation to attend a legal conference in the United States, with all expenses covered by the hosting organization. Before accepting this foreign hospitality, Mr. Gupta sought legal advice. He was informed that, according to Indian law, judges, members of legislatures, government servants, and certain other individuals must obtain prior permission from the Central Government before accepting any foreign hospitality while visiting any foreign country.

- (a) A member of a state legislature who is travelling for a personal vacation.
- (b) An office-bearer of a political party invited to a political conference abroad.
- (c) A judge attending an international legal seminar.
- (d) An employee of a private corporation that is not owned or controlled by the government.

Q54. Kumar is a seasoned banker who has seen the transition of loan interest rate benchmarks from Prime Lending Rate (PLR) to Base Rate and then to Marginal Cost of Funds Lending Rate (MCLR), and the encouragement towards the adoption of external benchmarks. On March 1, 2023, he had to counsel a new client, Mrs. Patel, on the best option for her home loan interest rates. Which of the following options should Kumar recommend to Mrs. Patel?

- (a) Suggest Mrs. Patel opt for a loan with an interest rate benchmarked to the Prime Lending Rate, arguing it's a well-tested and older system.
- (b) Advocate for a loan based on the Base Rate system, emphasizing that it replaced the PLR for being a more robust system.
- (c) Encourage Mrs. Patel to choose a loan that operates on the MCLR, as it is the latest internal benchmark developed after the Base Rate system, ensuring more transparency in the rate determination.
- (d) Recommend opting for a loan with an interest rate guided by an external benchmark, citing RBI's latest guidelines encouraging the switch to external benchmarks for a more realistic and market-aligned rate determination.

Q55. What is the significance of Section 148 of the Indian Contract Act, 1872, in the context of the bailee-bailor relationship between a bank and its customer?

- (a) It establishes the bank as a trustee of the customer's securities.
- (b) It makes the bank liable for any loss caused to the customer due to its negligence as a bailee.
- (c) It exempts the bank from liability in case of loss or damage caused due to circumstances beyond its control.
- (d) It defines the procedure for resolving disputes between the bank and the customer in case of loss or damage to the securities.

Q56. How long do banks have to resolve customer complaints regarding wrongful debit on account of ATM transactions in India, and what penalty shall be charged by the customer from the bank in case of any delay?

- (a) T+1 working day; Rs. 50 per day of delay
- (b) T+3 working days; Rs. 100 per day of delay
- (c) T+5 working days; Rs. 100 per day of delay
- (d) T+7 working days; Rs. 50 per day of delay

Q57. GlobalTech Corp, a multinational corporation with subsidiaries across five continents, implements an advanced cash management strategy to optimize liquidity. By pooling cash surpluses from profitable subsidiaries and offsetting them against the debts of less profitable ones, the company aims to enhance overall financial efficiency. The treasury department is tasked with transforming this strategy into a profit center to boost GlobalTech's competitive advantage.

Which of the following risks is most likely associated with a multinational corporation's strategy of pooling cash across subsidiaries to optimize liquidity?

- (a) The pooling strategy might expose the corporation to currency exchange risks, particularly if the cash surpluses are held in multiple foreign currencies.
- (b) The centralized management of cash might lead to operational inefficiencies at the subsidiary level, as local managers lose direct control over their liquidity.
- (c) The strategy could lead to increased regulatory scrutiny, as different countries have varying rules regarding the movement of capital and cash pooling.
- (d) The reliance on surplus funds from profitable subsidiaries might create tensions within the company, particularly if these funds are used to offset the debts of less profitable subsidiaries.

Q58. What is the objective of the Foreign Account Tax Compliance Act (FATCA)?

- (a) To encourage worldwide financial transparency and discourage tax evasion.
- (b) To mandate Financial Institutions (FIs) to carry out thorough due diligence reviews on U.S. accounts.
- (c) To ensure regular reporting of U.S. accounts to the U.S. Internal Revenue Service (IRS) or the relevant government authority.
- (d) To simplify the identification of U.S. accounts held in foreign banks and financial institutions.

Q59. Who is eligible to open a Non-Resident (External) Rupee Account (NRE Account)?

- (a) Only Non-resident Indians (NRIs)
- (b) Only Persons of Indian Origin (PIOs)
- (c) Non-residents of any nationality
- (d) Both (a) and (b)

Q60. What is the relationship between the customer and the bank when the customer deposits money with the bank?

- (a) Customer and banker
- (b) Debtor and creditor
- (c) Promiser and promisee
- (d) None of the above

Q61. Which of the following statements is/are correct regarding the Standing Committee on Customer Service, as recommended by the Committee on Procedures and Performance Audit of Public Services (CPPAPS)?

- 1. The Standing Committee is a permanent body within banks tasked with evaluating customer service and implementing feedback across various departments.**
- 2. The Committee acts as a link between different bank departments and the Board/Customer Service Committees, which review and modify customer service initiatives.**
- 3. The Standing Committee must be chaired by a non-official member to ensure independent feedback and compliance with RBI customer service instructions.**

- (a) Only 1 and 2 are correct
(b) Only 2 and 3 are correct
(c) Only 1 and 3 are correct
(d) All 1, 2, and 3 are correct

Q62. Which of the following is NOT a valid scenario where sufficient available funds are considered inapplicable for the payment of a cheque?

- (a) When the payment of a cheque is stopped by the drawer
(b) When the funds in the account are earmarked for specific purposes
(c) When the funds are attached under a garnishee order
(d) When the cheque is presented during normal banking hours but contains a minor error in the signature

Q63. Which of the following statements can be inferred from the judgment in M/s Kharavela Industries Pvt. Ltd. Vs. Orissa State Financial Corporation and Others (AIR 1985 Orissa 153 (A)) regarding the appropriation of debtor payments?

- A. The Court ruled that in the absence of any specific agreement, payments made by the debtor must be applied towards the principal amount first and then towards interest.**
- B. The ruling established that unless otherwise agreed, any payment by the debtor is to be applied first towards the accrued interest, with the remainder, if any, going towards the principal.**
- C. The judgment clarified that the debtor has the discretion to direct the application of payments either towards principal or interest in the absence of a clear stipulation in the loan agreement.**
- D. The case concluded that appropriation of payments should be done in accordance with the general legal principle that favors reducing the outstanding principal before settling interest dues.**

- (a) Only A, C
(b) Only B
(c) Only C, D
(d) Only A, B, D

Q64. Who can invest in Security Receipts (SRs) issued by an ARC?

- (a) Only Qualified Buyers (QBs)
(b) Only institutional investors
(c) Only non-institutional investors
(d) Individuals are also allowed to invest

Q65. A borrower in the MSME sector takes a loan of ₹150 lakh without any collateral security. Is this loan amount covered by MLIs?

- (a) Yes, the loan is covered because it is less than ₹200 lakh.
- (b) No, the loan is not covered because it is without collateral security.
- (c) Yes, the loan is covered only if it is fund-based.
- (d) No, the loan is not covered because it is more than ₹100 lakh.

Q66. When a bank receives a garnishee order from a court, what are the required steps regarding a customer's account that has a credit balance?

- (a) The bank must immediately freeze debit transactions in the affected account and notify the customer about the order.
- (b) If the amount specified in the order is less than the account's credit balance, it may be moved to a sundry deposit account for later disbursement to the court or the tax authority.
- (c) The bank is allowed to open a new account for future transactions, as garnishee orders do not apply to subsequent accounts unless specifically reattached.
- (d) Garnishee orders targeting an individual do not affect joint accounts held by the debtor with others.

Q67. What is one of the essential preventive measures to protect lockers from water-related damage?

- (a) Ensure that the area is well-lit.
- (b) Install flood barriers and proper drainage systems.
- (c) Regularly clean the lockers.
- (d) Use fire-resistant materials in the construction of lockers.

Q68. What measure has the RBI implemented to ensure banks effectively address customer complaints?

- (a) The RBI will directly penalize the bank employees responsible for handling complaints.
- (b) The RBI has decided that the cost of redressing complaints will be recovered from banks whose maintainable complaints exceed the peer group average.
- (c) The RBI will offer incentives to banks with the lowest number of complaints.
- (d) The RBI will ignore the complaint handling performance of banks and focus on other areas.

Q69. According to the relevant legal section, what details must be provided by any qualified individual who has accepted foreign contributions?

- (a) The specific dates on which the foreign contributions were received.
- (b) The identification details of the beneficiary organization.
- (c) The intended use of the received foreign contributions.
- (d) A comprehensive account of how the foreign contributions were calculated.

Q70. Under Rule 13 of the mentioned rules, where is an individual, who has received a certificate of registration or prior approval, mandated to publish information about foreign contributions?

- (a) On their social media profiles.
- (b) On a personal blog or their own website.
- (c) On an official website as directed by the Central Government.
- (d) None of the above

Q71. How can a person competent to enter into a contract authorize another person to open and operate a bank account on their behalf?

- (a) By providing a verbal agreement
- (b) By obtaining a notarized certificate
- (c) By issuing a mandate or a power of attorney
- (d) By signing a blank cheque

Q72. What is the minimum amount of default for matters relating to the insolvency and liquidation of corporate debtors under IBC?

- (a) One thousand rupees
- (b) One lakh rupees
- (c) One crore rupees
- (d) One billion rupees

Q73. Who is the Nodal Agency to receive complaints under the Protected Disclosures Scheme for Private Sector and Foreign Banks?

- (a) The Central Vigilance Commission
- (b) The Ministry of Finance
- (c) The Reserve Bank of India
- (d) The Department of Supervision

Q74. Which of the following is an unsecured money market instrument issued in the form of a promissory note?

- (a) Demand draft
- (b) Overdraft
- (c) Commercial Paper
- (d) Treasury Bills

Q75. Which of the following statements is/are not correct regarding Local Area Networks (LANs)?

1. LAN is a computer network that links computers, network devices, and peripherals within a localized area, such as a building.
2. LAN uses network adapters that employ special techniques to share a common medium between connected nodes.
3. The distance and the number of nodes supported in a LAN depend on the medium used to establish the network.
4. LAN usually extends beyond 100 meters for Cat5e cables.

- (a) 1,2, and 3
- (b) Only 4
- (c) 1, 2, and 4
- (d) Only 1, 2

Q76. What defines a general crossing on a cheque?

- (a) Drawing two parallel transverse lines on the cheque's face.
- (b) The crossing may contain specific words or directives.
- (c) Its purpose is to enhance security and restrict unauthorized transfers.
- (d) It signifies that the cheque needs to be deposited into a bank account.

Q77. Fill in the blanks:

Cash management has evolved significantly due to factors like ___ and ___. Firstly, there was ___ in interest rates, which increased the ___ of holding cash. Secondly, the advancement in ___ technologies, especially ___ mechanisms, has transformed financial transactions.

- (a) an upward trend, technological developments, a decrease, cost of opportunity, computerized, electronic funds transfer.
- (b) a downward trend, technological stagnation, an increase, cost of opportunity, manual, traditional banking.
- (c) an upward trend, technological developments, an increase, opportunity cost, computerized, electronic funds transfer.
- (d) a downward trend, technological developments, an increase, opportunity cost, manual, electronic funds transfer.

Q78. For a banker to be shielded under Section 131 while receiving payment, which criteria must be met?

- A. The banker must operate with integrity and diligence in accepting payment.**
 - B. The banker must accept payment on behalf of a customer, serving strictly as a collection agent.**
 - C. The individual on whose behalf the banker is acting must be a client of the bank.**
 - D. The cheque in question must bear either a general or specific crossing in favor of the bank.**
- (a) Only B, C, and D
 - (b) Only A, B, and C
 - (c) Only A, C, and D
 - (d) All of the above

Q79. In a corporate network using a tree topology, what would be the most effective way to manage communication and data flow between different hierarchical levels, considering the structure of the network?

A large corporate organization uses a tree topology for its network structure, with a central root node managing communication across the system. Multiple departments function as intermediate nodes, each managing their own sub-units. The leaf nodes represent individual employees, who do not have any further subordinates or child nodes under them.

- (a) Assigning dedicated communication channels between leaf nodes to prevent overloading the root node and ensuring direct data transfers between employees.
- (b) Implementing a protocol where intermediate nodes communicate directly with the root node, bypassing child nodes, to reduce the communication burden on lower levels.
- (c) Allowing any node, including leaf nodes, to establish direct connections with any other node in the network to improve flexibility and data flow.
- (d) Ensuring that communication and data flow follow the hierarchical structure, where leaf nodes communicate through their respective intermediate nodes, which relay the data to the root node when necessary.

Q80. What is lease financing?

- (a) A type of financing that involves leasing out assets owned by a bank to other companies
- (b) A type of financing that involves lending money to a company to purchase assets
- (c) A type of financing that involves leasing out assets owned by a company to other companies
- (d) A type of financing that involves leasing out assets owned by an individual to other companies

Q81. What is the total limit for repairs and maintenance expenses, crop insurance, and accident insurance for a farmer cultivating 4 acres of land with a scale of finance of Rs. 30,000 per acre in the first year?

- (a) Rs. 15,000
- (b) Rs. 36,000
- (c) Rs. 18,000
- (d) Rs. 24,000

Q82. Which of the following does not correctly describe a limitation regarding the surrender period of foreign exchange?

- (a) Foreign exchange obtained for a certain purpose may be used for any other permissible purpose.
- (b) A resident individual must surrender any received, realized, unspent, or unused foreign exchange to an Authorized Person (AP) within 180 days.
- (c) An Authorized Person (AP) can decline the purchase of foreign exchange surrendered after 180 days, based solely on the lapse of the prescribed period.
- (d) After returning from overseas, a traveler can keep foreign currency, travelers' cheques and currency notes up to USD 2000, and foreign coins without any limit, for more than 180 days, for future international travel.

Q83. Why were earlier instructions regarding immediate credit of local/outstation cheques and the time frame for collection of local/outstation instruments withdrawn by the Reserve Bank?

- (i) Due to technological progress in payment and settlement systems
 - (ii) Due to qualitative changes in operational systems and processes
 - (iii) Due to the financial crisis in the banking industry
- (a) Only i
 - (b) Both i and iii
 - (c) Both i and ii
 - (d) All from i to iii

Q84. Which of the following statements accurately describe the conditions for claims under the Schemes of CGTMSE?

Statement 1: MLIs (Member Lending Institutions) are required to inform the date on which the account is classified as NPA within the quarter of it becoming an NPA.

Statement 2: The guarantee can be invoked within 3 years from the date the account is classified as NPA or the end of the lock-in period, whichever is earlier.

Statement 3: The Trust will pay 75% of the guaranteed amount within 30 days if the claim is found in order and complete, and the remaining 25% will be paid upon conclusion of recovery proceedings or when the decree gets time-barred.

Statement 4: Action for recovery must be initiated by the lending institution after issuing the loan recall notice before invoking the guarantee.

- (a) Statements 1 and 3 only
- (b) Statements 2 and 4 only
- (c) Statements 1, 3, and 4 only
- (d) Statements 2 and 3 only

Q85. What is the upper limit for paying in cash in Indian Rupees for acquiring foreign currency notes and/or travelers' cheques from a resident?

- (a) Up to INR 1,000 or its equivalent
- (b) Up to INR 3,000 or its equivalent
- (c) Up to INR 5,000 or its equivalent
- (d) Up to INR 10,000 or its equivalent

Q86. What are the two types of Power of Attorney (POA) generally granted for legal authorization?

- A. General or universal**
- B. Specific or limited**
- C. Dual or multi-purpose**
- D. Comprehensive or exclusive**

- (a) C, and D
- (b) A, and B
- (c) B, and C
- (d) None of these

Q87. How frequently should banks undertake risk assessment and mitigation measures for Money Laundering (ML) and Terrorist Financing (TF) risks?

- (a) Quarterly
- (b) Semi-annually
- (c) Annually
- (d) Biennially

Q88. A company has current assets of Rs. 2,50,000 and current liabilities of Rs. 1,00,000. What is the company's working capital ratio?

- (a) 2.5
- (b) 3.7
- (c) 3.4
- (d) 2.8

Q89. What is the maximum tenure for an account?

- (a) The tenure of the account is indefinitely extendable without any specific limit.
- (b) The account can be maintained for a maximum of ten years, with automatic renewals.
- (c) The account's tenure is aligned with the contract period or the account holder's business operation, but not exceeding seven years, unless specified otherwise.
- (d) The account duration is fixed at five years, with possibilities for extension based on the account holder's request.

Q90. Why can't a demand draft be payable to the bearer?

- (a) Because it would incur additional fees
- (b) Because it would be considered a currency note and violate Sec.31 of the RBI Act 1934
- (c) Because it is not a negotiable instrument
- (d) Because it must be endorsed by a bank manager

Q91. What is a key requirement for firearms used by armed guards according to the guidelines?

- (a) Firearms should be replaced annually regardless of their condition
- (b) Firearms must always be kept in a secure vault and only used when necessary
- (c) Firearms should always be in working condition, regularly cleaned, and maintained
- (d) Firearms can be used without maintenance as long as they are licensed

Q92. A fintech startup leverages open banking APIs to create a mobile app that aggregates a user's financial data from multiple banks and non-bank financial institutions. The app offers personalized financial advice and spending insights by accessing transactional data across accounts. However, the startup must navigate regulatory requirements and consumer privacy concerns while enhancing user experience and data security.

Which of the following is a potential risk associated with the adoption of open banking for consumers?

- (a) Increased convenience in managing multiple accounts through a single platform, reducing the need for multiple banking apps.
- (b) Enhanced competition among financial institutions, leading to better financial products and services for consumers.
- (c) The possibility of unauthorized access to sensitive financial data if third-party providers do not adhere to stringent security protocols.
- (d) Simplified processes for financial institutions to offer personalized services based on aggregated consumer data.

Q93. Which scenarios below exemplify the misuse of authority?

- (i) An employee submitting expenses for official trips for reimbursement.
- (ii) An employee favoring customers based on their credit profiles.
- (iii) An employee leveraging company resources for personal benefits.
- (iv) An employee falsifies claims surpassing their allotted benefits.

- (a) ii and iii
- (b) iii and iv
- (c) ii and iv
- (d) ii, iii, and iv

Q94. Why does Section 25(3) of the Indian Contract Act not govern a mortgage by deposit of title deeds made in lieu of a barred debt, as per the Calcutta High Court's decision?

- (a) Because the debt is barred and cannot be acknowledged.
- (b) Because the mortgage discharges the debt by assigning an interest in the property.
- (c) Because the mortgage does not constitute a valid contract.
- (d) Because Section 25(3) only applies to secured debts.



Q95. Statement 1: Merchant bankers assist in the preparation of a detailed project report and market survey report, help in obtaining regulatory clearances, and plan the timing of the IPO or FPO. They also handle underwriting, selection of brokers, and the printing and distribution of prospectus/application forms.

Statement 2: Merchant bankers are primarily responsible for managing the company's operational activities and overseeing its daily financial transactions during the IPO process. They also handle all investor relations and are responsible for securing long-term debt financing for the company.

Which of the following statements correctly describe the role and functions of merchant bankers in the context of an Initial Public Offering (IPO) or Follow-on Public Offering (FPO)?

- (a) Only Statement 1 is correct.
- (b) Only Statement 2 is correct.
- (c) Both Statement 1 and Statement 2 are correct
- (d) Neither Statement 1 nor Statement 2 is correct

Q96. If the creditor loses the security to which the surety is entitled to, what happens to the surety's liability?

- (a) The surety's liability is increased
- (b) The surety is discharged from liability
- (c) The surety's liability remains the same
- (d) The surety is only partially discharged from liability

Q97. In relation to a change of name, what does an OVD represent?

- (a) A document endorsing a modification in name.
- (b) A document authenticating an individual's identity.
- (c) A document verifying an individual's residential address.
- (d) A document certifying an individual's nationality.

Q98. A loan classified as 'Doubtful I' and unsecured has been an NPA for 3 years. If the loan amount is Rs. 300,000, what would be the revised accelerated provisioning required in monetary terms?

- (a) 150,000
- (b) 300,000
- (c) 200,000
- (d) 100,000

Q99. Mr. Verma filed an RTI request seeking details about a contract awarded to XYZ Ltd. The Central Public Information Officer (CPIO) found that some of the requested information was provided by XYZ Ltd. as confidential. Before disclosing the information, the CPIO decided to consult with XYZ Ltd. to assess whether public interest justifies the disclosure.

Under what condition can the CPIO disclose the third-party information provided by XYZ Ltd.?

- (a) If XYZ Ltd. gives explicit consent for disclosure.
- (b) If the information is classified as a trade secret by XYZ Ltd.
- (c) If the public interest in disclosure outweighs potential harm to XYZ Ltd.
- (d) If the contract details are more than five years old.

Q100. Under MCLR, when can the spread charged to an existing borrower be increased?

- (a) On account of any reason
- (b) On account of deterioration in the credit risk profile of the customer
- (c) On account of appreciation in the credit risk profile of the customer
- (d) None of the above

Solutions

S1. Ans.(a)

Sol. Atal Pension Yojana not only offers a pension component but also provides life insurance coverage in case of the subscriber's demise. It is an ideal choice for Alok to ensure comprehensive financial protection for his family in case of any unforeseen events. While PMSBY provides life insurance benefits in case of an accident, it may not fulfill his need for a comprehensive financial protection scheme. Additionally, RBI Bonds provide a secure investment option but they do not offer life insurance coverage or financial protection in case of unforeseen events. Since Alok wants a government scheme that offers life insurance coverage, he eliminates the option of Pradhan Mantri Jan Dhan Yojana which is primarily focused on financial inclusion and providing bank accounts to the unbanked population.

S2. Ans.(b)

Sol. Banker's Cheques are used for local payments, not international transactions. International transactions are typically handled through other banking instruments such as wire transfers or foreign drafts.

S3. Ans.(d)

Sol. Section 131 of the Negotiable Instruments Act provides protection to a collecting banker against any wrongful conversion claims, provided certain conditions are met:

- (i) **Acts in good faith and without negligence:** The banker must act in good faith and should not show any negligence while collecting the cheque on behalf of the customer.
- (ii) **Receives payment for a customer:** The collecting banker should receive payment on behalf of its customer.
- (iii) **The cheque is crossed generally or especially to the collecting bank:** The cheque in question must be a crossed cheque. It can be crossed generally (with two parallel lines) or especially (where the name of the bank is mentioned between the lines) to the collecting bank.

S4. Ans.(c)

Sol. The following statements provide accurate information about preference shares:

- Preference shares enjoy a preference in both dividend payments and capital repayment when compared to equity shares.
- Banks usually accept listed equity shares as collateral, and they may also consider listed preference shares as security. However, unlisted shares, whether they are common equity or preference shares, are typically accepted as collateral only in specific circumstances.

S5. Ans.(b)

Sol. The first method of lending allows a bank to finance a maximum of 75% of the working capital gap.
 $= 400000 \times 75/100 = 3,00,000$

S6. Ans.(c)

Sol. The bank shall report to the Central Government within **48 hours** any transaction in respect of receipt or utilization of any foreign contribution by any person whether or not such person is registered or granted prior permission under the FCRA.

S7. Ans.(b)

Sol. Calculate the Annual Cost of Sales (CoS):

Annual Cost of Sales (CoS) = Annual Cost of Production + Excise Duty + Selling expenses + Opening Stock of FG – Closing Stock of FG

Annual Cost of Sales (CoS) = 300,000 + 40,000 + 10,000 + 50,000 – 60,000 = ₹3,40,000.

S8. Ans.(b)

Sol. The primary beneficiaries of a current account are traders, business people, and entrepreneurs. Current accounts are designed to facilitate frequent and regular financial transactions for individuals and institutions with a large volume of day-to-day business transactions. These accounts are not meant for earning interest on deposits.

S9. Ans.(b)

Sol. Under the PMLA, one of the primary obligations for banks and other reporting entities is to verify and authenticate the identity of their customers, as well as any beneficial owners. This is to ensure that the individuals or entities involved in financial transactions are legitimate and to prevent money laundering and other financial crimes. Banks use specified methods such as Aadhaar authentication, passport verification, or other officially valid documents for this purpose.

S10. Ans.(d)

Sol. When a cheque is lost in transit during the clearing process or at the paying bank's branch, the bank should promptly undertake the following actions:

- (a) Notify the account holder to stop payment, which is crucial in preventing dishonored cheques.
- (b) Inform the drawer of the cheque to take necessary actions to safeguard their account.
- (c) Ensure that the amount of the lost cheque is not credited to prevent dishonored cheques for other transactions. It is essential to implement all of these steps to address the situation effectively.

S11. Ans.(b)

Sol. Making the policy document available at all branches and ensuring that all employees are informed about the complaint handling process is intended to improve customer service and general awareness within the bank. This ensures that employees are equipped to handle complaints effectively, contributing to better overall customer satisfaction.

S12. Ans.(b)

Sol. Entities under **Authorised Dealer Category II** include **upgraded Full Fledged Money Changers (FFMCs)**, select **Regional Rural Banks (RRBs)**, **Urban Cooperative Banks (UCBs)**, and other entities designated by the RBI. These entities are authorized to perform non-trade related current account transactions and activities specific to FFMCs, such as foreign exchange services. They play an important role in facilitating financial transactions that are non-commercial in nature.

S13. Ans.(d)

Sol. Stamp laws are revenue laws and there for changes. One should keep oneself posted about the latest changes to ensure compliance with the law.

S14. Ans.(d)

Sol.

To find the DSCR, use the formula:

$$\text{DSCR} = \frac{\text{Net Profit} + \text{Depreciation} + \text{Other Non-Cash Expenses} + \text{Interest on Term}}{\text{Total Payment Commitment}}$$

Substituting the given values:

$$\text{DSCR} = \frac{₹8,00,000 + ₹1,50,000 + ₹50,000 + ₹3,00,000}{₹4,50,000} = \frac{₹13,00,000}{₹4,50,000} \approx 2.89$$

S15. Ans.(d)

Sol. The drawing power is calculated by first removing the value of unpaid stock from the total stock value. The stipulated margin is then deducted from the residual stock value (the remaining value after subtracting unpaid stock) to determine the final drawing power. This process ensures that the borrower maintains sufficient collateral relative to the loan amount.

S16. Ans.(c)

Sol. The drawer is the person who creates a Bill of Exchange or a Cheque, instructing the drawee (usually a bank or another person) to pay a specified sum of money to the payee. The drawer holds the primary responsibility for the payment until the drawee accepts the bill or cheque.

S17. Ans.(a)

Sol. The Presiding Officer (PO) holds office for a term of five years from the date of assuming office or until he attains the age of 65 years, whichever is earlier. This provision ensures that the PO's tenure is capped either by a fixed term or by an age limit, promoting turnover and the appointment of fresh leadership as necessary.

S18. Ans.(b)

Sol. Open Banking represents a paradigm shift in the financial industry, characterized by the use of APIs to facilitate data sharing between banks and third-party service providers. Here's a detailed explanation of why **Option (b)** is the correct choice:

- **APIs as Connectors:** Open Banking leverages APIs to allow secure access to consumer banking data, enabling third-party developers to create innovative financial products and services that integrate seamlessly with existing banking systems.
- **Fostering Innovation:** By opening access to financial data, Open Banking encourages a competitive environment where numerous fintech companies can provide tailored solutions, enhancing consumer choice and driving industry innovation.

- **Customer Convenience:** Customers benefit from the ability to manage multiple accounts and services in one place, facilitating better financial management and streamlined transactions across various platforms.
- **Data Control:** Open Banking empowers consumers by giving them more control over their financial data, enabling them to share it with trusted third-party applications that enhance their banking experience.

S19. Ans.(c)

Sol. The risk associated with the Deferred Payment Guarantee is that it may not cover the full amount of the installments, which could leave the supplier exposed to the risk of partial non-payment. Even though the Deferred Payment Guarantee provides some security, it is crucial for the supplier to ensure that the guarantee fully covers the balance owed to mitigate this risk.

Information Booster:

1. **Deferred Payment Terms:** In contracts with deferred payment terms, a significant portion of the payment is made over time, typically in installments, after the initial payments.
2. **Advance Payment:** A small percentage of the total contract value, usually 10% to 15%, is paid upfront by the buyer to secure the contract.
3. **Letter of Credit (LC):** Another portion of the payment is made upon receipt of shipping documents under a letter of credit, which ensures the buyer has met their obligations before the goods are shipped.
4. **Deferred Payment Guarantee:** A security instrument provided by the buyer's bank, ensuring that the remaining balance is paid in installments over the agreed period.
5. **Supplier Risks:** The supplier must consider the risks of exchange rate fluctuations, potential defaults, and the adequacy of the Deferred Payment Guarantee.
6. **Currency Risk:** If the payments are made in a foreign currency, the supplier may face exchange rate risks over the deferred payment period.

S20. Ans.(c)

Sol. Both statements are correct regarding the regulations for foreign currency transactions and remittances under the Reserve Bank of India's (RBI) guidelines. Statement 1 correctly states that individuals can open, maintain, and hold foreign currency accounts with banks outside India for making remittances under the Liberalised Remittance Scheme (LRS), without requiring RBI approval. These accounts can be utilized for all transactions associated with or arising from remittances eligible under LRS.

Statement 2 accurately describes that outward remittance is allowed in the form of a Demand Draft (DD) either in the resident individual's name or in the name of the beneficiary with whom they intend to conduct permissible transactions during a private visit abroad. This is permitted against a self-declaration by the remitter, which simplifies the process for lawful foreign transactions.

S21. Ans.(d)

Sol. Creating savings habits through Self-Help Groups (SHGs) serves the purpose of uplifting the living conditions of the poor by encouraging regular savings. It also mobilizes individual skills for the group's collective interest, fostering economic empowerment. Additionally, SHGs offer financial assistance to members in times of need, promoting financial resilience and social support.

S22. Ans.(d)

Sol.

1. **Scale of finance** = ₹25,000 per acre
2. **Total area cultivated** = 7 acres
3. **Total scale of finance** = ₹25,000 × 7 = ₹1,75,000
4. **Add 10% for post-harvest/household/consumption** = ₹1,75,000 × 10% = ₹17,500
5. **Add 20% for repairs and maintenance, insurance, etc.** = ₹1,75,000 × 20% = ₹35,000
6. **Total short-term limit** = ₹1,75,000 + ₹17,500 + ₹35,000 = ₹2,27,500

S23. Ans.(a)

Sol. The banks require indemnities from customers who have lost demand drafts, travelers' cheques, FDRs, or pay orders before the issuance of a fresh instrument instead of the lost one. This is because the bank needs to protect itself from any subsequent claim made by a person who may have received these instruments for value.

S24. Ans.(b)

Sol. In a sale and leaseback arrangement, the lessee (original owner of the asset) sells the asset to a leasing company for immediate cash inflow, then leases the asset back. This allows the lessee to continue using the asset while improving liquidity. The lessee does not retain ownership but benefits from the cash inflow.

S25. Ans.(b)

Sol. The loan falls under the 'up to 6 months' category and is an infrastructure loan which requires 20% regular provisioning. Applying this:
 $150,000 \times 20 / 100 = 30,000$

S26. Ans.(b)

Sol. Upon receiving an order under Section 133 of the Income Tax Act, 1961, the bank is obligated to furnish the specific information called for by the authorized officer. Additionally, the bank must notify the customer about the request, ensuring transparency in the process.

S27. Ans.(c)

Sol. The responsibility for designating Public Information Officers (PIOs) in every public authority lies with the public authority itself. The PIO is a designated officer who is responsible for receiving and responding to requests for information under the Right to Information (RTI) Act or any other applicable information disclosure laws.

S28. Ans.(c)

Sol. Regulatory requirements dictate that if an intermediary bank is unable to send the originator information with a related domestic wire transfer, it must retain this information for a minimum of five years. This retention period is critical for several reasons:

- **Compliance:** Maintaining records for five years helps banks comply with regulations and facilitates audits and investigations by regulatory authorities.
- **Fraud Prevention:** Retaining this information aids in the detection and prevention of fraudulent activities and money laundering.
- **Customer Transparency:** It allows banks to provide necessary information to customers regarding their transactions over an extended period.

S29. Ans.(c)

Sol. The costs paid to solicitors, travelling expenses, and also costs reasonably incurred in resisting or reducing, or ascertaining the claim, may be recovered.

S30. Ans.(a)

Sol. RegTech or regulatory technology refers to technological solutions that **streamline** and improve regulatory processes. Financial institutions are often overwhelmed by the number of **laws**, rules, and regulations they need to implement, execute, and monitor. Fintechs and regulators are currently using RegTech to address increasingly **cumbersome** compliance processes.

S31. Ans.(a)

Sol. The bank is obligated to use the money in a way most beneficial to the customer.

S32. Ans.(c)

Sol. Under Section 68 of the Indian Contract Act, 1872, the property of a minor is liable for loans taken to meet the necessities of life. In this case, since the loan was provided for educational expenses, which are considered necessities, the bank is justified in recovering the amount from Rohan's estate. Option (c) correctly reflects this legal provision.

S33. Ans.(a)

Sol. Funds are stored in bank accounts or financial investments during the "Storing" stage of terrorism financing to ensure that the regular activities of terrorist organizations can be funded over an extended period. This approach allows them to maintain a continuous source of funds to support their operations, including recruitment, training, and planning of terrorist acts. It contributes to the sustainability of their activities over time.

S34. Ans.(a)

Sol. Depreciation Expense = Cost of Equipment / Useful Life
= \$60,000 / 5
= \$12,000

S35. Ans.(a)

Sol. The statements are as follows:

True - The UCP 600 was approved by the ICC Banking Commission on 25 October 2006.

False - UCP 600 reduces the number of articles from 49 in UCP 500 to 39.

True - UCP 600 does introduce new provisions for the discounting of deferred payment credits.

S36. Ans.(a)

Sol. Interest on fixed deposits is paid periodically, normally at quarterly intervals. But it may also be paid, at the customer's choice, on maturity along with the principal amount. In the latter event, the interest is compounded at quarterly rests. Based on these modes of interest payment, fixed deposits are of two types viz. Ordinary Term Deposit, and Reinvestment or Special Term Deposit.

S37. Ans.(a)

Sol. To find the DSCR, use the formula:

$$\text{DSCR} = \frac{\text{Net profit} + \text{Depreciation} + \text{Other Non - Cash Expenses} + \text{Interest on term loan}}{(\text{Interest on term loan} + \text{Instalments of term loan})}$$

$$\text{DSCR} = \frac{500000 + 100000 + 50000 + 200000}{200000 + 350000}$$

$$\text{DSCR} = \frac{850000}{550000} = 1.5$$

S38. Ans.(b)

Sol. The purpose of the grievance redressal machinery for BCs/BFs in banks is to redress complaints about services rendered by BCs/BFs. It ensures that customers have a platform to voice their grievances and seek timely redressal.

S39. Ans.(c)

Sol. For securely facilitating payments in the realm of commercial transactions or when directing funds to an unrecognized individual, Foreign Currency Drafts are generally favored. These drafts function analogously to checks issued on a foreign bank, denominated in the recipient country's currency. They provide a streamlined and safeguarded avenue for foreign currency transactions. While other methods like Postal Bank Orders, Checks in Foreign Currency, and ACH Direct Deposit are also viable remittance modes, they might come with distinct stipulations or considerations pertinent to specific scenarios.

S40. Ans.(a)

Sol. In the Indian economy, financial literacy is essential for a diverse range of stakeholders. This includes not only the financially excluded and resource-poor individuals, who often lack basic financial knowledge and access, but also those in the lower and middle-income groups, as well as high net worth individuals. Each of these groups requires different levels and types of financial education to make informed decisions and navigate the financial landscape effectively. Moreover, this need for financial literacy extends beyond individuals to encompass banks, financial institutions, and other market players, ensuring a comprehensive understanding of financial concepts across the economy.

S41. Ans.(b)

Sol. Section 128 of the Negotiable Instruments Act provides protection to a drawee bank that pays a crossed cheque in due course, placing it in the same position as if the payment was made to the true owner of the cheque. For the protection to apply, certain conditions must be met: when a cheque is crossed generally, the payment must be made to a banker; when crossed specially, the payment must be made only to the specified banker. **Option (b)** is correct because XYZ Bank followed the rule by paying the cheque to a banker after confirming it was crossed generally.

- **Option (a)** is incorrect because the cheque was crossed specially, and payment should have been made to the specific banker mentioned.
- **Option (c)** is incorrect as it shows negligence on the bank's part, and Section 128 protection wouldn't apply.
- **Option (d)** is incorrect because a crossed cheque must involve a bank in the payment process to qualify for protection.

S42. Ans.(d)

Sol.

1. **Statement 1:** Incorrect. In a contract of indemnity, there are only two parties: the indemnifier and the indemnified.
2. **Statement 2:** Correct. In a contract of guarantee, the surety's liability is secondary, and the principal debtor is primarily liable.
3. **Statement 3:** Correct. A contract of indemnity involves contingent risk, while a contract of guarantee involves a subsisting liability.
4. **Statement 4:** Correct. A contract of guarantee involves at least three separate contracts, whereas a contract of indemnity involves only one contract.

S43. Ans.(b)

Sol. As per the Indian Partnership Act, 1932, registration of a partnership firm is generally optional, meaning that partnerships can exist without formal registration. However, in certain states, like Gujarat and Maharashtra, registration is mandatory. Even in states where it is optional, registration provides legal benefits, such as the ability to file suits against other partners or third parties in case of disputes.

S44. Ans.(b)

Sol. Although 75% of 200 lakh would be 150 lakh, the policy states that the maximum amount in default is subject to a maximum of 150 lakh. Therefore, even if 75% of the default amount would have been higher, it is capped at 150 lakh.

S45. Ans.(b)

Sol. Security and trust are critical in the **electronic transmission and retrieval of corporate data** because corporations are vulnerable to significant losses due to both internal and external frauds. Sensitive data, such as corporate treasury information, must be securely transmitted to prevent unauthorized access, data breaches, and fraudulent activities that can compromise financial and operational stability.

S46. Ans.(b)

Sol. The bank's right of set-off generally applies only when the same customer holds both accounts in the same capacity. In this case, if the current account is jointly held and the savings account is in Mr. Kumar's sole name, the bank would breach the principle of set-off by adjusting balances between accounts held in different capacities.

S47. Ans.(b)

Sol. The procedure for the BOD operations indicates that they are initiated as per the business days specified in the branch calendar, and according to the guidelines, days are always business days specified in Branch Calendars. Thus, even if a single branch is operational on a specific day, the BOD process should be executed, involving all standard procedures such as handling standing instructions, processing time deposit intricacies about interest and maturity, and others that are typical for a business day at that particular branch.



S48. Ans.(d)

Sol. The guidelines issued by the Indian Banks' Association (IBA) and the mandates from the Chief Commissioner for Persons with Disabilities stipulate that visually impaired persons must be provided with a full range of banking facilities without any discrimination. This includes not just basic services like cheque book and ATM facilities, but also extends to net banking, locker facilities, retail loans, and credit cards, among others. It is essential to ensure that visually impaired individuals have equal access to these services, acknowledging their legal capacity to enter into contracts. This approach reflects a commitment to inclusivity and equal opportunity in the financial sector, ensuring that visually impaired customers receive the same level of service and convenience as other clients.

S49. Ans.(d)

Sol.

- **Statement 1:** Correct. SHGs, whether registered or unregistered, are eligible to open savings accounts if they promote savings habits among members.
- **Statement 2:** Incorrect. SHGs may receive loans based on a savings-to-loan ratio from 1:1 to 1:4, but this is not a strict limit, as matured SHGs can receive loans beyond this ratio.
- **Statement 3:** Incorrect. Banks are allowed to decide the interest rates on loans given to SHGs, as long as they adhere to regulatory guidelines.
- **Statement 4:** Correct. Banks should not levy service or inspection charges on loans up to ₹25,000 per SHG member if the loan falls under the eligible priority sector lending.

S50. Ans.(b)

Sol. A trust is an obligation arising from confidence reposed in and accepted by a person for the benefit of another or the owner. This defines the fundamental characteristic of trust.

S51. Ans.(d)

Sol. As per the guidelines for the third dose of term loan under DAY-NRLM, the minimum loan amount they can apply for is Rs. 6 lakhs. The decisive factor in determining the approved loan amount will be the Micro Credit Plan (MCP) that the SHG has prepared, which outlines their strategies for future sustainable growth, along with their past credit history. Moreover, the appraisal by Federations/Support agencies will play a substantial role in the final sanctioning of the loan amount, thoroughly examining the viability and strength of the MCP and its credit history.

S52. Ans.(d)

Sol. When a bank receives a garnishee order from a court or an attachment order from the Income Tax Authorities under section 226 of the Income-tax Act, it is mandated to immediately halt all debit operations in the account that has been specified in the order. This action is taken to comply with the legal requirements set forth by the court or tax authorities, ensuring that the account's funds are preserved in accordance with the directives. The bank must then inform the account holder of the order, suspending any withdrawals or outgoing payment activities until the legal matters are settled, thereby preventing any transactions that could interfere with the execution of the court's or authority's decision.

S53. Ans.(d)

Sol. Option 4 is correct because the Act imposes restrictions on accepting foreign hospitality only for certain categories of individuals, including members of legislatures, office-bearers of political parties, judges, government servants, and employees of government-owned or controlled corporations. An employee of a private corporation does not fall under these restrictions and thus does not require prior permission from the Central Government to accept foreign hospitality.

S54. Ans.(d)

Sol. Following the sequence of transformations in the interest rate benchmark systems as outlined in the guidelines, RBI has been encouraging the shift to external benchmarks most recently, aiming for a more market-aligned and realistic determination of interest rates. While PLR, Base Rate, and MCLR have been used historically, Kumar, being aware of the recent trends, should guide Mrs. Patel towards the latest encouraged system for potential benefits, aligning with the market trends, which is an external benchmark according to the prevailing guidance from RBI. It is critical to always align with the most recent guidance and trends to ensure the best advisory.

S55. Ans.(b)

Sol. Section 148 of the Indian Contract Act, 1872, makes the bank liable for any loss caused to the customer due to its negligence as a bailee. It establishes the bank as a custodian of the customer's securities and requires it to exercise due care and diligence in safeguarding them. However, the bank may be exempted from liability in case of loss or damage caused due to circumstances beyond its control, such as fire, theft, or natural disasters. Disputes between the bank and the customer in such cases are typically resolved through arbitration or legal proceedings.

S56. Ans.(c)

Sol. RBI has advised banks to resolve customer complaints regarding wrongful debit on account of ATM transactions within T+5 working days of receipt of customer complaints. In case of delay, the card issuing bank must compensate the customer Rs. 100/- per day of delay. This amount shall be credited to the customer's account automatically without any claim from the customer.

S57. Ans.(c)

Sol. When multinational corporations pool cash across subsidiaries, they must navigate varying regulations regarding capital movement in different countries. These regulatory challenges can complicate the pooling strategy and lead to increased scrutiny from local and international authorities. Ensuring compliance with these diverse regulations is crucial to the success of the cash management strategy.

S58. Ans.(a)

Sol. FATCA, or the Foreign Account Tax Compliance Act, is designed to promote global financial transparency and deter tax evasion by U.S. individuals. Its primary aim is to prevent U.S. taxpayers from using foreign banks and financial entities to evade U.S. tax obligations on income generated from their offshore assets. It achieves this by compelling foreign institutions to report these holdings to the U.S. government, thereby strengthening tax enforcement and closing tax evasion loopholes on a global scale.

S59. Ans.(d)

Sol. Non-Resident (External) Rupee Accounts (NRE Accounts) are specifically designed for Non-Resident Indians (NRIs) and Persons of Indian Origin (PIOs). These accounts allow them to deposit their foreign earnings in Indian Rupees. The key advantage of an NRE Account is the ease of fund repatriation, making it a favorable option for NRIs and PIOs to manage their income earned abroad and maintain financial connections with India.

S60. Ans.(b)

Sol. When a customer deposits money into a bank account, the bank becomes the debtor, and the customer becomes the creditor. This is because the bank now owes the customer the money that has been deposited, and the customer has the right to withdraw that money. Therefore, the relationship between the customer and the bank in this context is that of a debtor and creditor.

S61. Ans.(a)

Sol. Statement 1 is correct. The Standing Committee is a permanent body within banks responsible for evaluating customer service and ensuring feedback implementation across various departments.

Statement 2 is correct. The Committee acts as a bridge between different departments and the Board/Customer Service Committees, which oversee and review customer service initiatives.

Statement 3 is incorrect. The Standing Committee may be chaired by the Chairman and Managing Director (CMD) or an Executive Director (ED), not necessarily a non-official member, though non-official members can be included to provide independent feedback on customer service.

S62. Ans.(d)

Sol. If a cheque contains a minor error, such as a signature mismatch, it may be rejected for payment, but this is not related to the availability of sufficient funds in the account. Reasons such as stop payment orders, garnishee orders, or earmarked funds directly affect the application of available funds for the cheque's payment.

S63. Ans.(b)

Sol. The correct answer is **(b) Only B**. The court held that in the absence of any specific agreement, payments made by the debtor are first applied towards the interest and then towards the principal, as per established legal principles. Statement A is incorrect because it reverses the order of payment appropriation. Statement C is false because the debtor does not have the discretion to direct payments unless explicitly agreed. Statement D is misleading as it incorrectly states the general principle.

S64. Ans.(a)

Sol. Asset Reconstruction Companies (ARCs) issue Security Receipts (SRs) mainly to Qualified Buyers (QBs) as defined by regulations. These Qualified Buyers are generally institutions or other entities that meet certain financial and regulatory criteria that make them eligible to invest in such financial instruments.

S65. Ans.(a)

Sol. According to common guidelines on credit facilities extended by Mainstream Lending Institutions (MLIs) to borrowers in the MSME sector, loans up to ₹200 lakh are generally covered without the need for collateral security. Since the loan amount of ₹150 lakh is less than ₹200 lakh and is without collateral security, it is covered by MLIs.

S66. Ans.(a)

Sol. Upon receipt of a garnishee order, a bank is obligated to halt all debit operations on the customer's account that have been targeted by the order and promptly inform the customer of this legal action. This step is crucial to ensure adherence to the legal directives while safeguarding the interests of the customer. Promptly notifying the customer about the garnishee order is essential for maintaining transparency, fostering trust, and facilitating a swift resolution of any issues leading to the issuance of the order. This procedure is designed to protect both the bank and its customers from potential fraudulent activities or other related concerns.

S67. Ans.(b)

Sol. To protect lockers from water-related damage, it is essential to install **flood barriers and proper drainage systems**. These measures are designed to prevent rainwater or flood water from entering the locker area, which could cause significant damage to the contents. While cleaning and lighting are general maintenance tasks, they do not specifically address the issue of water protection. Similarly, using fire-resistant materials is important for fire safety, not water protection.

S68. Ans.(b)

Sol. To ensure that banks effectively handle customer complaints, the RBI has implemented a policy where the cost of redressing complaints will be recovered from those banks against whom the number of maintainable complaints exceeds the peer group average. This creates a financial incentive for banks to improve their complaint handling processes and maintain a standard of service that aligns with their peers.

S69. Ans.(c)

Sol. The law mandates that individuals or entities receiving foreign contributions furnish information including the amount of each foreign contribution, the source from which it was obtained, the method of receipt, the purposes for which it was employed, and how it was utilized. This encompasses detailing the utilization of the funds in alignment with the intended purposes as specified when receiving the contributions.

S70. Ans.(c)

Sol. An individual obligated to disclose information about foreign contributions is required to do so on an official platform specified by the Central Government or on their own official website. This measure is aimed at ensuring the transparent and regulated sharing of information concerning foreign contributions, in accordance with the stipulated legal framework.

S71. Ans.(c)

Sol. A person competent to enter into a contract can authorize another person to open and operate a bank account on their behalf by issuing a mandate or a power of attorney. These legal documents provide the necessary authority for someone else to manage the account as specified.

S72. Ans.(c)

Sol. The minimum amount of default for matters relating to the insolvency and liquidation of corporate debtors under IBC is one crore rupees.

S73. Ans.(c)

Sol. The Reserve Bank of India (RBI) typically acts as the nodal agency for overseeing various aspects of banking regulation, including receiving complaints under the Protected Disclosures Scheme for Private Sector and Foreign Banks. This scheme is aimed at encouraging the disclosure of unethical behavior or malpractice in these institutions.

S74. Ans.(c)

Sol. Commercial paper is an unsecured money market instrument issued in the form of a promissory note. It enables highly rated corporate borrowers to diversify their sources of short-term borrowings and to provide an additional instrument to investors.

S75. Ans.(b)

Sol. A LAN is a computer network that connects computers, network devices, and peripherals within a localized area, such as a building. LAN uses network adapters that employ special techniques to share a common medium between connected nodes. The distance and the number of nodes supported in a LAN depend on the medium used to establish the network. However, LAN will not extend beyond 100 meters for Cat5e cables.

S76. Ans.(a)

Sol. A general crossing on a cheque is typically identified by two parallel transverse lines drawn across the face of the cheque, often accompanied by specific words or instructions. The addition of such a crossing serves to increase the security of the cheque, ensuring that it is deposited directly into a bank account and not cashed out, thereby minimizing the risk of unauthorized or fraudulent transfers.

S77. Ans.(c)

Sol. Cash management has evolved significantly due to factors like **an upward trend** and **technological developments**. Firstly, there was **an increase** in interest rates, which increased the **opportunity cost** of holding cash. Secondly, the advancement in **computerized** technologies, especially **electronic funds transfer** mechanisms, has transformed financial transactions.

S78. Ans.(d)

Sol. Section 131 protects bankers under certain conditions, specifically when they:

- (a) act in good faith and without negligence while receiving payments;
- (b) receive payments for a client, essentially functioning as an agent for collection;
- (c) act on behalf of someone who is indeed their client; and
- (d) handle cheques that are crossed generally or specifically to their bank.

S79. Ans.(d)

Sol. **Option D** is the correct answer. It follows the tree topology's hierarchical structure, where communication flows through intermediate nodes up to the root, maintaining the integrity of the network and ensuring efficient data flow within the organizational framework.

S80. Ans.(a)

Sol. Lease financing involves leasing out assets owned by an institution, such as a bank, to another company against payment of monthly rents for the asset's consumption or use. An institution called the lessor provides finance but does not enjoy the use of the asset.

S81. Ans.(d)

Sol. $20\% \text{ of the limit towards repairs and maintenance expenses} = 30,000 \times 4 \times 20\%$
 $30,000 \times 4 \times 20\%$
 $= \text{Rs. } 24,000$

S82. Ans.(c)

Sol. The rule stipulates that an Authorized Person (AP) cannot refuse to purchase foreign exchange merely because it is surrendered after the prescribed period of 180 days. This means that the AP is still required to accept foreign exchange from individuals, even if it is surrendered beyond the 180-day limit, as long as there are no other grounds for refusal. The AP's obligation to purchase foreign exchange is not limited by the 180-day timeframe, and refusal cannot be based solely on the expiration of this period.

S83. Ans.(c)

Sol. The Reserve Bank of India (RBI) withdrew earlier instructions regarding the immediate credit of local/outstation cheques and the time frame for collection mainly due to technological advancements in payment and settlement systems, as well as qualitative changes in operational systems and processes. These changes made the earlier guidelines obsolete, as they streamlined the process, reduced the time frame for settlement, and increased efficiency. There was no indication that these changes were due to a financial crisis in the banking industry.

S84. Ans.(c)

Sol.

- **Statement 1:Correct** – MLIs are required to inform the date of NPA classification by the end of the subsequent quarter.
- **Statement 2:Incorrect** – The guarantee can be invoked within 3 years from the NPA date **or lock-in period, whichever is later**, not earlier.
- **Statement 3:Correct** – The Trust pays 75% of the guaranteed amount within 30 days if the claim is found in order, and the remaining 25% is paid upon the conclusion of recovery proceedings or when the decree becomes time-barred.
- **Statement 4:Correct** – Action for recovery must be initiated after issuing a loan recall notice before invoking the guarantee.

S85. Ans.(a)

Sol. In India, the maximum limit for cash payment in Indian Rupees for the purchase of foreign currency notes and/or travelers' cheques from a resident is INR 1,000 or its equivalent in another currency. This restriction is part of the regulatory measures to limit cash transactions in foreign currency exchanges among residents. By setting this cap, the government aims to promote transparency and accountability in currency exchanges and prevent the potential misuse of cash transactions for illicit financial activities. The limit helps ensure that larger transactions are traceable and conducted through banking channels, which aids in the monitoring and control of foreign exchange transactions within the country.

S86. Ans.(b)

Sol. The two types of POA generally granted are the General or universal POA, issued for acting in multiple transactions with extensive powers, and the Specific or limited POA, issued for a specific purpose or single transaction.

S87. Ans.(c)

Sol. Banks are required to undertake a risk assessment and implement effective measures to mitigate ML/TF risks from customers, products/services, regions/countries, delivery channels, and transactions. This exercise should be conducted at least once a year. It ensures that banks adapt to evolving risks and compliance requirements, maintaining the integrity of their anti-money laundering and counter-terrorism financing frameworks.

S88. Ans.(a)

Sol. Working Capital ratio = Current assets/ current liabilities
= 2,50,000/1,00,000
= 2.5

S89. Ans.(c)

Sol. The account's duration is concurrent with the tenure of the contract or the period of operation of the account holder's business. However, it places a cap on this duration, stating that it cannot exceed seven years, except for certain activities that were mentioned previously. This means the account's tenure can match the business's operational period or the contract's length, but this period is limited to a maximum of seven years unless there are specific exceptions. Renewal requires RBI (Reserve Bank of India) approval, indicating that it is not automatically extended beyond this period without regulatory consent.

S90. Ans.(b)

Sol. A demand draft cannot be payable to the bearer because it would amount to being a currency note, which is prohibited under Section 31 of the RBI Act 1934. This section restricts the issue of bearer instruments to prevent unauthorized creation of currency equivalents.

S91. Ans.(c)

Sol. According to the guidelines, armed guards are required to ensure that their firearms are always in **working condition**. This includes regular cleaning and maintenance of the guns. Proper maintenance ensures that the firearms function correctly and remain safe for use in the event of an emergency, which is essential for effective security operations.

S92. Ans.(c)

Sol. While open banking offers significant benefits like increased convenience and personalized services, it also introduces potential risks, particularly concerning data security. The possibility of unauthorized access to sensitive financial data is a major concern, especially if third-party providers do not adhere to stringent security protocols. Consumers need assurance that their financial information is protected as it is shared across different platforms, making data security and privacy paramount in the adoption of open banking.

S93. Ans.(b)

Sol. Utilizing company assets for personal objectives and fabricating claims that go beyond the sanctioned benefits represent a misuse of one's professional position, thus qualifying as instances of the abuse of power.

S94. Ans.(b)

Sol. The Calcutta High Court ruled that Section 25(3) does not govern a mortgage by deposit of title deeds made in lieu of a barred debt because the mortgage effectively discharges the debt by assigning an interest in the property to the mortgagee. This transfer of interest is considered a payment or settlement of the debt, rather than a mere acknowledgment of the debt. Therefore, the situation falls outside the scope of Section 25(3), which typically applies to promises to pay a time-barred debt without any corresponding payment or discharge.

S95. Ans.(a)

Sol.

- Statement 1** is correct because merchant bankers play a crucial role in various aspects of the IPO or FPO process. They assist with the preparation of reports, obtaining regulatory clearances, planning the IPO timing, underwriting the public issue, selecting brokers, and handling the printing and distribution of prospectus/application forms.

2. **Statement 2** is incorrect because merchant bankers are not involved in managing a company's operational activities or overseeing daily financial transactions. Their role is more focused on facilitating capital raising activities and ensuring regulatory compliance during the IPO or FPO process. They do not handle investor relations or secure long-term debt financing as part of their primary responsibilities.

S96. Ans.(b)

Sol. When a creditor loses the security that was entitled to the surety, the surety is discharged from liability. This is because the surety's right to the security was a form of protection against the debtor's default, and losing it adversely affects the surety's rights.

S97. Ans.(b)

Sol. OVD, or Officially Valid Document, is primarily a document that establishes the identity of an individual. Examples include but are not limited to, documents like Passports, Aadhaar Cards, and Driving Licenses.

S98. Ans.(b)

Sol. For the 'Doubtful I' category, once a loan has been classified as an NPA for over 1 year, the unsecured portion of the loan requires 100% provisioning as per RBI guidelines. Since this loan has been an NPA for 3 years and falls under the 'Doubtful I' category, the entire amount must be provisioned.

Given that the loan amount is Rs. 300,000:

Provisioning = $300,000 \times 100/100 = 300,000$

Thus, the revised provisioning required is Rs. 300,000.

S99. Ans.(c)

Sol. The CPIO can disclose third-party information if it determines that the public interest in disclosing the information outweighs any possible harm or injury to the interests of the third party (XYZ Ltd.). This is in accordance with the principle that transparency and accountability in public dealings may sometimes necessitate disclosure, even if the information is confidential, provided it serves a greater public interest. Explicit consent from XYZ Ltd. (Option A) is not mandatory if the public interest outweighs the harm. Trade secrets (Option B) are generally protected from disclosure, and the age of the information (Option D) is not a determining factor in this context.

S100. Ans.(b)

Sol. Under the MCLR (Marginal Cost of Funds based Lending Rate) framework, the spread charged to an existing borrower can be increased in situations where there is a deterioration in the credit risk profile of the customer. This essentially means that if the bank perceives a higher risk in lending to the borrower due to worsening financial conditions or other relevant factors indicating an increased risk of default, it can increase the spread to mitigate this heightened risk. It should be noted that any such change should be in line with the bank's loan policy, which would include aspects that are considered for determining changes in the spread.

