

JAIB PPB Practice Questions(Set -2)

Q1. The value of raw material consumption for a company is Rs. 5,400 lakh, and the value of raw material to be bought on credit is Rs. 4,200 lakh. The time for advising a Letter of Credit (L/C) is 15 days, and the shipment time is 25 days. The credit period agreed upon between the seller and the customer is 35 days.

What will be the Letter of Credit (L/C) limit for the company?

- (a) Rs. 650 lakh
- (b) Rs. 700 lakh
- (c) Rs. 750 lakh
- (d) Rs. 875 lakh

Q2. What determines the period within which a bank can take legal action to recover a debt in India?

- (a) The bank's internal policies
- (b) The type of loan agreement
- (c) The Limitation Act, 1963
- (d) The discretion of the borrower

Q3. Which of the following best describes the legal implication for a customer when depositing money in a bank, considering the relationship between the bank and the customer?

Mr. Sharma, a small business owner, deposits a significant amount of money in his current account with XYZ Bank. He believes that by maintaining a substantial balance, he will earn higher interest rates and better terms for business loans in the future. Mr. Sharma also expects the bank to provide detailed monthly statements and proactively inform him about any updates on his account. However, he is unaware of the bank's freedom to use his deposited money for its own purposes, the requirement for him to initiate any withdrawal, and the fact that his funds are not secured against the bank's financial health.

- (a) The customer is automatically entitled to periodic voluntary repayments from the bank, regardless of any demand or withdrawal request made.
- (b) The bank is legally bound to use the deposited funds only for specific purposes defined by the customer, with restrictions on investment activities and profitability strategies.
- (c) In the event of the bank's insolvency, the customer has priority over other unsecured creditors for repayment of deposited funds, which are considered secured liabilities.
- (d) The customer must initiate a formal demand for the repayment of deposited funds, and the bank is not obligated to make any repayment unless such a demand is made, even for demand deposits.

Q4. Which aspects are part of the operational responsibilities of Authorized Persons (APs) under the FEMA guidelines?

- (a) APs must obtain a declaration for foreign exchange transactions, collect relevant information/documents, and maintain transaction records.
- (b) APs should collect information/documents, maintain transaction records, and refuse transactions if contravention is suspected, reporting to RBI.
- (c) APs are required to obtain a declaration and maintain transaction records.
- (d) All aspects including obtaining declarations, collecting and verifying information/documents, maintaining records, refusing suspicious transactions, and reporting to RBI are included.

Q5. Bank C has a loan with an enterprise, which is now seen as a 'substandard' unsecured exposure. What total provision should the bank apply on the outstanding balance for this exposure?

- (a) 15% of the total outstanding balance, adhering to the general provision rules.
- (b) 25% of the total outstanding balance, considering the additional provision required for unsecured exposures.
- (c) 20% of the total outstanding balance, following the rules applied to secured exposures.
- (d) 10% of the total outstanding balance, as a special case provision.

Q6. What is the interest cap for investments in securitized assets originated by MFIs?

- (a) There is no interest cap for investments in securitized assets originated by MFIs
- (b) The interest charged should not exceed the External Benchmark Lending Rate
- (c) The interest charged should not exceed the MCLR of the investing bank plus the appropriate spread
- (d) The interest charged should not exceed the Prime Lending Rate

Q7. Jane, a regular bank customer, received a text message on her phone on June 5, 2023. The message claims to be from her bank and alerts her that her account will be suspended unless she immediately clicks on a provided URL to update her account details. It also states that failure to comply will result in a penalty of Rs. 500. How should Jane categorize this cybersecurity threat and what action should she take?

- (a) Jane should categorize this as a Distributed Denial of Service (DDoS) attack. She should immediately click the URL to prevent her account from being suspended and incurring a Rs. 500 penalty.
- (b) Jane should consider this as a Ransomware threat. She should contact her bank's Helpdesk right away to discuss the payment methods for the Rs. 500 penalty.
- (c) Jane is facing a Malware threat. She should update her phone's security software to ward off this malicious attempt to compromise her account.
- (d) Jane should categorize this as a Smishing attempt. She should ignore the text message and, if in doubt, call her Branch or customer service number to verify the claim.

Q8. Which of the following statements is NOT true regarding the enactments relevant to the documentation process in credit management within a bank?

- (a) The Indian Contract Act is relevant to documentation in credit management.
- (b) The Limitation Act helps define the time limits for enforcing rights related to credit agreements.
- (c) The Companies Act is irrelevant to the documentation process in credit management.
- (d) The Indian Registration Act plays a role in the registration of documents used in credit transactions.



Q9. What is the maximum amount that can be retained for pipeline transactions during the settlement cycle before refunding the unutilized balance of a travel card?

- (a) US\$ 50
- (b) US\$ 200
- (c) US\$ 100
- (d) No amount is retained

Q10. Fill in the Blanks

1. The committee formed in 1983 under the chairmanship of Dr. C. Rangarajan was responsible for studying the possibilities and stages involved in bank computerisation and preparing guidelines for the same. The committee's report submitted in 1984 was known as the _____.

2. In the year 1988, another committee chaired by Dr. C. Rangarajan was constituted to draw up a perspective plan on the computerisation of banks for a five-year period 1990-94. This committee was tasked with creating a _____.

- (a) First Rangarajan Committee Report on Bank Mechanisation, perspective plan
- (b) First Rangarajan Committee Report on Bank Computerisation, strategic framework
- (c) First Rangarajan Committee Report on Bank Mechanisation, implementation strategy
- (d) First Rangarajan Committee Report on Bank Computerisation, action plan

Q11. 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

Q12. Which types of entities are authorized by the Reserve Bank of India to act as intermediaries for delivering financial and banking services under the business facilitator (BF) and business correspondent (BC) models?

- (a) Non-Governmental Organizations/Self-Help Groups
- (b) Micro-finance Institutions
- (c) Civil Society Organizations
- (d) All of the above

Q13. The principle that a bank's liability in a bank guarantee is primary and independent of the underlying contract between the buyer/importer and the seller/exporter applies to which of the following guarantees?

- (a) Deferred Payment Guarantee
- (b) Performance Guarantee
- (c) Financial Guarantee
- (d) None of the above

Q14. Match the following Group A with Group B in respect of the Essential mitigation strategies for business continuity:

	Group A		Group B
A	Application whitelisting	1	Remediate known security vulnerabilities
B	Patching applications	2	Control the execution of unauthorized software
C	Configuring Microsoft Office macro settings	3	Protect against vulnerable functionality
D	Application hardening	4	Block untrusted macros

- (a) A-4, B-1, C-2, D-3
 (b) A-2, B-1, C-4, D-3
 (c) A-3, B-2, C-4, D-1
 (d) A-1, B-3, C-4, D-2

Q15. In which of the following scenarios would XYZ Bank be in violation of the RTGS guidelines as per the Reserve Bank of India (RBI) regulations?

Mr. R, a business owner, initiated an RTGS transaction of ₹5 lakh from his account at ABC Bank to his supplier's account at XYZ Bank. The transaction was processed successfully on a real-time basis. However, Mr. R's supplier noticed a delay in the crediting of his account and reported the issue to XYZ Bank after 45 minutes.

- (a) XYZ Bank credits the beneficiary's account 10 minutes after receiving the RTGS payment message, even though the minimum RTGS amount was ₹1.5 lakh.
 (b) XYZ Bank credits the beneficiary's account 20 minutes after receiving the RTGS payment message, and the amount transferred was ₹2.5 lakh.
 (c) XYZ Bank credits the beneficiary's account 35 minutes after receiving the RTGS payment message, and the transferred amount was ₹5 lakh.
 (d) XYZ Bank delays the RTGS transfer due to system issues and credits the beneficiary's account after 1 hour, although the transferred amount was ₹10 lakh.

Q16. Which of the following best describes spurious goods?

- (a) Goods that are not genuine but are claimed to be so
 (b) Goods that are genuine but not claimed to be so
 (c) Goods that are genuine and accurately claimed to be so
 (d) Goods that are falsely claimed to be of lower quality than they are

Q17. A loan classified as 'Doubtful I' and unsecured has been an NPA for 1.5 years. If the loan amount is ₹250,000, what would be the revised accelerated provisioning required in monetary terms?

- (a) ₹250,000
 (b) ₹100,000
 (c) ₹200,000
 (d) ₹125,000

Q18. When deciding the quantum of a loan, banks typically require an income proof document, such as a _____ for salaried individuals or an income tax return for other segments.

- (a) Salary slip
- (b) Bank statement
- (c) Salary certificate
- (d) Employment contract

Q19. Which of the following would be classified as a restrictive trade practice under consumer protection laws?

- (a) A company offers a discount on one product when another unrelated product is purchased, but the customer can opt out of the offer.
- (b) A company delivers goods within the agreed time period but charges an additional service fee for immediate delivery.
- (c) A trader delays the delivery of goods beyond the agreed time, resulting in an increase in the price, thereby imposing unjustified costs on the consumer.
- (d) A business offers a warranty for free but only if the customer purchases a service plan for future maintenance.

Q20. 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.

Q21. When is a bank relieved of its liability in the case where a draft's endorsement appears to be made by or on behalf of the payee?

- (a) If the endorsement is fraudulent but appears valid, and payment is made in due course.
- (b) If the endorsement is authentic but irregular, and payment is made in due course.
- (c) If the endorsement is both fraudulent and irregular, but payment is made in due course.
- (d) If the endorsement is authentic and regular, regardless of the manner of payment.

Q22. Which of the following can be inferred regarding the Reserve Bank of India's (RBI) process for handling complaints?

- 1. The RBI does not acknowledge the receipt of complaints to safeguard the identity of the complainant.**
- 2. Complainants are encouraged to follow up regularly with RBI to ensure their complaints are being addressed in a timely manner.**
- 3. If further clarification is needed, the RBI will contact the complainant directly.**

- (a) Only 1, 3
- (b) Only 2, 3
- (c) Only 1, 2
- (d) All of the above

Q23. What is the primary objective of extending Interest Subvention and Incentive for Prompt Repayment through Kisan Credit Cards (KCC) for Short Term Crop Loans?

- (a) To promote long-term investment in real estate by farmers.
- (b) To encourage farmers to take loans from private moneylenders.
- (c) To ensure farmers have access to affordable credit and to promote timely repayment of loans.
- (d) To increase the profitability of financial institutions by charging higher interest rates.

Q24. Is there a limit on the amount of a dispute that can be filed before the Ombudsman?

- (a) Yes, there is a limit of Rupees 1 lakh
- (b) Yes, there is a limit of Rupees 20 lakh
- (c) No, there is no limit
- (d) It depends on the nature of the dispute

Q25. M/s. ABC is a wholesale grocery store. The projected annual turnover is Rs. 200 lakh. The available net working capital (NWC) is Rs. 8 lakh. Calculate the working capital requirement, margin money, and the bank finance for the grocery store.

- (a) Working Capital Requirement: Rs. 45 lakhs, Margin Money: Rs. 7 lakhs, Bank Finance: Rs. 36 lakhs
- (b) Working Capital Requirement: Rs. 50 lakhs, Margin Money: Rs. 2 lakhs, Bank Finance: Rs. 40 lakhs
- (c) Working Capital Requirement: Rs. 48 lakhs, Margin Money: Rs. 4 lakhs, Bank Finance: Rs. 42 lakhs
- (d) Working Capital Requirement: Rs. 50 lakhs, Margin Money: Rs. 4 lakhs, Bank Finance: Rs. 42 lakhs

Q26. Rohan, a business owner, receives a notice from his bank stating that, under Section 133 of the Income Tax Act, 1961, the Income Tax Officer has requested access to his financial records. The bank, following an authorized officer's order, is required to provide Rohan's books of account to the Income Tax Department, while also notifying him about the disclosure of his information.

Under which of the following conditions can a bank legally provide a customer's financial records to the Income Tax Department without violating confidentiality?

- (a) The bank receives a verbal request from an Income Tax Officer, but no written authorization is provided.
- (b) The Income Tax Officer requests the information in connection with a tax investigation, but the customer is not notified.
- (c) The bank receives a specific, signed order from an authorized officer under Section 133 of the Income Tax Act, 1961, and informs the customer afterward.
- (d) The bank independently decides to share customer financial records with the Income Tax Department to assist in potential future proceedings.

Q27. A bank has the following data:

Gross Advances: ₹150 lacs

Gross NPA: ₹15 lacs

Deductions: ₹5 lacs

Calculate the Gross NPA as a percentage of Gross advances:

- (a) 8%
- (b) 10%
- (c) 12%
- (d) 14%

Q28. What method is used to decide the interest rate for a loan secured against TDs?

- (a) By adding a specified percentage to the interest rate of the loan.
- (b) By adding a specified percentage to the prevailing market interest rate.
- (c) By setting it a certain percentage above the interest rate given on the TD.
- (d) By aligning it with the interest rate offered on the TD.

Q29. What constitutes a collecting banker's main duty concerning the customer's account status and transaction activities?

- (a) Overlooking the customer's status and transaction details within the account.
- (b) Concentrating exclusively on the customer's profession.
- (c) Being attentive to the customer's financial standing and account transactions.
- (d) Solely focusing on the customer's lifestyle.

Q30. How can a debtor appropriate payment in the case of multiple accounts or loans with a banker?

- (a) Through an express intimation.
- (b) Under circumstances implying a particular debt.
- (c) By providing specific directions in writing.
- (d) By submitting a formal application for appropriation.

Q31. A farmer has 3 acres of land, out of which he cultivated wheat on 1 acre and maize on 2 acres. The value of wheat is ₹30,000 per acre, and the value of maize is ₹50,000 per acre. What will be the KCC limit for the farmer?

- (a) ₹1,32,000
- (b) ₹1,50,000
- (c) ₹1,69,000
- (d) ₹1,70,000

Q32. What is the maximum tenure of an SNRR account?

- (a) 5 years
- (b) 7 years
- (c) 10 years
- (d) No maximum tenure

Q33. Which of the following statements accurately describe the permitted credits in an Exchange Earner's Foreign Currency (EEFC) Account as per the guidelines?

- A. 100% of foreign exchange earnings, including loans and investments received through normal banking channels, can be credited to an EEFC account.**
- B. Payments received for counter trade purposes are permitted to be credited into an EEFC account.**
- C. Advance remittance received towards export of goods or services is not allowed to be credited to an EEFC account.**
- D. Professional earnings such as consultancy fees or honorariums received by a professional in their individual capacity can be credited to an EEFC account.**
- (a) Only A, B
(b) Only B, D
(c) Only A, C
(d) All of the above

- Q34. What is the maximum number of days the opposite party can take to provide their version if they are granted an extended period?**
- (a) 30 days
(b) 45 days
(c) 50 days
(d) 60 days

- Q35. Sarah, a project manager at a tech company, faces an ethical dilemma when she discovers that a team member has been cutting corners to meet tight deadlines. While the project has been successful so far, Sarah knows that the shortcuts could lead to long-term issues. She must decide how to address the situation, considering the potential impact on the team and the company. What approach should Sarah consider to effectively resolve the ethical dilemma she is facing?**
- (a) Confront the team member immediately and demand a confession to avoid any future complications.
(b) Analyze the situation from a win-lose perspective, ensuring that the company's interests are prioritized above all.
(c) Explore multiple alternative solutions, considering both the short-term and long-term implications while maintaining objectivity.
(d) Ignore the issue as long as the project continues to be successful, since addressing it might cause unnecessary disruptions.

- Q36. Who is primarily responsible for addressing customer service complaints or grievances at the Branch?**
- (a) Counter Staff
(b) Customer
(c) Regional/Zonal Office
(d) Branch Manager

- Q37. 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.

Q38. What primary responsibility does a banker have when managing funds acquired via deposits?

- (a) To securely store it within vaults.
- (b) To channel it into stock market ventures.
- (c) To allocate it towards loans and investment avenues.
- (d) To stand ready to fulfill customers' withdrawal requests.

Q39. What is the primary justification for the Reserve Bank of India (RBI) prohibiting banks from crediting an 'account payee' cheque to the account of any person other than the payee named therein?

- (a) To adhere to legal requirements, including the provisions of the Negotiable Instruments Act of 1881.
- (b) To protect banks from liabilities arising from unauthorized collections.
- (c) To ensure the integrity and stability of payment and banking systems.
- (d) To avoid the recurrence of past instances of non-compliance.

Q40. Which of the following statements accurately reflects the concept of "drawing power"?

- (a) Drawing power is calculated by adding the stipulated margin to the total stock value.
- (b) Drawing power is determined by removing the value of unpaid stock from the total stock value and then deducting the stipulated margin from the remaining value.
- (c) Drawing power is calculated by adding the value of unpaid stock to the stipulated margin.
- (d) Drawing power is the same as the total stock value, regardless of whether a part of the stock is unpaid or not.

Q41. What event prompted the introduction of the Legal Entity Identifier (LEI) system?

- (a) The 2008 Global Financial Crisis
- (b) The launch of digital currency
- (c) The implementation of the Basel III framework
- (d) The growth of blockchain technology

Q42. According to Section 11 of the Contract Act, which of the following conditions must be met for a person to be legally competent to enter into a contract?

- (a) The person must be below the age of majority and of sound mind.
- (b) The person must have attained the age of majority, be of sound mind, and not be disqualified by law.
- (c) The person must only be of sound mind, with no consideration for age or legal disqualification.
- (d) The person must be a government employee.

Q43. Which of the following best describes the purpose of an Escrow account in a real estate transaction?

- (a) To protect the interests of the buyer by holding the funds until all contract conditions are satisfied
- (b) To pay the seller immediately upon receiving the funds
- (c) To secure a loan for the purchase of the property
- (d) To manage the buyer's monthly mortgage payments

Q44. 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

Q45. What is the primary motivation behind banks focusing on retail and commercial fee-based financial services as their main source of profit, as indicated by the study?

- (a) These services yield higher returns on investment compared to traditional interest-based services.
- (b) They offer a wider range of flexibility in financial products and services.
- (c) Fee-based services ensure a more consistent and stable income over time.
- (d) These services facilitate stronger personal relationships with individual clients.

Q46. What is the primary aim of the Central Government in forming the Central Consumer Protection Council (CPC)?

- (a) To implement consumer protection laws across the country.
- (b) To offer legal assistance to consumers in disputes.
- (c) To advise on the advancement and safeguarding of consumer rights under the law.
- (d) To handle consumer complaints and issues.

Q47. Which of the following statements is NOT consistent with the recommendations of the Prime Minister's Task Force on MSMEs?

- (a) The Prime Minister's Task Force on MSMEs recommends a 20% year-on-year growth in credit to micro and small enterprises.
- (b) Banks are recommended to achieve an annual growth of 15% in the number of micro enterprise accounts.
- (c) 60% of total lending to the MSE sector should be directed to Micro enterprises, based on the numbers from the corresponding quarter of the previous year.
- (d) Credit to MSMEs falls under the Priority Sector Lending with a sub-target of 7.5% of ANBC or CEOBE, whichever is higher, specifically for Micro enterprises.



Q48. Under what condition can a duplicate Demand Draft (DD) or Banker's Cheque (BC) be issued?

- (a) Only if the original instrument has already been paid.
- (b) Only after the purchaser or payee furnishes indemnity and payment has not already been made.
- (c) Without any indemnity, as long as the original instrument is lost.
- (d) Only if the request is made by a third-party holder of the instrument.

Q49. A company has total sales of ₹1,20,00,000 and accounts receivable of ₹15,00,000. What is the debtor's receivables turnover ratio?

- (a) 8 times
- (b) 18 times
- (c) 28 times
- (d) 38 times

Q50. In the case of Irinjalakuda Bank Ltd. vs Pourthussery Panchayat, what was the legal status of the bank when it discounted the cheque issued by the Panchayat?

- (a) The bank was considered a mere endorser of the cheque and had no right to recover the amount once the payment was countermanded.
- (b) The bank acted as an agent of the Panchayat and could only recover the amount if the treasury agreed to honor the cheque.
- (c) The bank was considered a holder in due course, allowing it to recover the amount from the Panchayat despite the countermanding of payment by the Panchayat Inspector.
- (d) The bank was legally barred from claiming any recovery since the cheque was issued by a governmental body and countermanded by the treasury.

Q51. XYZ Bank recently updated its Customer Risk Categorization (CRC) policy. During a routine internal audit, it was noted that a prominent client, who is a high-net-worth individual engaged in international trade, was categorized under medium risk. The client's transactions are mostly cross-border, and they frequently deal with new international clients. The audit team recommended a review of this categorization.

Which of the following actions would be most appropriate for XYZ Bank to take following the internal audit recommendation regarding the client's risk categorization?

- (a) Re-categorize the client to a high-risk category based solely on their high-net-worth status.
- (b) Consider additional factors such as the client's volume of cross-border transactions and international client base before deciding on any re-categorization.
- (c) Leave the client in the medium-risk category but increase the frequency of transaction monitoring.
- (d) Immediately re-categorize the client as high risk and apply enhanced due diligence procedures without further assessment.

Q52. What is the purpose of making the complaint handling process policy document available at all branches of the bank?

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- (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.

Q53. 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

Q54. 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

Q55. What does the Insolvency and Bankruptcy Code (IBC) cover?

- (a) Matters related to insolvency, liquidation, voluntary liquidation, or bankruptcy of entities and individuals
- (b) Matters related to taxation and financial reporting of companies
- (c) Matters related to the regulation of the stock market
- (d) Matters related to labor laws and employment regulations

Q56. Why should a complaints/suggestions box be provided at each office of the bank?

- (a) To give customers an opportunity to express their grievances or suggestions anonymously.
- (b) To collect confidential information about customers.
- (c) To restrict the flow of complaints to a few branches only.
- (d) To prevent customers from making complaints directly to the staff.

Q57. In the context of the Aadhar enrolment process, which of the following best explains how UIDAI ensures the uniqueness of the Aadhar number issued to each resident?

Rohit, a resident of India, visits an Aadhar enrolment center to register for his Aadhar card. He is required to provide his demographic details like name, date of birth, and address, along with biometric data such as fingerprints and iris scans. The Unique Identification Authority of India

(UIDAI) will use a de-duplication process to check if Rohit's details are already in the database before assigning him a unique 12-digit Aadhar number. Rohit is curious about how the system ensures that his Aadhar number is not already assigned to another person.

- (a) By generating random numbers and cross-checking them against existing identity cards issued by other government agencies such as PAN or Voter ID
- (b) By verifying the resident's demographic and biometric data against existing records in the UIDAI database to ensure that no duplicate entries are made before assigning a new Aadhar number
- (c) By checking whether the person's data matches with any global identification systems before issuing the Aadhar
- (d) By ensuring that the Aadhar number is linked to a person's tax records and financial transactions to avoid duplication of identity

Q58. 1. Banks are responsible for ensuring that the goods shipped meet the buyer's requirements, and they can stop payment on a deferred payment guarantee if the goods are found to be defective after receipt.

2. The payment schedule is usually incorporated in the main contract between the buyer/importer and the seller/exporter, and some banks may also include this schedule in the guarantee they issue.

3. In a deferred payment guarantee, the bank's liability is primary and independent of the underlying contract between the buyer/importer and the seller/exporter.

Which of the following statements is/are correct regarding a Deferred Payment Guarantee (DPG) in international trade transactions?

- (a) Only 1 and 2 are correct
- (b) Only 2 and 3 are correct
- (c) Only 1 and 3 are correct
- (d) All of the above

Q59. What are the stated goals of payment banks (PBs) as outlined in the regulatory guidelines?

I. To provide small savings accounts to a broad range of entities.

II. To deliver payment and remittance services.

III. To facilitate financial inclusion, especially in remote areas, using business correspondents (BCs), automated teller machines (ATMs), and other channels.

- (a) I, II, and III
- (b) Only II & III
- (c) Only I & III
- (d) None of the above

Q60. 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.

Q61. What is the main objective of BCSBI?

- (a) To regulate banks under the Banking Regulation Act, of 1949
- (b) To ensure that customers get what they are promised by the banks
- (c) To promote the interests of banks
- (d) To monitor the performance of the RBI

Q62. When is the clearing cycle for CTS instruments considered complete?

- (a) Once the presentation clearing session is successfully processed
- (b) After both the presentation clearing and return clearing sessions are completed
- (c) After all cheques are approved by the bank's manager
- (d) When the customer confirms receipt of funds

Q63. State True or False:

A. Integrated technology consisting of computers and communication facilities has eliminated the constraint of distance in providing better customer service and expediting funds transfer.

B. EFT facilitates the movement of funds through physical means.

C. The EFT mechanism at the national level was established as a result of the recommendations of the Saraf Committee on technology issues in the payment and settlement system constituted by the RBI in 1994.

- (a) False, True, True
- (b) True, False, True
- (c) True, True, False
- (d) True, False, False

Q64. Which of the following is the most appropriate procedure for XYZ Bank to verify and ensure that there has been no change in the KYC information of a legal entity customer?

XYZ Bank is conducting its annual KYC review for its corporate clients. They send emails to legal entity customers requesting a self-declaration regarding any changes in their KYC information. One of their clients, ABC Ltd., submits a self-declaration via the registered mobile number, confirming no changes. The bank proceeds with updating the Beneficial Ownership (BO) information for verification.

- (a) Requesting a self-declaration through any communication method, even if the contact is not registered with the bank.
- (b) Obtaining a self-declaration from the customer along with a Board resolution and verifying Beneficial Ownership, using channels like registered email, mobile number, or digital platforms.

- (c) Only checking the KYC information submitted previously, without requiring any further documentation or verification from the legal entity.
- (d) Relying solely on the customer's past declaration, without verifying Beneficial Ownership or the self-declaration for accuracy.

Q65. ABC Ltd. enjoys working capital facilities with Bank B. It has approached the bank for a Letter of Credit (LC) limit for the purchase of machinery parts. The relevant information provided is given below:

- **Projected value of machinery parts consumption: Rs.5,400 lakh**
- **Projected value of machinery parts purchase on credit: Rs.4,200 lakh**
- **Time taken for advising L/C: 12 days**
- **Time taken for shipment and transit period: 18 days**
- **Credit period agreed upon between the seller and the customer OR the projected available credit period for the calculation of MPBF for funded limits, whichever is less: 30 days**

What would be the required Letter of Credit (LC) limit?

- (a) Rs. 700 lakhs
- (b) Rs. 630 lakhs
- (c) Rs. 680 lakhs
- (d) Rs. 620 lakhs

Q66. Choose the correct statement(s) regarding technology developments in the banking industry:

- 1. Indian banks have been investing in digital technologies to promote digital banking for the past few years.**
- 2. Broadband internet has become more affordable to customers and has enabled banks to roll out many banking services through mobile and internet banking.**
- 3. Implementing new technologies is always inexpensive for banks.**
- 4. Banks no longer use demographic-based clusters to target customers.**

- (a) 1, 2 only
- (b) 1 and 4 only
- (c) 2, 3 and 4 only
- (d) All of the above

Q67. Which legislation governs the management of foreign currency accounts for individuals residing in India, as part of the movement towards capital account convertibility?

- (a) Foreign Exchange Management Act (FEMA)
- (b) Reserve Bank of India Act (RBI Act)
- (c) Securities and Exchange Board of India Act (SEBI Act)
- (d) Banking Regulation Act

Q68. A company has a net income of \$200,000 and shareholder equity of \$1,000,000. What is the Return on Equity (ROE)?

- (a) 15%
- (b) 18%
- (c) 16%
- (d) 20%

Q69. Mr. Desai, a businessman, needs to urgently transfer ₹5 lakh to a supplier's account for a critical shipment. He chooses to use the RTGS system for the transfer, ensuring that the funds reach the supplier almost instantaneously. Mr. Desai initiates the transaction at 2:00 PM, and the funds are debited from his account immediately. The supplier confirms receipt within minutes. Which of the following situations could potentially disrupt the efficiency of the RTGS system, causing a delay in the beneficiary receiving the funds?

- (a) The receiving bank experiences technical issues with its payment processing system, delaying the crediting of the beneficiary's account.
- (b) The transaction is flagged for manual verification due to an unusually large amount being transferred, despite RTGS having no upper ceiling.
- (c) The sender's bank processes the transaction outside of regular banking hours, resulting in the transfer being queued until the next business day.
- (d) The RTGS transaction is initiated for an amount below ₹2 lakh, leading to automatic rejection by the system.

Q70. What percentage of Adjusted Net Bank Credit (ANBC) or Credit Equivalent of Off-Balance Sheet Exposure (CEOBE), whichever is higher, must Primary Urban Co-operative Banks (UCBs) allocate to the priority sector by March 31, 2024?

- (a) 40%
- (b) 50%
- (c) 60%
- (d) 75%

Q71. What is one reason for the significant changes in cash management practices over the past few decades?

- (a) Decrease in the use of technology in financial operations
- (b) Upward trend in interest rates, increasing the opportunity cost of holding cash
- (c) Elimination of cash holdings as a standard business practice
- (d) Reduction in banking regulations on cash reserves

Q72. Which of the following can be inferred regarding the amendment to Section 28 of the Indian Contract Act, 1872, and its impact on bank guarantees?

1. Before the amendment to Section 28, most bank guarantees included a clause limiting the beneficiary's right to enforce claims within a short time period, typically three to six months.
2. The amendment to Section 28 was introduced to prevent government departments and municipal bodies from filing claims under bank guarantees for up to thirty years.
3. The amendment allows banks to extinguish their liability under a bank guarantee immediately after the stipulated claim period ends, reducing the need for long-term financial provisions.

-
- (a) Only 1, 2
 - (b) Only 2, 3
 - (c) Only 1, 3
 - (d) All of the above

Q73. In a "Contract of Indemnity," who is responsible for compensating the loss?

- (a) The third party who caused the loss.
- (b) The person who suffered the loss.
- (c) The promisor who made the promise.
- (d) The government.

Q74. In metro centres, customers are eligible for _____ free transactions (inclusive of financial and non-financial transactions) per month from other bank ATMs.

- (a) Two
- (b) Three
- (c) Four
- (d) Five

Q75. For which of the following transactions are Banker's Cheques commonly used?

- A. At the request of the client.**
 - B. Payment of the balance amount of a deceased account to its claimant/legal heirs.**
 - C. Payment of bills on realization received/presented for payment by local Banks (other than branches of our Bank).**
 - D. Payment of Deferred Payment Guarantees (DPGs).**
- (a) A, B, and C
 - (b) B, C, and D
 - (c) Only B & C
 - (d) All of the above

Q76. 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

Q77. Statement 1: Ethical audits conducted at regular intervals can help identify weak ethical areas within the organization, thereby preventing a potential crisis arising from internal factors.
Statement 2: External screening of threats focuses on factors that are within a firm's control, such as improving product/service quality, to prepare for a crisis.

Statement 3: The Whistle-blower Policy in an organization is designed to encourage reporting of unethical or illegal activities and assures protection for the individuals who report such activities.

Which of the following statements about the Pre-Crisis Stage and its management practices in an organization is/are correct?

- (a) Only Statement 1 and Statement 3 are correct
- (b) Only Statement 2 and Statement 3 are correct
- (c) Only Statement 1 and Statement 2 are correct
- (d) All three statements are correct

Q78. What is the purpose of implementing a Risk-Based Approach (RBA) in risk management for banks?

- (a) To guarantee the effective execution of AML/CFT measures.
- (b) To continuously evaluate and strengthen control measures as needed.
- (c) To tailor customer due diligence and transaction monitoring measures according to risk levels.
- (d) To analyze and mitigate money laundering and terrorist financing risks associated with customers, products/services, regions/countries, delivery channels, and transactions.

Q79. Which of the following statements is most accurate in light of the principles governing banks' deposit policies and their relationship with depositors, particularly small depositors?

A small business owner, Mr. Arjun, visits a local branch of a reputed bank to open a fixed deposit account. During the interaction, he is told that in order to avail of certain banking facilities, such as online banking and a locker facility, he must place a minimum deposit of ₹5 lakhs. Although the bank's policy mentions the rights of depositors, Arjun feels that this condition violates the principle of transparency. Furthermore, the bank's charges for maintaining the deposit account and other services are not clearly explained to him.

- (a) A bank can require customers to avail other services like online banking or lockers only if the customer's deposit exceeds ₹5 lakhs, as per RBI guidelines, to maintain confidentiality and security.
- (b) Banks are required to provide a comprehensive policy that sets out the rights of all depositors and may include a condition where certain facilities can be linked with the placement of a fixed minimum deposit amount, but this must be approved by the customer in writing.
- (c) As part of promoting transparency, banks must explicitly mention all operational aspects, including charges and restrictive practices, and may only "tie-up" services with deposits if the customer voluntarily consents after understanding all terms and conditions.
- (d) A bank may introduce restrictive practices like "tying-up" other services with the placement of deposits, but such practices must be disclosed to the RBI, and the bank must seek approval from its depositors to remain compliant with transparency norms.

Q80. XYZ Wealth Management is advising its client, Mr. Gupta, on diversifying his investment portfolio. Mr. Gupta is particularly interested in exploring permitted investment avenues under the current regulatory framework. His portfolio manager presents several options, including investing in capital instruments of companies listed on the stock exchange, units issued by investment vehicles, and participating in the capital of a Limited Liability Partnership (LLP). Mr. Gupta also considers investing in convertible notes issued by a startup.

Considering the information provided, which of the following statements is most accurate regarding Mr. Gupta's potential investments?

- (a) Mr. Gupta can invest in the capital of a LLP with a limit proportional to his other investments, but investing in convertible notes of a startup company is subject to strict regulatory restrictions under FEMA.
- (b) Mr. Gupta can invest in the capital of a LLP without any limit, and investing in convertible notes issued by a startup company is permitted under FEMA guidelines.
- (c) Mr. Gupta is restricted from investing in units issued by an investment vehicle outside the stock exchange, but he can invest in capital instruments of a company on the stock exchange without any restrictions.
- (d) Mr. Gupta can only invest in capital instruments of a company or units issued by an investment vehicle on the stock exchange, and all other investment avenues are subject to significant regulatory limitations.

Q81. XYZ Bank has implemented a RegTech solution to manage its complex compliance requirements. The software is designed to automatically track changes in regulations, generate reports, and ensure that the bank's operations align with the latest legal standards. The RegTech solution has reduced the manual workload on the compliance team and minimized the risk of regulatory breaches. However, the bank must continuously update the system to keep pace with evolving regulations, and there is a concern about the system's ability to handle future regulatory challenges.

Which of the following challenges is most likely to affect XYZ Bank's reliance on RegTech for managing compliance?

- (a) The need for continuous software updates to keep up with changing regulations, which could strain the bank's IT resources and lead to temporary compliance gaps.
- (b) The possibility that the RegTech solution may not fully integrate with the bank's existing systems, leading to data inconsistencies and compliance errors.
- (c) The risk that the bank's reliance on automated compliance processes could result in a lack of human oversight, potentially allowing non-compliance issues to go unnoticed.
- (d) The challenge of adapting the RegTech solution to specific regulatory environments in different jurisdictions, which could limit its effectiveness in a global context.

Q82. If a farmer needs 20% of his 40,000 KCC limit for farm expenses, 30% for post-harvest warehouse storage, and 10% for the purchase of farm equipment, how much is left for other uses?

- (a) 24,000
- (b) 20,000
- (c) 16,000
- (d) 10,000

Q83. What are the minimum disclosures required by the RBI in the 'Notes to Accounts' of financial statements?

- (a) Only the items that are significant to the understanding of the financial position and performance of the bank
- (b) Only the comparative financial information of the previous period
- (c) All disclosures required by the Accounting Standards
- (d) The items listed in the RBI Guidelines

Q84. What type of shares is considered appropriate as collateral for loans granted to corporations to finance the promoters' contribution towards the equity of newly established companies?

- (a) Only shares in dematerialized (demat) form
- (b) Only shares in physical form
- (c) Both dematerialized and physical shares
- (d) None, as shares are not permissible as collateral for such loans

Q85. Which of the following statements accurately describe the categories of NBFCs exempted from registration with RBI under the RBI Act, 1934?

Statement 1: All Micro Finance Companies are exempted from registering with RBI without any conditions.

Statement 2: Asset Reconstruction Companies registered with the RBI under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, are exempted.

Statement 3: Nidhi Companies are exempted from the registration requirement with RBI.

Statement 4: Chit Companies registered under the Chit Funds Act, 1982, are required to register with RBI unless certain conditions are met.

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

Q86. 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

Q87. When calculating drawing power, the margin is deducted after excluding _____ stock from the total stock value, ensuring that the value considered for credit is fully secured.

- (a) Paid-up
- (b) Unpaid
- (c) Residual
- (d) Gross

Q88. Which among the given directives isn't pertinent to activities executed at White Label ATMs (WLAs)?

- (a) Directives concerning recompense for unsuccessful ATM transactions.
- (b) Directives allowing a quintet of complimentary monthly transactions when utilizing ATMs from different banks.
- (c) Universal directives overseeing the functionality of ATMs managed by banks.
- (d) Each of the aforementioned directives pertains to WLA transactions.

Q89. Identify the entities that are mandated to adhere to the Right to Information (RTI) Act in India:

- (a) Exclusively public sector banks.
- (b) Solely public authorities.
- (c) Both public sector banks and institutions that are owned and controlled by the Government.
- (d) Neither public sector banks nor any institutions owned and controlled by the Government.

Q90. What is the most important principle a banker must consider when lending money?

- (a) Maximizing the bank's profits at any cost.
- (b) Ensuring that the money lent is safe and will be repaid.
- (c) Lending only to large corporations.
- (d) Ignoring the tenure of deposits when lending.

Q91. Which of the following is an example of abuse of power?

- (i) An employee claiming reimbursement of expenses for official travel
 - (ii) An employee showing preference to customers based on their creditworthiness
 - (iii) An employee using official resources for personal use
 - (iv) An employee making false claims beyond their fixed perquisites
- (a) Both ii, and iii
 - (b) Both iii, and iv
 - (c) Both ii, and iv
 - (d) ii, iii, and iv

Q92. What is the appropriate method for Mr. Gupta, who operates an NGO registered under the FCRA, to reallocate a portion of the foreign contribution from his "FCRA Account" at SBI's New Delhi Main Branch to another chosen scheduled bank for easier operations?

- (a) Mr. Gupta is permitted to directly relocate the foreign contribution from his "FCRA Account" at SBI's New Delhi Main Branch to any scheduled bank of his preference without any limitations.
- (b) Mr. Gupta can shift the entire foreign contribution from his "FCRA Account" at SBI's New Delhi Main Branch to any other personal or operational account of his choosing for better management.
- (c) Mr. Gupta is not authorized to transfer the foreign contributions to another scheduled bank; he must use the funds directly from his "FCRA Account" at SBI's New Delhi Main Branch.
- (d) Mr. Gupta should first transfer the foreign contribution from his "FCRA Account" at SBI's New Delhi Main Branch to his "FCRA Account" in a different scheduled bank, then he can move it to any scheduled bank of his choice for usage.

Q93. On August 10, 2023, Mr. Smith, a customer of XYZ Bank, issued a crossed cheque for Rs. 5,000 favoring Mr. Johnson. The cheque appeared to be genuine and was presented for clearing under the CTS system. XYZ Bank, acting in good faith and without negligence, received the payment for Mr. Smith. However, upon further examination, it was discovered that the signature on the cheque was forged. Can XYZ Bank claim protection under Sec. 131 for the payment received from the forged cheque?

- (a) No, XYZ Bank cannot claim protection under Sec. 131 even though they acted in good faith and received the payment for their customer, as they did not fulfill the crucial condition of verifying the prima facie genuineness of the cheque before collecting payment.
- (b) Yes, XYZ Bank can claim protection under Sec. 131 due to their good faith and non-negligent actions in receiving the payment for their customer; however, their failure to verify the prima facie genuineness of the cheque might pose a challenge to this claim and may take a longer period.
- (c) No, XYZ Bank cannot claim protection as they did not ensure that the cheque was crossed generally or especially before collecting payment.
- (d) Yes, XYZ Bank can claim protection as the forgery was not apparent on the face of the cheque and could not have been detected with ordinary care.

Q94. A person invests Rs. 10,000 in a bank for 3 years at an annual interest rate of 5%. Calculate the simple interest earned at the end of 3 years.

- (a) Rs. 1,250
- (b) Rs. 1,300
- (c) Rs. 1,500
- (d) Rs. 1,600

Q95. As per the Reserve Bank of India's (RBI) KYC guidelines, what documentation is required to open an account?

- (a) Documents confirming identity, legal structure, and residential address.
- (b) Documents verifying income, place of residence, and age.
- (c) Documents establishing nationality, employment, and educational background.
- (d) Documents related to insurance, financial investments, and marital status.

Q96. From which sources can NRIs/PIOs/OCIs legally acquire immovable property in India, except for agricultural land, plantation property, and farmhouses?

- (a) By purchasing from a resident of India, an NRI, or an OCI who is a relative as defined under the Companies Act, 2013.
- (b) By inheriting property from a person residing outside India, provided the property was acquired in compliance with foreign exchange regulations.
- (c) By inheriting property from a resident of India.
- (d) All of the above

Q97. 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

Q98. Under what circumstance does a banker NOT have the right of lien over a customer's goods or securities?

- (a) When the goods or securities are deposited in the bank for safe-keeping
- (b) When the goods or securities were left inadvertently by the customer and not in the course of banking business
- (c) When the goods are pledged as collateral for a loan
- (d) When the securities are offered as part of a formal loan agreement

Q99. Under what circumstances is a cheque deemed stale and not valid for payment?

- (a) A cheque dated three months before the date of presentation.
- (b) A postdated cheque.
- (c) A cheque with a future date.
- (d) A cheque bearing the current date.

Q100. Alice is a senior IT consultant advising a bank on its technological strategies. The bank is considering various options for its future, including a potential merger with another financial institution. During a meeting, the topic of technological frameworks comes up, and Alice is asked for her opinion. What should Alice say?

- (a) Alice should explain that merging banks with different technological frameworks can create challenges such as data integration, software compatibility, and security concerns.
- (b) Alice should reassure the team that merging with another bank won't pose any technological challenges and everything will proceed smoothly.
- (c) Alice should suggest that merging banks will be seamless because modern IT infrastructure is adaptable and can handle the complexities easily.
- (d) Alice should recommend avoiding any mergers entirely to circumvent the potential technological complications that could arise.



Solutions

S1. Ans.(d)

Sol. Cycle of Operation=Time for Advising L/C+Shipment Time+Credit Period
 $=15+25+35=75\text{days} = 15 + 25 + 35 = 75 \text{ days}$
The number of cycles in one financial year is
Number of Cycles= $360/75=4.8\text{cycles}$
LC credit limit = 4,200 lakh/ 4.8
= 875 lakh

S2. Ans.(c)

Sol. The period within which a bank can take legal action to recover a debt in India is determined by the Limitation Act, 1963. This Act prescribes specific time limits within which legal proceedings must be initiated for the recovery of debts, failing which the bank loses the legal right to recover the debt through the court. The limitation period typically starts from the date of the last transaction, acknowledgment of debt, or default. If the bank does not take legal action within this prescribed period, the claim becomes time-barred, and the bank may not be able to enforce the debt recovery through legal means.

S3. Ans.(d)

Sol. According to the relationship between a banker and a customer, the bank acts as a debtor, and the customer as a creditor. The bank is not obligated to voluntarily repay the deposited amount; the customer must initiate the demand for repayment through appropriate means such as a cheque, draft, or withdrawal form. This rule applies even for demand deposits, where the customer has the right to withdraw money on demand but must still make a formal request.

S4. Ans.(d)

Sol. Authorized Persons (APs) under the Foreign Exchange Management Act (FEMA) have several operational responsibilities to ensure compliance with the act's provisions. These include:

- (i) Obtaining a declaration from individuals transacting in foreign exchange that their transaction is not intended to contravene or evade FEMA and its rules.
- (ii) Collecting sufficient information/documents from the person to reasonably ensure that the transaction does not involve or is not designed for contravening or evading FEMA provisions or any rule.
- (iii) Keeping a record of all the information/documentation based on which the transaction was undertaken.
- (iv) Refusing to undertake the transaction in writing if there is a reasonable belief of contravention/evasion and reporting such suspicions to the Reserve Bank of India (RBI). These measures are put in place to prevent misuse of foreign exchange transactions and ensure adherence to legal and regulatory frameworks.

S5. Ans.(b)

Sol. Unsecured exposures identified as 'substandard' attract an additional provision of 10%, meaning a total of 25% (15% general provision + 10% additional provision) on the outstanding balance should be provisioned. Hence, option b which suggests a 25% provision is the correct answer.

S6. Ans.(a)

Sol. Typically, investments in securitized assets originated by Microfinance Institutions (MFIs) are not subject to an interest cap as per regulatory norms. The pricing is generally influenced by market forces and the credit rating of the securitized assets. Therefore, the correct answer is option (a), "There is no interest cap for investments in securitized assets originated by MFIs."

S7. Ans.(d)

Sol. The given scenario precisely matches the characteristics of a Smishing attack. Smishing attempts often use urgent language, URLs, and threats of financial penalties to lure victims into falling for the scam. According to best practices, if Jane has any doubts, she should confirm the situation by calling her bank's Branch or customer service, instead of taking any actions based on the suspicious text message. Ignoring the message and verifying its authenticity are the recommended safety steps.

S8. Ans.(c)

Sol. The statement that "The Companies Act is irrelevant to the documentation process in credit management" is *not true*. The Companies Act is indeed relevant as it governs the formation, operation, and dissolution of companies, and it plays a significant role in documenting credit agreements with companies. Other enactments like the Indian Contract Act, Limitation Act, and Indian Registration Act are also integral to the documentation process in credit management.

S9. Ans.(c)

Sol. As per the guidelines, a small balance not exceeding US\$ 100 may be retained to meet any pipeline transactions that are pending during the settlement cycle. This provision ensures that any ongoing or unclaimed transactions are covered before the final refund of the unutilized foreign exchange balance is processed.

S10. Ans.(a)

Sol. The committee formed in 1983 under the chairmanship of Dr. C. Rangarajan was responsible for studying the possibilities and stages involved in bank computerisation and preparing guidelines for the same. The committee's report submitted in 1984 was known as the **First Rangarajan Committee Report on Bank Mechanisation**. In the year 1988, another committee chaired by Dr. C. Rangarajan was constituted to draw up a perspective plan on the computerisation of banks for a five-year period 1990-94. This committee was tasked with creating a **perspective plan**.

S11. 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.

S12. Ans.(d)

Sol. The Reserve Bank of India allows various entities, including Non-Governmental Organizations/Self-Help Groups (NGOs/SHGs), Micro-finance Institutions (MFIs), and Civil Society Organizations (CSOs), to function as intermediaries. These organizations are authorized to offer banking and financial services under the frameworks of business facilitators (BF) and business correspondents (BC).

S13. Ans.(a)

Sol. The principle that a bank's liability in a bank guarantee is primary and independent of the underlying contract between the buyer/importer and the seller/exporter applies to a Deferred Payment Guarantee (DPG).

S14. Ans.(b)

Sol. Essential mitigation strategies for business continuity:

1. Application whitelisting	to control the execution of unauthorized software
2. Patching applications	to remediate known security vulnerabilities
3. Configuring Microsoft Office macro settings	to block untrusted macros
4. Application hardening	to protect against vulnerable functionality
5. Restricting administrative privileges	to limit powerful access to systems
6. Patching operating systems	to remediate known security vulnerabilities
7. Multifactor authentication	to protect against risky activities and credential theft
8. Daily backups	to maintain the availability of uninfected critical data.

S15. Ans.(d)

Sol. RTGS (Real Time Gross Settlement) is a real-time, continuous, and gross settlement system where funds are transferred immediately. As per RBI regulations, the receiving bank must ensure that the beneficiary's account is credited within **30 minutes** of receiving the RTGS message. **Option (d)** is correct as the bank delayed the crediting by more than 30 minutes due to system issues, thus violating the guidelines.

- **Option (a)** is incorrect because the minimum RTGS transaction amount is ₹2 lakh, and this transaction falls below the permissible limit.
- **Option (b)** is correct since the transaction amount is ₹2.5 lakh, and the account was credited within 30 minutes.
- **Option (c)** is incorrect because the bank credited the account 35 minutes after receiving the message, exceeding the 30-minute limit, which is a violation.

S16. Ans.(a)

Sol. Spurious goods refer to products or items that are not genuine or authentic, yet they are falsely claimed or presented as genuine by the seller or manufacturer. These goods may imitate the appearance or packaging of legitimate products to deceive consumers into believing that they are purchasing the real thing.

S17. Ans.(a)

Sol. For the 'Doubtful I' classification in the 2nd year, the unsecured portion requires 100% provisioning.

$$\text{Provisioning} = ₹250,000 \times 100/100 = ₹250,000$$

So, the correct answer is ₹250,000.

S18. Ans.(c)

Sol. When deciding the quantum of a loan, banks typically require an income proof document, such as a salary certificate for salaried individuals or an income tax return for other segments. The salary certificate serves as verified evidence of the applicant's income, which is crucial for assessing their ability to repay the loan.

S19. Ans.(c)

Sol. This is an example of a restrictive trade practice because the delay in delivery has caused an increase in the price of goods, which imposes unjustified costs on the consumer. Under consumer protection laws, practices that manipulate price or restrict consumer choice in this way are considered restrictive.

S20. 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.

S21. Ans.(a)

Sol. A bank is discharged from liability in a scenario where a draft's endorsement appears to be made by or on behalf of the payee but is actually fraudulent, provided that the payment is made in due course. This situation is governed by the principles of the Negotiable Instruments Act, where a bank is protected if it adheres to standard procedures in processing payments, even in cases where the endorsement is later discovered to be non-genuine. This provision is designed to shield banks from liability when they have acted in good faith and followed standard banking practices.

S22. Ans.(a)

Sol. Statement 1 is correct as the RBI intentionally does not acknowledge receipt of complaints to protect the complainant's identity.

Statement 2 is incorrect because complainants are explicitly advised not to engage in further correspondence with the RBI to maintain the confidentiality of their complaint.

Statement 3 is correct as the RBI will contact the complainant if additional clarification is required.

S23. Ans.(c)

Sol. The primary objective of extending Interest Subvention and Incentive for Prompt Repayment through Kisan Credit Cards (KCC) for Short Term Crop Loans is to ensure farmers have access to affordable credit and to promote timely repayment of loans. This scheme helps farmers manage their short-term working capital needs efficiently, thereby supporting agricultural productivity and financial stability.

S24. Ans.(c)

Sol. There is no limit on the amount of a dispute that can be filed before the Ombudsman.

S25. Ans.(b)

Sol. Given the projected annual turnover = Rs. 200 lakhs

Net working capital = Rs. 8 lakhs

Working Capital Requirement (25 % of turnover) = Rs. 50 lakhs

Maximum bank finance (80% of WCR) = Rs. 40 lakhs

Borrower margin (20% of WCR) = Rs. 10 lakhs

Additional margin money = 10 lakhs - 8 lakhs = Rs. 2 lakhs

S26. Ans.(c)

Sol. The correct answer (c) aligns with the legal requirements outlined in the Income Tax Act, 1961. Under Section 133, the bank can provide customer records only when it receives a specific, signed order from an authorized officer. The law also mandates that the bank must inform the customer after sharing the information. This ensures compliance with legal protocols while maintaining transparency with the customer.

S27. Ans.(b)

Sol. To find the Gross NPA as a percentage of Gross advances, use the formula:

Gross NPA as a percentage of Gross advances = $(\text{Gross NPA} / \text{Gross Advances}) \times 100\%$

Substituting the given values:

$(\text{₹}15 \text{ lacs} / \text{₹}150 \text{ lacs}) \times 100\% = 10\%$

S28. Ans.(c)

Sol. The interest rate for a loan taken against Term Deposits (TDs) is usually set by marking it up by a defined percentage over the rate provided on the TD. Consequently, the interest rate charged on the loan will surpass the interest generated from the TD, establishing it as an efficient borrowing choice using the TD as security.

S29. Ans.(c)

Sol. A collecting banker has the responsibility to be vigilant about the customer's financial circumstances and the nature of transactions happening within the account. Neglecting this aspect can lead to risks and raise suspicions regarding significant deposits made through cheque collections. The banker must remain informed about both the customer's financial health and the patterns of transactions to ensure due diligence is practiced in managing the account.

S30. Ans.(c)

Sol. Under Sections 59 to 61 of the Indian Contract Act, 1872, a debtor holds the right to precisely allocate a payment by issuing written instructions to their banker. This vital mechanism guarantees that the payment is exclusively utilized to offset a designated debt. Through this legal provision, debtors can exert control over the allocation of funds, enhancing financial transparency and contractual obligations in monetary transactions.

S31. Ans.(c)

Sol.

1. **Scale of finance for wheat** = $1 * ₹30,000 = ₹30,000$
2. **Scale of finance for maize** = $2 * ₹50,000 = ₹1,00,000$
3. **Total scale of finance** = $₹30,000 + ₹1,00,000 = ₹1,30,000$
4. **Add 10% for household expenses** = $₹1,30,000 * 10\% = ₹13,000$
5. **Add 20% for farm maintenance and contingency** = $₹1,30,000 * 20\% = ₹26,000$
6. **Total KCC limit** = $₹1,30,000 + ₹13,000 + ₹26,000 = ₹1,69,000$

S32. Ans.(b)

Sol. The tenure of an SNRR account is concurrent to the tenure of the contract/period of operation/the business of the account holder, a maximum of seven years, except for the activities specified in the SNRR guidelines. RBI approval is required for renewal.

S33. Ans.(b)

Sol. Statement B correctly reflects that payments received for counter-trade purposes are allowed as credits in an EEFC account. Statement D is also correct, as professional earnings, including consultancy fees and honorariums, can be credited. Statement A is incorrect because loans and investments are excluded from permitted credits. Statement C is false because advance remittances towards exports are indeed allowed as credits in an EEFC account.

S34. Ans.(b)

Sol. The opposite party has 30 days to provide their version. If granted an extended period, it can be for a duration not exceeding 15 days. Therefore, the maximum number of days allowed would be $30 + 15 = 45$ days.

S35. Ans.(c)

Sol. To effectively resolve an ethical dilemma, Sarah should explore multiple alternative solutions, considering both the short-term and long-term implications while maintaining objectivity. Ethical dilemmas require comprehensive understanding and innovative thinking, rather than a narrow win-lose analysis. By evaluating all possible options and their consequences, Sarah can find a solution that aligns with both ethical standards and the company's long-term success.

S36. Ans.(d)

Sol. The responsibility for resolving complaints or grievances related to customer service at the Branch falls primarily on the Branch Manager. When issues cannot be resolved by the counter staff or supervisor, it is the Branch Manager's obligation to investigate and address the complaint effectively.

S37. 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.

S38. Ans.(c)

Sol. A banker's fundamental duty concerning funds obtained through deposits is to employ those resources in lending activities and various investment opportunities. This operation allows banks to procure interest on the deposited sums, thus enabling them to offer returns on the deposits to their customers.

S39. Ans.(a)

Sol. The prohibition is in place to align with legal obligations, particularly the provisions outlined in Section 131 of the Negotiable Instruments Act of 1881. This section safeguards banks that have received payment in good faith and without negligence for a customer's crossed cheque, preventing them from incurring liability if the title to the cheque is defective.

S40. Ans.(b)

Sol. Drawing power is calculated by first removing the value of unpaid stock, which is considered a liability, from the total stock value. Then, the stipulated margin is applied to this net stock value to determine the maximum loan amount that can be drawn from a bank. Therefore, option B accurately reflects the concept of "drawing power" as described.

S41. Ans.(a)

Sol. The introduction of the Legal Entity Identifier (LEI) system was prompted by the 2008 Global Financial Crisis. The crisis revealed gaps in financial data reporting and risk management, leading to the development of a uniform global identification system for legal entities participating in financial transactions. The LEI helps improve financial transparency and mitigate the systemic risks that contributed to the crisis.

S42. Ans.(b)

Sol. Section 11 of the Contract Act specifies that for a person to be legally competent to enter into a contract, three conditions must be met: (i) the person must have attained the age of majority, (ii) the person must be of sound mind, and (iii) the person must not be disqualified from entering into a contract by any law to which they are subject. These conditions ensure that only those individuals who are legally and mentally capable can engage in binding contracts.

S43. Ans.(a)

Sol. In real estate transactions, an Escrow account is set up to protect both the buyer and the seller by ensuring that the funds are not released until all the conditions of the purchase agreement have been met. For instance, the escrow service may require the seller to provide proof of a clear title or to complete certain repairs before the money is transferred. This mechanism ensures that the transaction proceeds smoothly and securely.

S44. 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.

S45. Ans.(c)

Sol. The study highlights that banks are increasingly looking at retail and commercial fee-based financial services as their primary profit source because these services provide a more stable and consistent income stream. Unlike interest-based income, which can fluctuate with market conditions and interest rate changes, fee-based services generate a steady flow of revenue through fixed service charges. This consistency is crucial for banks as it allows for better financial planning and stability. It also reduces the banks' reliance on the more volatile interest-based income, thus making their overall financial performance more predictable and less susceptible to market dynamics.

S46. Ans.(c)

Sol. The primary objective behind the formation of the Central Consumer Protection Council (CPC) by the Central Government is to offer counsel on the enhancement and protection of consumer rights as specified in the legislation. The CPC is composed of various representatives including those from central and state governments, members of parliament, regulatory authorities, and other pertinent parties. Its principal function is to provide strategic advice and ensure the effective protection of consumer rights.

S47. Ans.(b)

Sol. Option B is the correct answer because it is NOT consistent with the recommendations of the Prime Minister's Task Force on MSMEs. The Task Force actually recommends a 10% annual growth in the number of micro enterprise accounts, not 15%. All the other options correctly summarize features or recommendations for MSMEs.

S48. Ans.(b)

Sol. A duplicate DD or BC can be issued if the original instrument has not been paid and the purchaser or payee furnishes an indemnity. This protects the bank against any potential claims that might arise from the original instrument being found or misused. This is a standard procedure to ensure that the bank and the purchaser are safeguarded against any possible financial loss.



S49. Ans.(a)

Sol.

The formula for the debtor's receivables turnover ratio is:

$$\text{Debtor's Receivables Turnover Ratio} = \frac{\text{Total Sales}}{\text{Accounts Receivable}}$$

Substituting the given values:

$$\text{Debtor's Receivables Turnover Ratio} = \frac{\text{₹1, 20, 00, 000}}{\text{₹15, 00, 000}} = 8$$

This ratio indicates how many times the company collects its average accounts receivable during a period. A higher ratio signifies efficient management of receivables.

S50. Ans.(c)

Sol. In this case, the court held that the bank, as a holder in due course, was entitled to recover the cheque amount from the Panchayat. Being a holder in due course means that the bank acquired the cheque in good faith and without knowledge of any defects, thereby protecting its right to claim the amount despite the countermand.

S51. Ans.(b)

Sol. The most appropriate action for XYZ Bank would be to consider additional factors such as the client's volume of cross-border transactions and international client base before deciding on any re-categorization. This ensures that the bank's risk perception is accurately aligned with the client's actual risk profile. Re-categorizing based solely on high-net-worth status or immediately applying enhanced due diligence without further assessment may lead to either an overestimation or underestimation of the actual risk. Additionally, leaving the client in the medium-risk category with increased monitoring might not be sufficient if the true risk level is higher.

S52. 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.

S53. 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.

S54. 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.

S55. Ans.(a)

Sol. The IBC covers matters related to insolvency, liquidation, voluntary liquidation, or bankruptcy of entities and individuals. It applies to companies incorporated under the Companies Act, 2013, or under any previous law, limited liability partnerships, partnership firms, proprietorship firms, and individuals.

S56. Ans.(a)

Sol. A complaints/suggestions box at each office of the bank allows customers to express their grievances or suggestions anonymously. This ensures that customers have a confidential and accessible way to communicate their concerns, which can then be addressed by the bank to improve services and customer satisfaction.

S57. Ans.(b)

Sol. The UIDAI ensures the uniqueness of Aadhar numbers by conducting a de-duplication process, where both demographic (such as name, age, address) and biometric data (such as fingerprints and iris scans) of the individual are compared with the existing records in its database. This process guarantees that no duplicate Aadhar number is issued to the same or another individual. The Aadhar number is unique and random, unlinked to any intelligence like tax or financial records.

S58. Ans.(b)

Sol.

1. **Statement 1 is incorrect:** Banks do not take responsibility for ensuring that the goods shipped meet the buyer's requirements. The bank's obligation under a Deferred Payment Guarantee is independent of the quality of goods, and the bank cannot stop payment based on the grounds of defective goods once the documents comply with the letter of credit and are valid.
2. **Statement 2 is correct:** The payment schedule is typically part of the main contract between the buyer/importer and the seller/exporter. Some banks incorporate the payment schedule into the guarantee they issue, mirroring the terms of the main contract.
3. **Statement 3 is correct:** The bank's liability under a Deferred Payment Guarantee is primary and independent of the underlying contract between the buyer/importer and the seller/exporter. The bank is obligated to make payment without protest, based on the unconditional and irrevocable nature of the guarantee.

S59. Ans.(a)

Sol. The objectives of payment banks (PBs) are multifaceted as per the regulatory guidelines. These include the provision of small savings accounts, which cater to various entities such as migrant laborers, low-income households, and small businesses. Additionally, offering efficient payment and remittance

services is a key goal. Another significant objective is ensuring financial inclusion. This is particularly aimed at serving remote areas and underbanked populations, utilizing business correspondents (BCs), ATMs, and other accessible networks. These objectives collectively aim to broaden the reach of banking services and integrate more people into the formal financial system.

S60. 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.

S61. Ans.(b)

Sol. The main objective of BCSBI is to plan, develop, promote, and publish comprehensive Codes and Standards for banks, for providing fair treatment to their customers, and to monitor and ensure that the Codes and Standards adopted by banks are adhered to, in letter and spirit, while delivering services to their customers.

S62. Ans.(b)

Sol. The clearing cycle for CTS instruments is treated as complete only when both the presentation clearing session and the corresponding return clearing session are successfully processed. This ensures that all cheques presented for clearing have either been accepted or returned for reasons such as insufficient funds, thereby completing the cycle for that day.

S63. Ans.(b)

Sol. The correct statements are as follows:

- A. True - The availability of integrated technology, such as computers and communication facilities, has indeed eliminated the constraint of distance in providing better customer service and expediting funds transfer.
- B. False - EFT (Electronic Funds Transfer) facilitates the movement of funds through electronic media, not physical means.
- C. True - The EFT mechanism at the national level was established as a result of the recommendations of the Saraf Committee on technology issues in the payment and settlement system constituted by the RBI (Reserve Bank of India) in 1994.

S64. Ans.(b)

Sol. The correct procedure for banks includes obtaining a self-declaration from legal entities, along with a letter from an authorized official, Board resolution, or other formal documents. Banks should also verify that the Beneficial Ownership (BO) information is up-to-date and that no changes have occurred. This ensures compliance with KYC norms. **Option (b)** captures all essential steps—self-declaration, verification of BO, and use of registered communication channels, making it the most comprehensive and compliant approach.

- **Option (a)** is incorrect as it suggests using unregistered communication methods, which could compromise security.
- **Option (c)** ignores the need for verification and updating of BO information, an essential part of the KYC review process.
- **Option (d)** overlooks the need for verifying the self-declaration and ensuring BO information is current, which is necessary for compliance.

S65. Ans.(a)

Sol. The time required for one cycle of operation of the LC is calculated as:

Time for advising L/C (12 days) + Time for shipment and transit period (18 days) + Credit period (30 days)

$$= 12 + 18 + 30 = \mathbf{60 \text{ days}}$$

The number of cycles in a year (assuming 360 days in a year) is:

$$\text{Number of cycles} = 360 \text{ days} \div 60 \text{ days per cycle} = \mathbf{6 \text{ cycles}}$$

The projected value of machinery parts purchased on credit during the year is Rs. 4,200 lakh.

The value of L/C per cycle is:

$$\text{Value of L/C per cycle} = \text{Rs. } 4,200 \text{ lakh} \div 6 = \mathbf{\text{Rs. } 700 \text{ lakhs}}$$

Thus, the Letter of Credit limit required would be **Rs. 700 lakhs**.

S66. Ans.(a)

Sol. Explanation:

1. This statement is correct. Indian banks have significantly invested in various forms of digital technologies to promote online banking, UPI payments, mobile apps, and other forms of digital banking.
2. This is also correct. The affordability and availability of broadband internet have paved the way for online banking services, making them accessible to a broader audience.
3. This statement is incorrect. Implementation of new technologies often involves significant costs, not just in terms of acquiring the technology but also in training staff, integrating with existing systems, and maintaining the new technologies.
4. This statement is incorrect. Banks continue to use demographic information to segment their customer base and offer targeted products and services.

S67. Ans.(a)

Sol. The regulation of foreign currency accounts for individuals living in India falls under the Foreign Exchange Management Act (FEMA). This act facilitates the opening, holding, and maintaining of foreign currency accounts within India, helping residents engage in foreign exchange transactions and offering a way to mitigate exchange rate risk while also reducing the costs associated with currency conversion.

S68. Ans.(d)

Sol. $ROE = (\text{Net Income} / \text{Shareholder's Equity}) \times 100$
 $= (\$200,000 / \$1,000,000) \times 100$
 $= 20\%$

S69. Ans.(a)

Sol. While RTGS transactions are processed on a real-time basis, technical issues at the receiving bank can delay the crediting of the beneficiary's account. Even though RTGS requires the beneficiary's account to be credited within 30 minutes of receiving the RTGS message, technical disruptions can cause delays, potentially affecting the transaction's efficiency.

Information Booster:

Real-Time Processing: RTGS processes transactions continuously and individually, ensuring that payments are not delayed by batch processing.

Minimum Transaction Limit: RTGS requires a minimum amount of ₹2 lakh for transactions, with no upper limit.

Instantaneous Transfers: Funds are transferred almost instantaneously, typically within 30 minutes, under normal circumstances.

Availability: RTGS is available 24/7, including on holidays, offering unparalleled convenience for high-value transactions.

Technical Disruptions: Any technical issues at the bank's end can delay the real-time processing of RTGS transactions.

Manual Verification: While RTGS is automated, transactions may be flagged for manual verification in cases of suspicious activity, though this is rare.

S70. Ans.(d)

Sol. The requirement for UCBs to allocate funds to the priority sector increases over time. By March 31, 2024, UCBs are required to allocate 75% of their ANBC or CEOBE, whichever is higher, to the priority sector. This gradual increase reflects a structured approach to strengthening the focus on priority sectors over time.

S71. Ans.(b)

Sol. One major reason for changes in cash management is the upward trend in interest rates, which raises the opportunity cost of holding cash. When interest rates are high, businesses face greater costs in terms of lost potential earnings from investments when they hold too much cash on hand. This incentivizes companies to adopt more efficient cash management practices.

S72. Ans.(a)

Sol.

- **Statement 1** is correct. Prior to the amendment of Section 28, bank guarantees commonly included a clause limiting the time in which the beneficiary could enforce a claim to three to six months, after which the bank's liability would be extinguished.
- **Statement 2** is correct. The clause was introduced due to concerns that without such a limitation, government departments and municipal bodies could file claims under bank guarantees up to thirty years after a claim was made, creating long-term liabilities for banks.

- **Statement 3** is incorrect. The amendment does not immediately extinguish the bank's liability after the claim period ends. The amendment likely redefines the limitations and conditions under which claims can be made, but it does not remove the banks' liability as soon as the claim period ends.

S73. Ans.(c)

Sol. In a "Contract of Indemnity," the promisor is the party responsible for compensating the loss incurred by the promisee. The promisor makes a legal commitment to indemnify the promisee against any losses that arise due to the promisor's actions or the actions of any other person, ensuring that the promisee is financially protected.

S74. Ans.(b)

Sol. In metro centres, customers are eligible for three free transactions (inclusive of financial and non-financial transactions) per month from other bank ATMs. This limit ensures that customers in metro areas can access basic banking services through other banks' ATMs without incurring additional costs.

S75. Ans.(d)

Sol. Banker's Cheques are issued by a bank for making local payments, including those on behalf of its customers. Banker's Cheques are generally used for the following transactions:

- a) At the request of the client.
- b) Payment of the balance amount of the deceased a/c. to its claimant/legal heirs.
- c) Payment of bills on realisation received/presented for payment by local Banks (other than branches of our Bank).
- d) Payment of Deferred Payment Guarantees (DPGs).
- e) Payment to various contractors, service contracts, various purchases made by the bank.
- f) Payment of statutory dues like electricity bills, etc.
- g) All other local payments to be made by cheque (i.e. other than cash).

S76. 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.

S77. Ans.(a)

Sol.

1. **Statement 1** is correct: Ethical audits are indeed a preventive measure that helps in identifying weak ethical areas within an organization, thereby preventing a potential crisis due to internal reasons.
2. **Statement 2** is incorrect: External screening of threats focuses on factors **beyond** a firm's control, such as market conditions or actions by fraudsters, not on improving internal factors like product/service quality, which are within the firm's control.
3. **Statement 3** is correct: The Whistle-blower Policy is designed to encourage the reporting of unethical or illegal activities and provides protection to those who report such activities, helping prevent larger crises.

S78. Ans.(c)

Sol. The Risk-Based Approach (RBA) is employed by banks to customize customer due diligence and transaction monitoring measures based on the assessed risk levels, ensuring that anti-money laundering and counter-financing of terrorism measures are appropriately applied according to the level of risk.

S79. Ans.(c)

Sol. The correct answer is **C** because banks must ensure transparency and explicitly inform depositors about charges, account operations, and restrictive practices like "tying-up" services with deposits. Such practices should only occur if the customer voluntarily consents after understanding the terms. Other options are incorrect because they either misrepresent RBI guidelines or allow restrictive practices without proper customer consent and transparency.

S80. Ans.(b)

Sol. The most accurate statement is that Mr. Gupta can invest in the capital of a LLP without any limit, and investing in convertible notes issued by a startup company is permitted under FEMA guidelines. This aligns with the permitted investment avenues where there are no restrictions on the amount invested in a LLP, and convertible notes are recognized under the FEMA regulations, making them a valid investment option.

S81. Ans.(c)

Sol. While RegTech solutions can automate many aspects of regulatory compliance, there is a significant risk that over-reliance on automation could lead to a reduction in human oversight. This might allow non-compliance issues to go unnoticed, as automated systems may not always catch every nuance of complex regulations. This concern is crucial for maintaining robust compliance, even though it is not directly mentioned in the case.

S82. Ans.(c)

Sol. The percentage of the KCC limit used for different purposes is $20\% + 30\% + 10\% = 60\%$.

Amount left = $100\% - 60\% = 40\%$

Amount left in = $40,000 \times 40/100 = 16,000$

Thus, the amount left for other uses is 16,000, making option C the correct answer.

S83. Ans.(d)

Sol. The Reserve Bank of India (RBI) sets forth specific guidelines for what must be disclosed in the 'Notes to Accounts' of financial statements for banks. These guidelines are designed to ensure transparency, accuracy, and adherence to regulatory standards. Therefore, banks are required to include all the items listed in the RBI Guidelines in their 'Notes to Accounts.'



S84. Ans.(a)

Sol. Loans extended to corporations, which are secured by shares, specifically shares in dematerialized (demat) form, to meet the promoters' equity contribution in new companies, are essentially considered as the bank's investment in shares. Such investments are subject to a regulatory ceiling of 40 percent of the bank's net worth as of the end of the previous financial year (March 31). This limit includes the bank's complete exposure to the capital market, covering both fund-based and non-fund-based exposures.

S85. Ans.(a)

Sol.

- **Statement 1:Incorrect** – Not all Micro Finance Companies are exempted; only those fulfilling certain conditions are exempt.
- **Statement 2:Correct** – Asset Reconstruction Companies registered under the Securitisation Act are exempt from RBI registration.
- **Statement 3:Correct** – Nidhi Companies are indeed exempt from registering with the RBI.
- **Statement 4:Incorrect** – Chit Companies registered under the Chit Funds Act, 1982, are exempt from RBI registration; no conditions apply in this case.

S86. 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.

S87. Ans.(b)

Sol. When calculating drawing power, the margin is deducted after excluding the unpaid stock from the total stock value. This ensures that the credit extended by the bank is fully secured by stock that has been paid for and can be considered as reliable collateral.

S88. Ans.(b)

Sol. The stipulation that grants users a set of five free monthly transactions when using ATMs of other banks does not extend to White Label ATMs (WLAs). Such a provision is commonly associated with ATMs directly supervised by banks. WLAs, on the other hand, are overseen by entities that don't fall under traditional banking, and as such, they might embrace distinct fee arrangements for ATM services.

S89. Ans.(c)

Sol. The Right to Information (RTI) Act in India encompasses a broad range of entities. Both public sector banks and institutions that are owned and controlled by the Government fall under the purview of this Act. This includes a wide array of organizations, not limited to but significantly including public sector banks, which are crucial components of the government's financial infrastructure. The RTI Act is a critical tool for ensuring transparency and accountability, as it empowers citizens to access information held by these entities. By complying with the RTI Act, these organizations play a pivotal role in fostering a governance system that is more transparent, participatory, and subject to public scrutiny and oversight.

S90. Ans.(b)

Sol. The principle of "Safety first" is the most important consideration in lending. A banker must ensure that any money lent is secure and that it will be repaid. This is because the banker is a custodian of public funds, lending money that has been entrusted to the bank by depositors. The safety of these funds is paramount to maintaining trust and fulfilling the bank's obligations to its customers.

S91. Ans.(b)

Sol.

- **Option (i):** "An employee claiming reimbursement of expenses for official travel" – This is a legitimate activity and not an abuse of power if the travel is official.
- **Option (ii):** "An employee showing preference to customers based on their creditworthiness" – This may not constitute abuse of power since creditworthiness is a legitimate criterion for offering financial services. However, this may depend on the context.
- **Option (iii):** "An employee using official resources for personal use" – This clearly indicates abuse of power as it involves misusing organizational resources for personal gain.
- **Option (iv):** "An employee making false claims beyond their fixed perquisites" – This is also a clear example of abuse of power, as it involves fraudulent claims.

S92. Ans.(d)

Sol. Mr. Gupta needs to adhere to a specific process for managing foreign contributions received by his NGO under FCRA regulations. He must first transfer the funds from his primary "FCRA Account" at SBI's New Delhi Main Branch to another "FCRA Account" in a different scheduled bank. This step ensures adherence to FCRA guidelines. Afterward, for operational convenience, he may transfer the funds from this second "FCRA Account" to any scheduled bank of his choice for further use. This structured procedure ensures regulatory compliance while facilitating the practical management and application of foreign contributions.

S93. Ans.(d)

Sol. Section 131 of the **Negotiable Instruments Act, 1881**, protects a bank from liability if it acts in **good faith** and **without negligence** while collecting a crossed cheque. Since the forgery on the cheque was **not apparent** and could not have been detected with **ordinary care**, XYZ Bank fulfilled its duty of care and is entitled to protection. The law does not impose strict liability for undetectable forgeries. Hence, Option D is correct.

S94. Ans.(c)

Sol.

The formula for calculating simple interest is:

$$\text{Simple Interest} = \frac{P \times R \times T}{100}$$

Where:

- P = Principal amount (Rs. 10,000)
- R = Rate of interest (5%)
- T = Time period (3 years)

Substitute the values:

$$\text{Simple Interest} = \frac{10,000 \times 5 \times 3}{100} = \frac{1,50,000}{100} = 1,500$$

S95. Ans.(a)

Sol. To fulfill the KYC requirements set by the RBI for account opening, it is essential to provide documents that verify the individual's or entity's identity, the organizational structure if applicable, and the current residential address. These documents are crucial for the verification process, ensuring compliance with regulatory standards and helping to prevent fraud and money laundering activities.

S96. Ans.(d)

Sol. NRIs (Non-Resident Indians), PIOs (Persons of Indian Origin), and OCIs (Overseas Citizens of India) have the flexibility to acquire immovable property in India through various means. These include purchasing the property from a resident in India, an NRI, or an OCI who qualifies as a relative under the Companies Act, 2013. They can also inherit property from individuals residing outside India, as long as the original acquisition of the property was in line with the prevailing foreign exchange laws. Additionally, inheriting property from residents in India is also permissible. However, it is important to note that this flexibility does not extend to agricultural land, plantation property, and farmhouses, which are excluded from these permissible modes of acquisition.

S97. 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.

S98. Ans.(b)

Sol. A banker's lien applies only to goods and securities that are deposited with the banker in the ordinary course of banking business. If a customer inadvertently leaves goods, such as share certificates or life insurance policies, in the bank without any formal banking transaction, the banker has **no right of lien** over those items. The right of lien does not apply when the items are not handed over in the normal course of business dealings.

S99. Ans.(a)

Sol. A cheque is considered stale and, therefore, ineligible for payment if it is presented three months after its date of issue. This policy by financial institutions ensures the timeliness and relevance of cheque transactions, reducing the risk of fraud or misuse. By enforcing this rule, banks maintain the integrity of cheque-based transactions, ensuring they reflect recent financial agreements and intentions.

S100. Ans.(a)

Sol. In her role as a senior IT consultant, it is Alice's responsibility to provide a realistic and comprehensive assessment of the situation. Mergers often involve integrating systems that were built independently of each other, and this can raise various issues. For example, data from two different banks may be stored in different formats, requiring substantial effort to integrate. Software applications used by each bank might not be compatible, necessitating either replacements or adaptations. Furthermore, each bank may have its security protocols and measures that need to be harmonized to ensure ongoing security compliance. By pointing out these challenges, Alice helps the bank make an informed decision and adequately prepares the IT team for the tasks that would lie ahead in the event of a merger.

