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Register Number:

DATE:

**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE-27**

**BBA SF – III SEMESTER**

**SEMESTER EXAMINATION: OCTOBER 2021**

**(Examination conducted in January-March 2022)**

**BBA SF 3219 - Banking Theory and Practice**

Time- 2 ½ Hours Max Marks-70 Marks

**This paper contains two printed pages and four parts**

**Section A**

**I.** Answer ***any five*** of the following (**2 x 5 = 10 marks)**

1. During which year the Banking Regulation Act was passed? Mention the three banks that were merged to become the Imperial bank of India.
2. Mention any two primary functions of commercial banks in India.
3. What is a Garnishee Order? State any one of its importance.
4. Write the meaning of a Promissory Note.
5. State any two precautions that the paying banker must take before honouring a cheque.
6. Mention any two differences between secured and unsecured loans.

**Section B**

**II.** Answer ***any three*** of the following (**5 x 3 = 15 marks)**

1. Is a banker obliged to maintain secrecy of his customer’s account? Briefly explain under what circumstances he can disclose the customer’s account.
2. Briefly explain various features of a cheque.
3. What are the consequences of wrongful dishonour of a cheque?
4. Write short notes on the following:
5. Mortgage
6. Lien

**Section C**

**III.** Answer ***any two*** of the following (**15 x 2 = 30 marks)**

1. “Banks are not merely purveyors of money but also, in an important sense manufacturers of money”. In this context, explain in detail the Credit Creation process of commercial banks along with its limitations.
2. Explain in detail the procedures and practices to be followed by an individual in opening a saving’s bank account?
3. a) State the meaning of negotiable instrument. Briefly explain the mandate requirements for a negotiable instrument to be valid. (7 marks)

b) Explain the duties of a collecting banker. (8 marks)

**Section D**

**IV. Answer the following (15marks)**

1. **The Wise Banker**

XYZ bank makes loans and advance to traders, businessmen and industrialist against the security of some assets or on the basis of the personal security of the borrower. The bank always lends money to different kinds of borrowers based on their credibility and credit score. It is one of the most important functions of the bank. The bank understands that lending is a risky business and to be successful and profitably in the market, the banker has followed certain principles. The bank ensures to lend money to different kinds of borrowers and is keen on doing so. The bank avoids lending to risky businesses and therefore, they follow a cautious policy and sound lending principles.

Read the above passage and answer the following questions.

1. State the meaning of sound credit policy. Explain in detail the sound principles followed by XYZ bank in its lending process. (10 marks)
2. Why is the bank keen on lending money to different kinds of borrowers? What is their motive behind this? (5 marks)

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