Udhna College

S.Y.B.Com – Semester – 3

Banking – 1

MCQ Question Bank

Question	Option 1	Option 2	Option 3	Option 4	Correct Option
Banking regulation act was enacted in which year?	1948	1949	1950	1951	2
When does a person becomes a customer of the bank ?	When he deposits money.	When he withdraws money.	When he opens account with the bank.	When he visits the bank.	3
Who can be the customer of a banker ?	Person	Firm	Joint stock company	All the options are correct	4
Banker is which kind of debtor of the customer?	Ordinary debtor	Privileged debtor	Ordinary and priviledged both	None of the options are correct	2
Which of the following is/are the general characteristics of a banker customer relationship ?	Debtors - Creditor Relation	Bankers right of set off	Banker as a bailee	All the options are correct	4
A banker becomes a ________ when he receives gold, ornaments and important documents for safe custody.	Customer	Bailor	Bailee	None of the above	3
If a customer has overdrawn from his bank account then the bank becomes the ___________.	Debtor	Creditor	Both a and b	Neither a nor b	2
The right of banker where in the bank combines two or more accounts of the customer, one of which is in debt and other in credit balance know as.	Right of Lien	Right of Set Off	Both a and b	None of the options are correct	2

What time duration the law of limitation specifies ?	One Year	Two Years	Three Years	Four Years	3
Which of the following condition/s must be satisfied if a banker wants to exercise his right of set-off?	The account must be in the same name.	The amount of debt must be certain.	The account must be in the same capacity.	All the options are correct	4
What does a banker do as an agent of the customer ?	buys securities on his is behalf	sells securities on his behalf	Both a and b	Neither a nor b	2
The customer who handovers the items to the banker for security is known as ______________	bailor	bailee	bailment	None of the above	1
The right of the customer becomes _________ for the banker.	Right	Duties	Both a and b	None of the above	2
As per which section of the negotiable instrument act, it is the bankers obligation to honour the cheques ?	Section 29	Section 30	Section 31	Section 32	3
In how many months, a cheque becomes stale if not presented for payment ?	2 months	3 months	6 months	9 months	2
How many types of Lien are there ?	1	2	3	4	2
A right to retain the goods in connection with which a particular debt arose is known as	General Lien	Particular Lien	Retention right	None of the above	2
In how many stages Garnishee Order is implemented ?	two	three	four	five	2
An order issued by a court on request of the creditor for attachment of funds of the debtor with his bank is known as ?	Attachment Order	Judgement Order	Garnishee Order	None of the above	3

In which account/s Garnishee Order is not applicable ?	Overdraft Account	Savings Account	Fixed Deposit Account	None of the above	1
The person who will receive money is called _________	Drawer	Drawee	Payee	None of the above	3
Which of the following is/are the duties of the Banker ?	Duty to honour cheques	Duty to maintain secrecy of accounts	Duty to act as an agent of the customer	All of the above	4
A _____________ give the right to the creditor to retain the possession till all amounts due from debtor are paid.	General Lien	Particular Lien	both a and b	None of the above	1
"To constitute a customer there must be some recognisable course or habit of dealing in the nature of regular banking business." definition given by_________	Sir John Peter	Sir John Paget	Sir Thomas Munro	None of the above	2
When the money is deposited by the customer, the banker becomes __________________.	creditor	debtor	depositor	none of above	2
The banker has a statutory obligation to __________.	Honour customers' cheque	Exercise lien	To set off customers acount	Honour customers' bill	1
While performing legal duty for payment of cheque, which precaution/s should be taken by the banker ?	regarding cheque genuineness	legal restrictions	customer balance	all of above	4
A collecting banker is given protection only when he collects	A crossed cheque	An order cheque	An Bearer Cheque	A mutilated cheque	1
In the case of a negotiable instrument, The following person generally gets a good title.....	Finder of the lost instrument	Holder of a stolen instrument	holder in due course	holder of forged instrument	3

If the customer facilitates interpolation of words that caused forgery, then loss will fall on _______	customer	banker	supplier	all of above	1
Payment of a cheque with a forged signature will be considered as __________	payment	payment without authority of customer	payment without authority of bank	not paid	2
Endorsement signifies that the...........	Endorser has got a good title	endorser's signature is genuine	Previous endorsements are genuine	All of the above	3
When garnishee order is issued by the court attaching the account of customer, the banker is called................	Judgement debtor	Judgement creditor	Garnishee	Garnishor	3
If the customer has drawn more than one cheques and if there is no amount for payment of all the cheques than payment can be made as ______	partial payment	full payment	banker can make payment at own discretion	at the choice of customer	3
If the cheque is drawn properly and there is a sufficient amount for payment and if there is a legal restriction imposed on cheque than	banker can make payment	banker can pay at his own discretion	banker cannot make payment	none of above	3
Stop payment instruction can be given by __________	payee	holder	customer	endorsee	3
If a person signs in his official capacity dies than cheque becomes	dishonoured	not dishonoured	either both	none of above	1
Which of the following can be considered as payment in due course ?	payment in cross cheque	payment in money	payment made after banking hours	payment of forged cheque	2

Certification of cheque is done by ________	drawer	paying bank	both	none of above	2
If a cheque of large sum has been dishonoured by banker and afterwards he receives a cheque of small amount and there is a fund for second cheque than	second cheque is also dishonoured	second cheque can be paid	none of both	either of two	2
The banker cannot make payment in case of	breach of trust	defective tittle of party	insanity of customer	all of above	4
The type of compensation provided to the customer who is not a businessman, such compensation is called ___________	nominal compensation	special compensation	substantial Compensation	none of them	1
Which of the condition has to be fulfilled for substantial compensation?	there must be damage to business	damage to special credit of customer	contract of customer is damaged	all of above	4
Who will remain liable for alteration of cheque ?	banker	party to cheque	person who altered	all of above	3
If there are more than one person authorised to operate the account, stop payment instruction given by any one will be considered	invalid	valid	positive	both 1 and 3	2
While requesting for stop payment, customer shouild provide information of _____	cheque number	date	amount	all of above	4
When the purchaser of draft countermand payment, it terminate the relationship of_____	debtor and creditor	Trustee and Beneficiary	Bailee and Bailor	Agent and Principal	4

As per RBI regulations, the banker can honour the cheque upto _____	3 months	4 months	2 months	5 months	1
The banker cannot recover the money if it has been paid under the mistake of _____	law	fact	customer	none of above	1
When money can be recovered ?	under the mistake of fact	money recieved malafide	mistake between party receiving and paying	all of above	4
Payment of cheque involves risk to ______	paying bank	customer	third party	none of above	1
To minimize the loss suffered by banker who provides protection ?	negotiable instrument act	goverment	customer	all of above	1
Protection against _______ is provided by statutory act.	payment of order cheque	payment of bearer cheque	payment of cross cheque	all of above	4
In order to give protection to paying banker in case of order cheque than which condition has to be fulfilled ?	endorsement must be regular	payment must be made in due course	both 1 and 2	none of above	3
In case of bearer cheque , if the cheque is stolen and the banker makes the payment without knowledge then	he will be liable	he will be discharged of liability	he will be protected	both 2 and 3	4
If a paying banker makes payment of cross cheque with irregular endorsement than he will not be protected by statutory law .	TRUE	FALSE	either both	no comment	1
If the material alteration can be seen clearly in the cheque and the	he will be liable	he will be discharged of liability	he will be protected	both 2 and 3	1

banker makes payment than ..					
When banker pays money by mistake to an agent and agent paid it to principal than money can be recovered .	TRUE	FALSE	partly true	partly false	2
When money is paid to an innocent holder by mistake then	money can be recovered	money cannot be recovered	bank can act at his own discretion	partly recovered	2
When a person receives money in bad faith, then	banker is liable	banker can recover money	banker cannot recover money	banker will be punished	2
The stop order given by the drawer of the cheque may be considered legal only when it contains detail/s of	cheque number	amount	name of payee	all of above	4
___________ is a bill of exchange by which some bank ask some other bank or its own branch to pay certain amount of money to a particular person .	draft	bankers draft	bill receivable	both 1 and 2	4
In order to curb mal practice ,RBI has instructed all the bank not to honour cheques wherin if correction have been made for certain period dated on _____	22nd feb 2010	40219	38357	38374	1
Overwritting cheque with correction should not be valid from ____	40360	39234	42917	40330	1
Alteration in the document is brought due to following factors are considered valid ..	document torn by a child	ravage by ants	document burnt in accident	all of above	4

To be valid and effective ,an alteration must be ____	authenticated	must have signature of drawer	both 1 and 2	none	3
In case of dishonour of cheque ,the customer can proceed against banker for wrongful dishonour on the ground of ___	breach of contract	negligence	defamation	all of above	4
Amounts in word shall be the amount undertaken or order to be paid has been accepted by banks since ___	1st may 1979	1st may 1980	1st march 1979	1st march 1980	1
In order to stop the payment , the customer has to instruct the banker in ___	written form	oral form	on call	none	1
The banker deputed to collect the amount of cheque from another banker called ________	collecting banker	drawee	customer	both 1 and 2	1
While collecting cheque on behalf of the customer, the banker act as a ___	partner of customer	agent of customer	agent of bank	worker of bank	2
If the banker allows his customer to withdraw money before cheques paid in for collection are actually collected and credited then banker is called as	an agent	holder for value	both 1 and 2	none	2
The tittle of holder in due course is superior to ___	customer	banker	true owner	bank	3
If the cheque send for collection is dishonoured then collecting banker can sue ___	endorser	customer	all previous party	1 and 2	3

When the customers cheque is collected and actually realised from drawee banker than collecting bank act as a	agent	holder for value	both 1 and 2	none	1
Conversion is a wrongful interference or meddling with goods of another ,here goods refer to ?	products	machines	cheques	assets	3
If collecting banker however being innocent has converted goods of another than	he will not be liable	he will be liable	partly liable	partly not liable	2
Statutory protection to the collecting banker can be provided in which kind of cheque ?	order cheque	bearer cheque	crossed cheque	all of above	3
In case of a cross cheque , if crossing is made after presenting to banker than ,,,	banker will be protected against loss	banker cannot be protected against loss	banker will not be liable	banker will be safe	2
protection can be provided if the banker act as a ____	agent	holder	both 1 and 2	innocent	1
What precaution to be taken by collecting banker ?	money collected must be for customer	not in good faith	without negligence	money collected for stranger	1
Collection of account payee cheque for any other person than the banker	will get protection	will not be liable	will not get protection	both 1 and 2	3
What is prima facie ?	appear to be true	appear to be false	appear true at first and later on proves false	partly true partly false	3
What are considered under the head of negligence ?	contributory negligence	gross negligence	negligence under remote grounds	all of above	4

If a collecting banker fails to verify the existence of authority in case of per pro signature .this is the example of ______	contributory negligence	negligence under remote grounds	gross negligence	all of above	3
Collecting a cheque payable to the firm to the private a/c of the partner without enquiry is the example of ______	contributory negligence	negligence under remote grounds	gross negligence	negligence connected with immediate collection	4
Collecting banker if act as an agent then he will be responsible to whom for omission and mistakes ?	bank	customer	third party	goverment	2
In case of properly appointed sub agent ,who will be responsible for act of sub agent as pointed out by Bombay high court ?	sub agent himself	principal	both 1 and 2	agent	4
In case of substitute agent, a person named by an agent holding an express or implied authorityto act as a principal of business agency, who will be considered responsible ?	sub agent himself	principal	agent of bank	none	2
If the banker has paid the money due to mistake than money can be recover under which condition ?	mistake between paying banker and payee	mistake should be during real transaction	condition of payee is changed after payment	both 1 and 2	4
If the paying banker and collecting banker are one individual then the banker has to pay the money on __	the next day after presented	same day when presented	after two days of presenting	after three days of presenting	2

The paying banker gets protection under which statutory law ?	sec 85 of negatiable instrument	sec 131 of negotiable instrument act	sec 120 of negotiable instrument act	sec 185 of negotiable instrument act	1
The collecting banker gets protection under which statutory law ?	sec 85 of negatiable instrument	sec 131 of negotiable instrument act	sec 120 of negotiable instrument act	sec 185 of negotiable instrument act	2
If the banker is acting as a paying banker as well as collecting banker, in which position the element of negligence becomes immaterial ?	as an agent	as a paying banker	as a collecting banker	all of above	2
if the banker is acting as a double role of paying and collecting then in which position the element of negligence becomes important ?	as an agent	as a paying banker	as a collecting banker	all of above	3
When a bank receives any cheque for collecting and if it is to the same bank by another customer then the banker has to perform the duty of ___	paying banker	collecting banker	dual role of collecting and paying	none	3
Which one of the following is not material alteration?	Additions of words like 'not negotiable' to a crossed Cheque	Converting order Cheque into bearer	Removal of crossing	none	1
'Payment in due course' is the	Payment to the last holder of the cheque	Payment according to apparent tenor in good faith and without negligence	Payment according to apparent tenor	payment not made in money	2

On receipt of notice of customer’s insanity would you stop payment of a cheque?	No, because customer signed it before insanity	Yes, insanity terminates contract	No, because notice of insanity is not enough to dishonour a cheque.	at my own discretion	2
When a banker must refuse a payment of a cheque?	Customer is suffering from illness	Customer goes to the out of station	Death of Customer	Customer presents a cheque within two months from the date on cheque	3
Who has the right to stop payment of the check?	Acceptor of cheque	Drawer of a cheque	Holder of cheque	Payee of cheque	2
Money paid by which type of mistake is recoverable by a banker?	Mistake of fact	Mistake of law	Mistake of collection	None of the above	1
Which is the method of collection of cheques?	As a holder for Value	As an agent of the customer	As a debtor	Option A & B both	4
Amount of account payee crossed cheque is ______________	Credited to any person's account	Not credited to any person's account	Credited to account of person whose name is mentioned as payee	Not credited to account of person whose name is mentioned as payee	3
When the garnishee order applied on customer's account, then bank ____________ transactions of account.	Continues	Suspends	Closes permanently	Repeats transaction	2
When a cheque payable to partnership firm is presented for collection in the partner's individual account, then banker should	Honour the cheque	Dishonour the cheque	Cancel the cheque	Tear the cheque	2

The primary relationship between banker and customer is a ______.	Mutual	Contractual	Personal	None of the above	2
When banker receives deposits from the customer, then the banker becomes ______ of the customer.	Debtor	Creditor	Bailee	Trustee	1
When banker-customer relationship gets terminated?	When customer goes to foreign country	When customer declared offender	When customer becomes insane	When customer becomes physically handicapped due to accident	3
The banker has a statutory obligation to _________.	Honour customers' cheque	Exercise lien	To provide credit card	To provide debit card	1