

**SSR DEGREE COLLEGE (AUTONOMOUS) NIZAMABAD**  
**SEM – II INTERNAL – II**  
**BANKING FINANCIAL & SERVICE**  
**QUESTION BANK**

## **I. Multiple Choice Questions**

**1. A negotiable instrument is transferable by:**

- a) Registration
- b) Delivery or endorsement
- c) Cheque only
- d) Legal notice

**Answer:** b) Delivery or endorsement

**2. Which of the following is a negotiable instrument?**

- a) Share certificate
- b) Bill of exchange
- c) Fixed deposit receipt
- d) Insurance policy

**Answer:** b) Bill of exchange

**3. The paying banker is the bank which:**

- a) Issues cheques
- b) Collects cheques
- c) Makes payment of cheques
- d) Endorses cheques

**Answer:** c) Makes payment of cheques

**4. A collecting banker acts mainly as:**

- a) Debtor
- b) Creditor
- c) Agent
- d) Trustee

**Answer:** c) Agent

**5. A banker can refuse payment of a cheque if:**

- a) Funds are sufficient
- b) Cheque is properly dated
- c) Customer has stopped payment
- d) Signature is correct

**Answer:** c) Customer has stopped payment

**6. Wrongful dishonour of a cheque results in:**

- a) Profit to bank

- b) Loss of reputation to customer
- c) Extra interest
- d) Bonus to banker

**Answer:** b) Loss of reputation to customer

**7. Documents of title to goods include:**

- a) Fixed deposit receipt
- b) Bill of lading
- c) Share certificate
- d) Insurance policy

**Answer:** b) Bill of lading

**8. While advancing loans against goods, banks mainly ensure:**

- a) Goods are uninsured
- b) Goods are easily marketable
- c) Goods are perishable
- d) Goods belong to borrower's friend

**Answer:** b) Goods are easily marketable

**9. Loans against real estate are generally:**

- a) Short-term loans
- b) Medium-term loans
- c) Long-term loans
- d) Demand loans

**Answer:** c) Long-term loans

**10. Which of the following is treated as collateral security?**

- a) Passbook
- b) Insurance policy
- c) Cheque book
- d) ATM card

**Answer:** b) Insurance policy

**1. Financial services mainly help in:**

- a) Manufacturing goods
- b) Mobilising and allocating funds
- c) Transporting goods
- d) Producing raw materials

**Answer:** b) Mobilising and allocating funds

**2. Which of the following is a fund-based financial service?**

- a) Leasing
- b) Factoring
- c) Hire purchase
- d) All of the above

**Answer:** d) All of the above

**3. Non-fund based services include:**

- a) Term loans
- b) Leasing
- c) Guarantee services
- d) Hire purchase

**Answer:** c) Guarantee services

**4. Modern financial services mainly use:**

- a) Manual systems
- b) Traditional methods
- c) Advanced technology
- d) Barter system

**Answer:** c) Advanced technology

**5. Financial innovation is mainly caused by:**

- a) Customer needs
- b) Competition
- c) Technological development
- d) All of the above

**Answer:** d) All of the above

**6. Which of the following is an innovative financial instrument?**

- a) Fixed deposit
- b) Mutual fund
- c) Derivatives
- d) Savings account

**Answer:** c) Derivatives

**7. Venture capital is mainly provided to:**

- a) Government
- b) Large companies
- c) New and growing businesses
- d) Banks

**Answer:** c) New and growing businesses

**8. Credit rating is a \_\_\_\_\_ based service.**

- a) Fund
- b) Non-fund
- c) Deposit
- d) Loan

**Answer:** b) Non-fund

**9. One major challenge faced by the financial service sector is:**

- a) Excess manpower
- b) Technological changes
- c) No competition

d) Lack of customers

**Answer:** b) Technological changes

**10. The present financial service scenario is characterised by:**

a) Low competition

b) Limited services

c) Innovation and digitisation

d) Manual operations

**Answer:** c) Innovation and digitisation

**1. Merchant banks mainly deal with:**

a) Accepting deposits

b) Issue management and advisory services

c) Agricultural loans

d) Personal loans

**Answer:** b) Issue management and advisory services

**2. One major problem of merchant banking in India is:**

a) Excess demand

b) Lack of professional expertise

c) Over-regulation

d) No scope

**Answer:** b) Lack of professional expertise

**3. Venture capital is mainly provided to:**

a) Established firms

b) Government companies

c) New and innovative enterprises

d) Banks

**Answer:** c) New and innovative enterprises

**4. Which of the following is a feature of venture capital?**

a) Short-term finance

b) High risk and high return

c) Fully secured

d) Fixed interest

**Answer:** b) High risk and high return

**5. Leasing is an agreement between:**

a) Buyer and seller

b) Banker and customer

c) Lessor and lessee

d) Agent and principal

**Answer:** c) Lessor and lessee

**6. A lease which cannot be cancelled before expiry is called:**

- a) Operating lease
- b) Financial lease
- c) Sale lease back
- d) Leveraged lease

**Answer:** b) Financial lease

**7. Discounting of bills means:**

- a) Selling goods at discount
- b) Advance given against a bill before maturity
- c) Cancellation of bill
- d) Refusal of bill

**Answer:** b) Advance given against a bill before maturity

**8. The party who sells receivables is called:**

- a) Factor
- b) Debtor
- c) Client
- d) Banker

**Answer:** c) Client

**9. In forfeiting, the exporter's risk is taken by the:**

- a) Importer
- b) Banker
- c) Forfeiter
- d) Broker

**Answer:** c) Forfeiter

**10. Forfeiting is mainly used in:**

- a) Domestic trade
- b) Retail trade
- c) International trade
- d) Agricultural trade

**Answer:** c) International trade

## **II. Fill in the Blanks**

**1. A cheque is drawn on a \_\_\_\_\_.**

**Answer:** Banker

**2. Negotiable instruments are transferable by negotiation and \_\_\_\_\_.**

**Answer:** Endorsement

**3. The banker who pays the cheque is called the \_\_\_\_\_ banker.**

**Answer:** Paying

**4. A banker must dishonour a cheque if the customer is declared \_\_\_\_\_.**

**Answer:** Insolvent

**5. Wrongful dishonour of a cheque damages the \_\_\_\_\_ of the customer.**

**Answer:** Reputation

**6. Goods pledged as security must be properly \_\_\_\_\_.**

**Answer:** Insured

**7. A bill of lading is a document of \_\_\_\_\_ to goods.**

**Answer:** Title

**8. Loans against property are secured by \_\_\_\_\_ of mortgage.**

**Answer:** Deed

**9. Insurance policies are accepted by banks as \_\_\_\_\_ securities.**

**Answer:** Collateral

**10. Receipts issued by banks for deposits are called banking \_\_\_\_\_.**

**Answer:** Receipts

**1. Financial services facilitate the flow of funds from \_\_\_\_\_ to users.**

**Answer:** Savers

**2. Services involving direct lending of money are called \_\_\_\_\_ based services.**

**Answer:** Fund

**3. Leasing is a \_\_\_\_\_ based financial activity.**

**Answer:** Fund

**4. Guarantee and underwriting services are \_\_\_\_\_ fund based services.**

**Answer:** Non

**5. Financial innovation leads to the development of new \_\_\_\_\_ and services.**

**Answer:** Products

**6. Technology plays a major role in modern financial \_\_\_\_\_.**

**Answer:** Services

**7. Derivatives are considered \_\_\_\_\_ financial instruments.**

**Answer:** Innovative

**8. Competition is one of the major causes for financial \_\_\_\_\_.**

**Answer:** Innovation

9. Cyber security is a major \_\_\_\_\_ faced by the financial service sector.

Answer: Challenge

10. The present scenario of financial services emphasises speed, safety and \_\_\_\_\_.

Answer: Convenience

1. Merchant banks provide \_\_\_\_\_ services to companies.

Answer: Advisory

2. Venture capital helps in the growth of \_\_\_\_\_ enterprises.

Answer: New

3. The owner of the asset in leasing is called the \_\_\_\_\_.

Answer: Lessor

4. A lease that allows cancellation is called \_\_\_\_\_ lease.

Answer: Operating

5. Sale and lease back involves selling an asset and \_\_\_\_\_ it back.

Answer: Leasing

6. Bill discounting improves the \_\_\_\_\_ of business firms.

Answer: Liquidity

7. Factoring involves the sale of \_\_\_\_\_ receivables.

Answer: Trade

8. The party who purchases receivables is known as the \_\_\_\_\_.

Answer: Factor

9. The charges paid in forfeiting are called \_\_\_\_\_ of forfeiting.

Answer: Costs

10. Forfeiting helps exporters to eliminate \_\_\_\_\_ risk.

Answer: Credit

### III. Descriptive Questions

1. Define negotiable instruments. Explain their **features and types**.
2. Explain the **duties and responsibilities of a paying banker**.
3. Define financial services. Explain their **functions, classification and scope**.
4. Explain **fund-based and non-fund-based financial services**.
5. Define merchant banking and explain the different type of services provided by merchant bank.