

AGA KHAN UNIVERSITY EXAMINATION BOARD

HIGHER SECONDARY SCHOOL CERTIFICATE

CLASS XII

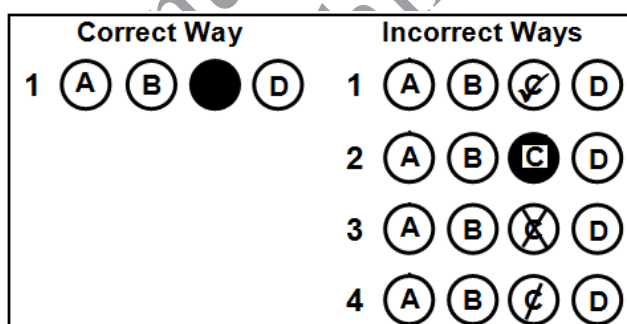
ANNUAL EXAMINATIONS (THEORY) 2023

Banking Paper I

Time: 1 hour 10 minutes Marks: 40

INSTRUCTIONS

1. Read each question carefully.
2. Answer the questions on the separate answer sheet provided. DO NOT write your answers on the question paper.
3. There are 100 answer numbers on the answer sheet. Use answer numbers 1 to 40 only.
4. In each question, there are four choices A, B, C, D. Choose ONE. On the answer grid, black out the circle for your choice with a pencil as shown below.



Candidate's Signature

5. If you want to change your answer, ERASE the first answer completely with a rubber, before blacking out a new circle.
6. DO NOT write anything in the answer grid. The computer only records what is in the circles.
7. The marks obtained on the 50 MCQs will be equated to the total marks of 75 for the theory examination results.
8. You may use a scientific calculator if you wish.

1. All of the following instruments possess the feature of general acceptability EXCEPT for
 - A. cheques.
 - B. coins.
 - C. currency notes.
 - D. demand drafts.

2. Alpha Bank Limited works on branch banking system and has its branches in almost all parts of a country.

All of the following benefits will be enjoyed by Alpha Bank Limited EXCEPT

- A. parity in the rate of interest.
 - B. the investment of idle funds.
 - C. regional imbalance between branches.
 - D. the economies of large-scale operations.

3. The final document that confirms the formation of a bank, under companies' ordinance is
 - A. articles of association.
 - B. certificate of commencement.
 - C. certificate of incorporation.
 - D. memorandum of association.

4. Bank controls the money supply in the economy in order to achieve sustainable growth and macroeconomics objectives.

With reference to the given statement, this bank will be classified as

- A. central bank.
 - B. commercial bank.
 - C. investment bank.
 - D. saving bank.

5. Beta Limited is a financial institution that accepts deposits and advances loan without any security. This bank also acts as a participant of credit creation.

With reference to the given description, Beta Limited can be classified as a/ an

- A. commercial bank.
 - B. investment bank.
 - C. mortgage bank.
 - D. exchange bank.

6. The type of bank account that does NOT give any return on deposits to the accountholder is
 - A. current account.
 - B. fixed deposit account.
 - C. saving account.
 - D. young savers account.

7. XYZ Bank Limited agrees to pay Rs 800,000 to a customer against the bill of exchange worth Rs 835,000 before its maturity.

The function performed by the commercial bank in the given scenario is referred as the

- A. noting of bill.
- B. retirement of bill.
- C. acceptance of bill.
- D. discounting of bill.

8. The customer relationship department of Arafat's bank has sent an email to inform him that he has been allowed a facility to withdraw limited amount in excess from his deposited amount. This excess amount needs to be paid within three months.

The facility provided by the bank is typically known as

- A. utility facility.
- B. overdraft facility.
- C. mortgage facility.
- D. bank loan facility.

9. Which of the following is TRUE for a schedule bank?

- A. It is registered with the Ministry of Finance.
- B. It is registered with the International Monetary Fund.
- C. It is authorised by the Central Bank to transact general businesses.
- D. It is authorised by the Government to transact government businesses.

10. Commercial banks act as an underwriter during the issuance of

- A. shares.
- B. bank drafts.
- C. treasury bills.
- D. investment certificates.

11. Commercial banks can play their part in expanding credit money by

- A. decreasing the interest rate.
- B. decreasing the primary deposit.
- C. increasing the cash reserve ratio.
- D. increasing the time (term) deposits.

12. The foreign scheduled commercial bank operating in Pakistan is

- A. Habib bank.
- B. Meezan bank.
- C. Bank of Punjab.
- D. Standard Chartered bank.

13. In order to increase the demand for goods in the market, the central bank should advise the government to

- A. decrease the tax rate.
- B. increase the interest rate.
- C. discourage credit creation.
- D. encourage the public to buy government securities.

14. The state bank of a country advises the government to increase the interest rate from 13% to 16%.

If the government opts for this increase, then the impact of this increase on spendings, borrowing and saving of the economy would be

	Spending	Borrowing	Savings
A	decrease	decrease	increase
B	increase	increase	decrease
C	increase	decrease	increase
D	decrease	increase	decrease

15. If the central bank issues more currency notes than the total value of the output of a country, then this will result in a/ an

- A. increase in inflation.
- B. decrease in unemployment.
- C. improvement in the living standards.
- D. decrease in the foreign exchange rate.

16. A bank keeps a certain part of its deposits as a minimum reserve to meet the demands of its depositors and lends out the remaining to earn income, thus bank creates credit in the market.

The MOST important factors that are considered by the banking sector while performing the given operations in the economy are

- A. liquidity and profitability.
- B. productivity and durability.
- C. divisibility and deliverability.
- D. professionalism and credibility.

17. The CORRECT sequence of activities performed by a commercial bank during the clearing of a cheque is

➔			
A	All claims are submitted to the central bank.	The central bank reviews and gives approval.	The payment is transferred through cash reserves to the clearing banks.
B	All clearing-in and clearing-out cheques are handed over to bank involved.	A final position summary is worked out for amount due or owing from involved bank.	Both side's summary sheet is verified, and payment is transferred through debit or credit in the clearing bank.
C	All cheques are transferred to the concerned bank for the transfer of payment via central bank.	The receiving bank verifies the claims and transfers the payment to the central bank.	Upon receiving the amount, the central bank settles the claim by transferring the amount.
D	All cheques are transferred to the central bank after verification.	The central bank verifies the amount and parties involved.	The central bank disposes the amount to claim account directly.

18. The central bank of a country is responsible for issuing currency notes. The central bank keeps a certain percentage of either gold or silver against the issuance of currency notes.

The given method of issuance of currency notes is known as the

- A. proportional reserve system.
 - B. minimum reserve system.
 - C. fixed fiduciary system.
 - D. maximum reserve system.
19. Aleem issued a cheque of ABC Bank to Zahid. Zahid endorsed this cheque to Mohsin. Mohsin deposited the cheque into XYZ Bank.

The cheque return memo indicated that the cheque was dishonoured because of the stop payment advice. With reference to the given situation, the party that can order the bank to stop payment requests is

- A. Aleem.
- B. Zahid.
- C. Mohsin.
- D. ABC Bank.

PLEASE TURN OVER THE PAGE

Use the given information to answer the Q.20 and Q.21.

The given schedule represents deposits and credit creations of an economy.

Client	Primary Deposit (Rs)	Cash Reserve (Rs)	Credit Creation (Rs)
1st client	1,000	200	800
2nd client	800	160	640
3rd client			?

Assuming that there is a single bank operating in an economy,

20. The cash reserve ratio (CRR) will be
- 5%.
 - 16%.
 - 20%.
 - 25%.
21. If the 1st client invests Rs 1,000 in a commercial bank, then the total credit creation in the economy will be
- Rs 1,000
 - Rs 4,000
 - Rs 5,000
 - Rs 20,000
22. Salim deposited a cross cheque for clearance received from a vendor of a third party. The bank returned and marked the cheque as “restrictive crossing”.
- In the given situation, the reason for bank’s refusal of the payment transfer is because the
- cheque is incorrectly signed by the vendor at the endorsement.
 - payment is only transferable to the mentioned account in the crossing.
 - bank account of the payee does not have sufficient balance to be transferred.
 - date mentioned on the cheque is passed and it has become invalid for payment.

23. Given is the specimen of promissory note.

<p>Mr A 1/4 office, 14 street, DHA, Karachi March 22, 2017</p>
<p>Rs.10,000/=</p> <p>Four months after date, I promise to pay Mr.B a sum of rupees ten thousand for the value received.</p> <p>To MrC 921-1, Arena Colony, Korangi, Karachi</p>

The KEY item or term that indicates that the given instrument is a promissory note is a/ an

- A. amount.
B. order.
C. promise.
D. signature.
24. Saad drew a bill of exchange of Rs 35,000 and transferred it to Sameer. Sameer then endorsed the same bill to Hira. Hira discounted the bill from her bank.
- In the given situation, the payee is
- A. Bank.
B. Hira.
C. Saad.
D. Sameer.
25. Asif endorsed a promissory note to his friend. On the face of the promissory note, Asif mentions the following statement 'Pay to Maisum or order at his own risk'.
- In the given situation, the endorsement of note is classified as
- A. conditional endorsement.
B. facultative endorsement.
C. restrictive endorsement.
D. sans recourse endorsement.

26. The given cheque is a/ an



- A. anti-date cheque.
- B. cross cheque.
- C. dishonoured cheque.
- D. open cheque.

27. The parties involved in a promissory note are

- A. drawee and payee.
- B. endorser and payee.
- C. drawer, drawee and payee.
- D. drawer, endorser and payee.

28. Exchange rates between United States Dollar (US \$) and United Arab Emirates (AED) are fixed. One US\$ is equal to 3.67 AED. The given statement is an example of

- A. exchange pegging.
- B. clearing agreement.
- C. standstill agreement.
- D. transfer moratorium.

29. In the last two decades, Pakistani currency has devalued twice as compared to its value in 2000-2005.

The MAJOR impact of this change in devalue of currency is shown through

- A. increasing inflation.
- B. increasing trade surplus.
- C. decreasing foreign debt.
- D. decreasing deficit in BoP.

30. All of the following are the components of balance of payment EXCEPT
- A. current account.
 - B. capital account.
 - C. revenue account.
 - D. foreign exchange reserves.
31. A Pakistani citizen, working in Abu Dhabi, has AED 16,000 (Dirhams) in his bank account. He is now planning a visit to USA for a conference.
- If he spends AED 14,400 in USA, then the money he spent in dollars would be
- Note:** Assume that 1 Dollar is equal to Rs 180, whereas as 1 AED is equal to Rs 50.
- A. \$ 4,000
 - B. \$ 4,444
 - C. \$ 5,555
 - D. \$ 6,000
32. Country Q revalues its currency as compared to the currency of country R.
- The effect of this revaluation is that it will
- A. dissolve the currency of country R.
 - B. equate the currency of both countries.
 - C. make the currency of country Q cheap as compared to the currency of country R.
 - D. make the currency of country R cheap as compared to the currency of country Q.
33. Alpha Corporation applied for loan of Rs 1 million from Zanta Bank Limited. The credit department of the bank approved the loan without considering any legal security document. This was done because of the political affiliations of the director of Alpha Corporation.
- The principle of credit management which has been ignored in the given situation is
- A. capital.
 - B. capacity.
 - C. courtesy.
 - D. collateral.

34. Asad wanted to buy a new building worth Rs 1,200,000 for his business. His friend advised him to borrow money from a commercial bank.

Which of the following forms of finance would be MOST suitable for Asad in the given scenario?

- A. Bank loan
- B. Credit card
- C. Bank overdraft
- D. Discounting of bill

35. All of the following are the profitable uses of bank funds EXCEPT

- A. bank overdraft.
- B. call loans.
- C. discounting of bill of exchange.
- D. reserves of the bank with the central bank.

36. A deed was signed by a borrower for the purpose of taking a loan. The following clauses were there in the deed:

- If the debtor (i.e., borrower) fails to repay the debt, then the creditor can sell the property (i.e., given as security).
- The property (i.e. security) will remain in the hands of the borrower.
- The security provided is for the specific interest against the money borrowed.

The given deed shows that the source of funding utilised is

- A. indemnity.
- B. lien.
- C. mortgage.
- D. pledge.

37. Bisma bought a car through car financing from a bank. Under the agreement with the bank, Bisma will have the possession of the car with herself but if she is unable to pay the amount, then the bank will take the possession of the vehicle.

The type of collateral security referred in the given scenario is

- A. bank lien.
- B. hypothecation.
- C. mortgage.
- D. pledge.

38. Noor Traders bought a plant and machinery costing Rs 2.5 million. This business has insured plant and machinery with an Islamic bank.

The Islamic mode of financing used by Noor Traders is known as

- A. *Bai'salam.*
- B. *Ijarah.*
- C. *Musharaka.*
- D. *Takaful.*

39. The Government of Pakistan established a public corporation whose main purpose was to provide financing to the public enterprises. Later on, its objectives were expanded to provide financing to private enterprises as well.

It was created in 1973 through an Act passed by the Parliament of Pakistan, under the leadership of Zulfikar Ali Bhutto. It was amalgamated into the National Bank of Pakistan under the regime of General Pervez Musharraf in 2001.

The given description is about

- A. IBP.
- B. ICT.
- C. NDFC.
- D. PICIC.

40. The following objectives are of an institution:

- provides long term capital to its member nations for economic development and reconstruction.
- helps in inducing long term capital for improving the balance of payments and thereby balancing international trade.
- helps by providing guarantees against loans granted to large and small units and other projects for the member nations.
- promotes the capital investment for member nations by providing a guarantee for the capital investment and loans.

The given objectives are of

- A. Asian Development Bank.
- B. European Central Bank.
- C. International Monetary Fund (IMF).
- D. World Bank.

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