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# Banking System Questions for Bank Exams (IBPS Clerk & SBI Clerk)

## Banking System Quiz 4

Choose the right answer from the given options.

**1. What is full form of the term 'NPA' as used in banking environment?**

- A. Non Profitable Assets    B. New Potential Accounts    C. Non Performing Assets  
D. Net Performing Assets    E. None of these

**2. A money deposited at a bank that cannot be withdrawn for present fixed period of time is known as**

- A. Term Deposit    B. Checking Account    C. Saving Bank Deposit  
D. No Frills Account    E. Current Deposit

**3. Which one of the following is not 'Money Market Instrument'?**

- A. Treasury Bills    B. Commercial Paper    C. Certificate of Deposit    D. Equity Shares  
E. None of these

**4. Which one of the following is a retail banking product?**

- A. Home Loans    B. Working Capital Finance    C. Corporate Term Loans  
D. Infrastructure Financing    E. Export Credit

**5. Which one of the following is not a function of the Reserve Bank of India?**

- A. Fiscal Policy Function
- B. Exchange Control Functions
- C. Issuance, Exchange and Destruction of Currency Notes
- D. Monetary Authority Functions
- E. Supervisory and Control Functions

**6. Which one of the following is not required for opening a bank account?**

- A. Identity Proof   B. Address Proof   C. Recent Photographs
- D. Domicile Certificate   E. None of these

**7. Banking Ombudsman Scheme is applicable to the business of**

- A. All scheduled commercial banks excluding RRBs
- B. All scheduled commercial banks including RRBs
- C. Only Public Sector Banks
- D. All banking companies
- E. All scheduled banks accept private banks

**8. Nationalization of banks aimed at all of the following except**

- A. Provision of adequate credit for agriculture SME and exports
- B. Removal of control by a few capitalists
- C. Provision of credit to big industries only
- D. Access of banking to masses

E. Encouragement of a new class of entrepreneurs

**9. As per revised RBI Guidelines, provision on secured portion of loan accounts classified as doubtful assets for more than one year and up to 3 years is to be made at the rate of**

A. 15%   B. 20%   C. 40 %   D. 25%   E. 30%

**10. Base rate is the rate below which no bank can allow their lending to anyone. Who sets up this 'Base Rate' for Banks?**

A. Individual Banks' Board   B. Ministry of Commerce   C. Ministry of Finance

D. RBI   E. Interest Rate Commission of India



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**Correct Answers:**

1	2	3	4	5	6	7	8	9	10
C	A	D	A	A	D	D	C	E	D

**Explanations:****1.**

In the banking environment, NPA stands for Non Performing Assets.

A debt obligation where the borrower has not paid any previously agreed upon interest and principal repayments to the designated lender for an extended period of time. The nonperforming asset is therefore not yielding any income to the lender in the form of principal and interest payments.

For example, a mortgage in default would be considered non-performing. After a prolonged period of non-payment, the lender will force the borrower to liquidate any assets that were pledged as part of the debt agreement. If no assets were pledged, the lenders might write-off the asset as a bad debt and then sell it at a discount to a collections agency.

Hence, the option C is correct.

**2.**

Term deposit is a deposit held at a financial institution (Banks) is also known as fixed deposit.

In other words, when a term deposit is purchased by the customer. He/she understands that the money can only be withdrawn after the term has ended or by giving a predetermined number of days notice.

Hence, the option A is correct.

**3.**

As money became a commodity, the money market became a component of the financial markets for assets involved in short-term borrowing, lending, buying and selling with original maturities of one year or less.

**List of Money Market Instruments:**

1. Treasury bills
2. Commercial paper
3. Bankers' acceptances
4. Deposits
5. Certificates of deposit
6. Bills of exchange
7. Repurchase agreements
8. Federal funds
9. Short-lived mortgage
10. Asset-backed securities.

Hence, the option D is correct.

**4.**

**Home loans is a retail banking product.**

A home equity loan is a type of loan in which the borrower uses the equity of his or her home as collateral. Home equity loans are often used to finance major expenses such as home repairs, medical bills, or college education. A home equity loan creates a lien against the borrower's house and reduces actual home equity.

Hence, the option A is correct.

**5.**

In terms of revenue collection (mainly taxes) and expenditure (spending) to influence the economy, the government of India uses fiscal policy.

It is not a function of the reserve bank of India.

Hence, the option A is correct.

**6.**

According to KYC Norms, you have to submit following documents while opening a bank account.

**1. Recent Passport Size Photograph**

**2. Any Form of Identity Proof : Followings are acceptable as valid Identity Proofs:**

a. Passport

- b. PAN Card
- c. Voter's Identity Card
- d. Driving Licence
- e. Any form of Identity Card (College ID Card, Employee Identify Card etc)
- f. Letter from a recognized public authority or public servant verifying the identity of the customer

**3. Proof of Address : Followings are acceptable as valid Address Proofs:**

- a. Telephone Bill (Some banks insist on any government operators' like BSNL or MTNL telephone bill and don't accept private operators bills, so be prepared, if your bank also does the same)
- b. Bank Account Statement
- c. Letter from a Recognized Public Authority or Public Servant verifying the residence of the customer
- d. Electricity Bill
- e. Ration Card
- f. Letter from Employer

Hence, the option D is correct.

**7.**

The Banking Ombudsman Scheme enables an expeditious and inexpensive forum to bank customers for resolution of complaints relating to certain services rendered by banks. The Banking Ombudsman Scheme is introduced under Section 35 A of the Banking Regulation Act, 1949 by RBI with effect from 1995.

It is applicable to the business of all banking companies.

Hence, the option D is correct.

**8.**

Nationalization of banks does not aim at provision of credit to big industries only.

Hence, the option C is correct.

9.

As per revised RBI Guidelines, provision on secured portion of loan accounts classified as doubtful assets for more than one year and up to 3 years is to be made at the rate of 30%.

Hence, the option E is correct.

10.

**The Base Rate:**

The interest rate at which Reserve Bank of India lends money to domestic banks. Often these loans are very short in duration. Managing the bank rate is a preferred method by which central banks can regulate the level of economic activity. Lower bank rates can help to expand the economy, when unemployment is high, by lowering the cost of funds for borrowers. Conversely, higher bank rates help to reign in the economy, when inflation is higher than desired.

Hence, the option D is correct.







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