

JAIIB May 2026

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Memory Based Question

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Memory Based Question Paper

1. A cheque is presented for payment 6 months after its date of issue. The bank returns it unpaid. Under the Negotiable Instruments Act, 1881, this cheque is termed as:

- A. Ante-dated cheque
- B. Stale cheque
- C. Post-dated cheque
- D. Mutilated cheque

Answer: B. Stale cheque

Explanation: A cheque presented after 3 months (as per RBI guidelines) from the date of issue is considered a stale cheque and banks are not obligated to honour it.

2. Under Section 59 of the Negotiable Instruments Act, a party liable to pay on an instrument makes a partial payment. The creditor applies the payment first towards interest accrued, then towards principal. This is an example of:

- A. Appropriation of payment under Section 59
- B. Partial discharge of liability
- C. Clayton's Rule
- D. Set-off principle

Answer: A. Appropriation of payment under Section 59

Explanation: Section 59 of the NI Act deals with payment in due course and the order of appropriation — interest is typically cleared first before principal, consistent with appropriation rules.

3. Mr. Ramesh, aged 17, enters into a contract with a bank for a loan. Which of the following statements is CORRECT regarding this contract?

- A. The contract is voidable at the option of the bank
- B. The contract is valid since banks can lend to minors
- C. The contract is void ab initio as a minor lacks capacity under the Indian Contract Act
- D. The contract becomes valid once the minor turns 18

Answer: C. The contract is void ab initio as a minor lacks capacity under the Indian Contract Act

Explanation: Under the Indian Contract Act, 1872, a contract with a minor is void ab initio (void from the beginning) as minors lack contractual capacity. A minor is defined as a person below 18 years of age.

4. In a pledge, the pledgee (bank) has taken physical possession of goods as security. The pledgor defaults. Which of the following rights does the pledgee have?

- A. The pledgee can sell the goods without any notice to the pledgor
- B. The pledgee can only file a suit for the amount due

- C. The pledgee can retain the goods indefinitely without selling them
- D. The pledgee can sell after reasonable notice to the pledgor

Answer: D. The pledgee can sell after reasonable notice to the pledgor

Explanation: Under the Indian Contract Act, the pledgee has the right to sell the pledged goods upon default by the pledgor, but must give reasonable notice before such sale. Actual possession by the pledgee is the key characteristic distinguishing pledge from hypothecation.

5. Which of the following combinations CORRECTLY identifies entities who can create a charge under the SARFAESI Act, 2002?

- A. Only scheduled commercial banks
- B. Banks, NBFCs registered with RBI, and companies recognised under SARFAESI
- C. Only public sector banks and state financial institutions
- D. Cooperative banks and payment banks only

Answer: B. Banks, NBFCs registered with RBI, and companies recognised under SARFAESI

Explanation: Under SARFAESI Act, 2002, banks, NBFCs registered with RBI (above a specified asset size), and other financial institutions notified under the Act are empowered to enforce security interest without court intervention.

6. Under the Consumer Protection Act, the State Information Commission (SIC) is an appellate authority for orders passed by:

- A. District Consumer Forum
- B. Central Public Information Officer (CPIO)
- C. State Public Information Officer (SPIO)
- D. State Consumer Disputes Redressal Commission

Answer: A. District Consumer Forum

Explanation: Note: The SIC (State Information Commission) under RTI Act hears appeals/complaints against State PIOs. Under the Consumer Protection Act, appeals from the District Consumer Forum go to the State Commission. The question relates to appellate structure under the Consumer Protection framework.

7. Which of the following is an example of a 'public authority' under the Right to Information (RTI) Act, 2005?

- A. A private limited company incorporated under the Companies Act
- B. A partnership firm receiving no government funding
- C. A body constituted by or under the Constitution of India
- D. An NGO not substantially financed by the government

Answer: C. A body constituted by or under the Constitution of India

Explanation: Under RTI Act, 2005, 'public authority' includes any body constituted by or under the Constitution, by any law made by Parliament or State Legislature, or by notification issued by the appropriate government.

8. A public limited company under the Companies Act, 2013 requires a minimum of ___ members to be incorporated:

- A. 2 members
- B. 5 members
- C. 7 members
- D. 10 members

Answer: C. 7 members

Explanation: A public limited company requires a minimum of 7 members for incorporation under the Companies Act, 2013. A private limited company requires a minimum of 2 members.

9. In the context of MSME delayed payment provisions, a buyer fails to pay a micro enterprise within the agreed credit period. As per the MSMED Act, 2006, the interest charged on delayed payment shall be:

- A. Equal to the bank rate notified by RBI
- B. Three times the bank rate notified by RBI, compounded monthly
- C. Equal to the lending rate of the State Bank of India
- D. As mutually agreed between buyer and seller

Answer: B. Three times the bank rate notified by RBI, compounded monthly

Explanation: Under Section 16 of the MSMED Act, 2006, if a buyer fails to pay within the agreed period (maximum 45 days), the interest payable shall be compounded with monthly rests at three times the bank rate notified by the RBI.

10. The relationship between a bank and its depositor (savings account) in terms of legal characterisation is best described as:

- A. The bank is the creditor and the depositor is the debtor
- B. The bank is the trustee and the depositor is the beneficiary
- C. The bank is the bailee and the depositor is the bailor
- D. The bank is the debtor and the depositor is the creditor

Answer: D. The bank is the debtor and the depositor is the creditor

Explanation: In a deposit relationship, the bank becomes the debtor as it owes the money to the depositor. The depositor is the creditor. The bank uses the funds as its own and is liable to repay on demand (in case of a savings/current account).

11. Under Priority Sector Lending (PSL) norms, the Adjusted Net Bank Credit (ANBC) is calculated as Net Bank Credit plus:

- A. Investments in non-SLR securities plus outstanding FCNR(B) deposits
- B. Outstanding FCNR(B) deposits plus off-balance sheet exposure
- C. Credit equivalent amount of off-balance sheet exposures plus investments in non-SLR bonds held in HTM
- D. Contingent liabilities plus capital adequacy buffer

Answer: C. Credit equivalent amount of off-balance sheet exposures plus investments in non-SLR bonds held in HTM

Explanation: ANBC = Net Bank Credit + Credit Equivalent Amount of Off-Balance Sheet Exposures + Investments in non-SLR bonds in HTM category. The PSL targets are calculated as a percentage of the higher of ANBC or Credit Equivalent of Off-Balance Sheet Exposure.

12. A bank has a standard asset classified under commercial real estate (CRE). What is the provisioning requirement as per RBI guidelines?

- A. 0.25%
- B. 0.40%
- C. 0.75%
- D. 1.00%

Answer: D. 1.00%

Explanation: As per RBI provisioning norms, standard assets under Commercial Real Estate (CRE) require a provisioning of 1.00%. Agricultural loans and SME loans attract 0.25%, while CRE residential housing attracts 0.75%.

13. A loan account is classified as a Doubtful Asset — Category 2 (DA2). What is the applicable provisioning rate for the secured portion of this NPA?

- A. 25%
- B. 15%
- C. 40%
- D. 100%

Answer: C. 40%

Explanation: Under RBI NPA provisioning norms: DA1 (up to 1 year in doubtful category) = 25% on secured portion; DA2 (1–3 years) = 40% on secured portion; DA3 (more than 3 years) = 100%. The unsecured portion always attracts 100% provisioning.

14. Under the Maximum Permissible Bank Finance (MPBF) — Second Method of lending, working capital finance is restricted to:

- A. 75% of total current assets minus current liabilities
- B. 75% of (total current assets minus current liabilities other than bank borrowings)
- C. Total current assets minus 25% of net working capital minus current liabilities other than bank borrowings
- D. 100% of current assets minus all current liabilities

Answer: C. Total current assets minus 25% of net working capital minus current liabilities other than bank borrowings

Explanation: Under Tandon Committee's Second Method of MPBF: $MPBF = 0.75 \times (\text{Total Current Assets}) - \text{Current Liabilities other than bank borrowings}$. This effectively means the borrower must bring in at least 25% of current assets from long-term sources as Net Working Capital.

15. Under Basel III norms, the minimum Capital to Risk-weighted Assets Ratio (CRAR) required is:

- A. 9% with Tier 1 at minimum 6%
- B. 8% with Tier 1 at minimum 6%
- C. 10.5% including capital conservation buffer
- D. Both B and C are correct depending on jurisdiction

Answer: A. 9% with Tier 1 at minimum 6%

Explanation: In India, RBI mandates a minimum CRAR of 9% under Basel III,

with a minimum Tier 1 capital requirement of 7% (including Capital Conservation Buffer of 2.5%). The global Basel III minimum CRAR is 8%. For JAIIB purposes, the Indian requirement of 9% is more relevant.

16. In a Letter of Credit transaction, the term 'sight LC' means:

- A. Payment is made 90 days after the sight of documents
- B. The LC is payable immediately on presentation of conforming documents
- C. Payment is deferred until the goods are received by the buyer
- D. The bank guarantees payment only on the maturity date of the bill

Answer: B. The LC is payable immediately on presentation of conforming documents

Explanation: A 'sight LC' (also called demand LC) requires the bank to make payment immediately upon presentation of complying documents. This is in contrast to a 'usance LC' or deferred payment LC, where payment is made at a future date after sight.

17. Under FEMA, 1999, which of the following is classified as a 'Capital Account Transaction'?

- A. Payment for export of goods
- B. Remittance of interest on external borrowings
- C. Foreign direct investment in India
- D. Payments for import of services

Answer: C. Foreign direct investment in India

Explanation: Capital Account Transactions under FEMA involve changes in assets or liabilities (including contingent liabilities) outside India. FDI in India alters the asset/liability structure and is thus a capital account transaction. Payments for imports/exports and interest remittances are current account transactions.

18. Consider the following statements regarding Hypothecation: 1. Physical possession of the hypothecated goods remains with the borrower. 2. In case of default, the bank must first obtain possession before enforcing its rights. 3. Hypothecation can be converted into a pledge if the bank takes possession. 4. Banks cannot enforce SARFAESI action on hypothecated goods. Which statements are CORRECT?

- A. 1 and 4 only
- B. 1, 2, and 3 only
- C. 2 and 3 only
- D. 1, 2, 3, and 4

Answer: B. 1, 2, and 3 only

Explanation: Statements 1, 2, and 3 are correct. In hypothecation, possession remains with the borrower. Banks must take possession before selling. Hypothecation converts to pledge upon possession. Statement 4 is incorrect — SARFAESI does apply to hypothecated assets; banks can enforce security interest under SARFAESI for hypothecated goods.

19. A Holder in Due Course (HDC) under the NI Act, 1881 must fulfil which of the following conditions? 1. Must have obtained the instrument for valuable consideration 2. Must have obtained the instrument before maturity 3. Must

have no cause to believe the instrument was defective 4. Can be a party who received the instrument as a gift

- A. 1, 2, and 4
- B. 1, 3, and 4
- C. 1, 2, and 3
- D. All of 1, 2, 3, and 4

Answer: C. 1, 2, and 3

Explanation: A Holder in Due Course must: (1) hold the instrument for valuable consideration (gift disqualifies — Statement 4 is incorrect), (2) have obtained it before maturity, and (3) have received it in good faith without notice of defect. Therefore statements 1, 2, and 3 are correct.

20. Under PSL guidelines, the target for total priority sector lending for domestic commercial banks is:

- A. 32% of ANBC
- B. 36% of ANBC
- C. 40% of ANBC
- D. 45% of ANBC

Answer: C. 40% of ANBC

Explanation: Domestic scheduled commercial banks and foreign banks with 20 or more branches are required to lend 40% of their ANBC (or credit equivalent of off-balance sheet exposures, whichever is higher) to priority sectors.

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21. Which of the following statements about Sub-Standard Assets (SSA) is CORRECT as per RBI norms?

- A. A sub-standard asset is one that has remained NPA for more than 12 months
- B. The provisioning for secured sub-standard assets is 25% and unsecured is 15%
- C. A sub-standard asset is classified as NPA for a period not exceeding 12 months, with 15% provisioning for secured and additional 10% for unsecured
- D. Sub-standard assets do not require any specific provisioning

Answer: C. A sub-standard asset is classified as NPA for a period not exceeding 12 months, with 15% provisioning for secured and additional 10% for unsecured

Explanation: A Sub-Standard Asset is one that has remained NPA for a period not exceeding 12 months. Provisioning: 15% on the secured outstanding balance and an additional 10% (totalling 25%) on the unsecured balance of SSA.

22. Under TReDS (Trade Receivables Discounting System) for MSME financing, the term 'without recourse' in the context of factoring means:

- A. The financier has full recourse against the seller if the buyer defaults
- B. The risk of non-payment by the buyer is borne entirely by the financier after discounting
- C. The transaction is guaranteed by the government
- D. The seller must repurchase the receivable if the buyer defaults

Answer: B. The risk of non-payment by the buyer is borne entirely by the financier after discounting

Explanation: In a 'without recourse' factoring arrangement on TReDS, once the receivable is discounted, the financier bears the credit risk of the buyer's non-payment. The MSME seller is not liable to repay if the buyer defaults, making it an off-balance sheet arrangement for the seller.

23. In star topology of a computer network, which of the following is a key characteristic?

- A. All devices are connected in a ring formation
- B. Failure of one device affects all other devices
- C. Data is transmitted to all devices simultaneously
- D. All devices are connected to a central hub/switch, and failure of one node does not affect others

Answer: D. All devices are connected to a central hub/switch, and failure of one node does not affect others

Explanation: In a star topology, all nodes are connected to a central switch/hub. If a single node fails, other nodes are unaffected. However, if the central hub fails, the entire network goes down. This makes it easy to add/remove devices but the hub is a single point of failure.

24. E-RUPI, the digital voucher payment system launched in India, primarily functions through:

- A. Blockchain-based smart contracts

- B. UPI-linked credit card transactions
- C. A QR code or SMS-based one-time-use voucher delivered to a beneficiary's mobile phone
- D. IMPS-based interbank fund transfers

Answer: C. A QR code or SMS-based one-time-use voucher delivered to a beneficiary's mobile phone

Explanation: E-RUPI is a cashless, contactless digital payment voucher issued by NPCI in collaboration with banks. It is delivered to beneficiaries as a QR code or SMS string on their mobile phones and can be redeemed only at specific merchant locations for specific purposes, ensuring end-to-end tracking.

25. Under the Prevention of Money Laundering Act (PMLA), the obligation of reporting entities to maintain records of all transactions includes maintaining records for a minimum period of:

- A. 3 years from the date of transaction
- B. 5 years from the cessation of the business relationship or date of transaction, whichever is later
- C. 7 years from the date of the suspicious transaction report
- D. 10 years from the date of the first transaction

Answer: B. 5 years from the cessation of the business relationship or date of transaction, whichever is later

Explanation: Under PMLA, 2002, reporting entities (including banks) must maintain records of all transactions and client identification data for a minimum period of 5 years from the date of cessation of the business relationship or from the date of the transaction, whichever is later.

26. An unsecured sub-standard asset account has an outstanding balance of Rs. 10 lakh. The NPA provisioning requirement as per RBI norms would be:

- A. Rs. 1,50,000
- B. Rs. 2,00,000
- C. Rs. 2,50,000
- D. Rs. 1,00,000

Answer: C. Rs. 2,50,000

Explanation: For unsecured sub-standard assets, provisioning = 15% (standard SSA provision) + 10% additional for unsecured = 25% total. On Rs. 10 lakh:
 $25\% \times 10,00,000 = \text{Rs. } 2,50,000$.

27. Which of the following is NOT a function of ECGC (Export Credit Guarantee Corporation)?

- A. Providing credit risk insurance to exporters
- B. Issuing guarantees to banks against losses on export finance
- C. Setting interest rates for export credit
- D. Covering the risk of non-payment by foreign buyers

Answer: C. Setting interest rates for export credit

Explanation: ECGC provides export credit insurance and guarantees to exporters and banks. However, setting interest rates for export credit is the domain of the RBI and the government, not ECGC. ECGC's core function is to mitigate credit

risk in international trade.

28. Consider the following case: A bank has extended a working capital loan. Total current assets = Rs. 80 lakh; Current liabilities other than bank borrowings = Rs. 20 lakh. Using MPBF First Method (75% of working capital gap), the MPBF is:

- A. Rs. 45 lakh
- B. Rs. 60 lakh
- C. Rs. 48 lakh
- D. Rs. 40 lakh

Answer: A. Rs. 45 lakh

Explanation: First Method MPBF = $75\% \times (\text{Total Current Assets} - \text{Current Liabilities other than bank borrowings}) = 75\% \times (80 - 20) = 75\% \times 60 = \text{Rs. 45 lakh}$. The borrower must contribute at least 25% of the working capital gap from long-term sources.

29. A documentary bill under a Letter of Credit is classified as a 'Bill under LC with usance of 90 days'. The bank discounts this bill. This transaction is classified as:

- A. Demand bill purchase
- B. Usance bill purchase / post-shipment credit
- C. Inland bill discounting with recourse
- D. Pre-shipment credit against LC

Answer: B. Usance bill purchase / post-shipment credit

Explanation: A usance bill under LC means the bill of exchange is payable after a specified period (90 days in this case). When a bank discounts such a bill, it provides post-shipment credit to the exporter. This is classified as usance bill purchase under export financing.

30. Under the MSMED Act, 2006, for classification purposes, a manufacturing enterprise with investment in plant and machinery up to Rs. 10 crore and turnover up to Rs. 50 crore is classified as:

- A. Micro enterprise
- B. Small enterprise
- C. Medium enterprise
- D. Large enterprise

Answer: B. Small enterprise

Explanation: As per revised MSME classification (effective July 2020): Small enterprise = Investment \leq Rs. 10 crore AND Turnover \leq Rs. 50 crore. An enterprise with investment of exactly Rs. 10 crore and turnover of exactly Rs. 50 crore falls at the upper boundary of the Small enterprise category.

31. Under Basel III, Risk-Weighted Assets (RWA) for credit risk assign what risk weight to claims on the central government of India denominated in Indian Rupees?

- A. 0% risk weight
- B. 20% risk weight

- C. 50% risk weight
- D. 100% risk weight

Answer: A. 0% risk weight

Explanation: Under Basel III / RBI guidelines, claims on the central government of India (sovereign exposure) denominated and funded in Indian Rupees carry a 0% risk weight. This reflects the assumption that the sovereign cannot default on domestic currency obligations.

32. 'Smishing' in the context of cyber security is defined as:
- A. Fraudulent emails designed to steal sensitive information
 - B. Fake websites mimicking legitimate banking portals
 - C. Phishing attacks conducted via SMS/text messages
 - D. Malware embedded in QR codes

Answer: C. Phishing attacks conducted via SMS/text messages

Explanation: Smishing is a form of phishing conducted via SMS (Short Message Service). Attackers send fraudulent text messages impersonating banks or trusted entities to trick recipients into revealing sensitive information or clicking malicious links.

33. In digital banking, 'Non-repudiation' is a security property that ensures:
- A. Data is encrypted during transmission
 - B. Unauthorized users cannot access the system
 - C. A sender cannot deny having sent a message or performed a transaction
 - D. Transactions are processed in real time without delay

Answer: C. A sender cannot deny having sent a message or performed a transaction

Explanation: Non-repudiation is a cybersecurity principle that prevents a party from denying an action they have performed, such as sending a message or initiating a transaction. It is typically achieved through digital signatures and audit trails.

34. Under RBI guidelines, the maximum deposit limit per customer in a Payments Bank is:
- A. Rs. 1 lakh
 - B. Rs. 5 lakh
 - C. Rs. 2 lakh
 - D. Rs. 10 lakh

Answer: C. Rs. 2 lakh

Explanation: As per RBI's licensing guidelines for Payments Banks, the maximum amount that can be held per customer at the end of the day is Rs. 2 lakh. Payments Banks cannot lend or issue credit cards, but can accept deposits, issue debit cards, and offer remittance services.

35. Under the Foreign Contribution (Regulation) Act (FCRA), 2010, which of the following entities is prohibited from receiving foreign contributions?
- A. A university registered under FCRA
 - B. A sitting member of the Legislature

- C. A charitable trust engaged in social work
- D. An NGO with prior permission from the Ministry of Home Affairs

Answer: B. A sitting member of the Legislature

Explanation: Under Section 3 of FCRA, 2010, the following are prohibited from receiving foreign contributions: candidates for elections, members of Legislature, political parties, government servants, judges, and others notified by the Central Government. A sitting member of the Legislature is explicitly prohibited.

36. A bank has an aggregate exposure of Rs. 300 crore to a single borrower company. The bank's capital funds are Rs. 1,000 crore. As per RBI exposure norms, the maximum permissible single borrower exposure is:

- A. Rs. 200 crore — within the 20% limit
- B. Rs. 250 crore — within the 25% limit
- C. Rs. 300 crore — within the 30% limit and hence permissible
- D. Rs. 300 crore is permissible only for infrastructure projects

Answer: A. Rs. 200 crore — within the 20% limit

Explanation: RBI prudential exposure norms limit single borrower exposure to 20% of the bank's capital funds (Tier 1 + Tier 2). On capital funds of Rs. 1,000 crore, the maximum permissible is Rs. 200 crore. The exposure of Rs. 300 crore (30%) breaches the single borrower limit.

37. In the context of agriculture finance, the Kisan Credit Card (KCC) scheme provides revolving credit for which of the following purposes?

- A. Purchase of agricultural land only
- B. Short-term credit for crop production, post-harvest expenses, and allied activities
- C. Long-term capital investment in irrigation infrastructure
- D. Term loans for setting up agri-processing units

Answer: B. Short-term credit for crop production, post-harvest expenses, and allied activities

Explanation: The KCC scheme provides short-term revolving credit to farmers for: (a) crop production expenses, (b) post-harvest expenses, (c) maintenance of farm assets, (d) allied and non-farm activities, and (e) consumption requirements. It is not meant for land purchase or long-term infrastructure loans.

38. Under RBI's NPA provisioning norms, for ECGC-guaranteed export advances where the ECGC guarantee covers 50% of the outstanding, provisioning is applied on:

- A. The full outstanding balance
- B. The net outstanding after deducting the ECGC guarantee amount from the outstanding
- C. Only the non-guaranteed portion
- D. Only the interest component

Answer: B. The net outstanding after deducting the ECGC guarantee amount from the outstanding

Explanation: For accounts covered by ECGC guarantee, the net outstanding

balance for provisioning purposes is calculated after deducting the guaranteed amount that is realisable from ECGC. Provisioning is then applied to the remaining net outstanding amount at the applicable NPA provisioning rate.

39. Which of the following statements regarding Self-Help Groups (SHGs) is CORRECT?

- A. An SHG can have a maximum of 25 members
- B. SHG members must all belong to the same family
- C. An SHG can have a maximum of 20 members and should preferably be homogeneous
- D. SHGs are required to be registered as societies

Answer: C. An SHG can have a maximum of 20 members and should preferably be homogeneous

Explanation: As per NABARD and RBI guidelines, an SHG should consist of not more than 20 members. The group should be homogeneous (similar socio-economic background). Registration as a society is not mandatory; SHGs can function as informal groups though they are encouraged to open bank accounts.

40. Under the Indian Contract Act, the term 'assignment' of a contract right means:

- A. Physical transfer of goods as security for a debt
- B. Transfer of actionable claims or contractual rights from one party (assignor) to another (assignee)
- C. Pledging of moveable assets without transfer of possession
- D. Creating a lien over property without a written agreement

Answer: B. Transfer of actionable claims or contractual rights from one party (assignor) to another (assignee)

Explanation: Assignment is the transfer of contractual rights (actionable claims) by the original party (assignor) to a third party (assignee). The assignee steps into the shoes of the assignor. Unlike pledge, no physical possession of goods is involved; it pertains to intangible rights.

41. A bank holds a 'standard asset' under housing loans given at a teaser rate (below-market rate for initial years). What is the provisioning requirement?

- A. 0.25%
- B. 0.40%
- C. 1.00%
- D. 2.00%

Answer: D. 2.00%

Explanation: RBI has mandated a higher provisioning of 2.00% for teaser rate housing loans classified as standard assets, recognising the higher risk when rates reset to market levels. This is significantly higher than the 0.40% required for normal standard housing loans.

42. Under SWIFT (Society for Worldwide Interbank Financial Telecommunication), which of the following best describes its primary function?

- A. A global currency exchange and settlement system
- B. A secure international messaging network for financial transactions

between banks

- C. A credit rating agency for international banks
- D. An international regulatory body for cross-border payments

Answer: B. A secure international messaging network for financial transactions between banks

Explanation: SWIFT is a secure, standardised messaging network used by financial institutions worldwide to transmit information and instructions for financial transactions. It does not hold funds or settle transactions itself but provides the secure communication infrastructure for interbank transfers.

43. Under the MSMED Act, 2006, which of the following statements about the buyer-seller relationship in trade receivables is CORRECT? 1. Buyer can unilaterally extend credit beyond 45 days. 2. If credit period is agreed, it cannot exceed 45 days from date of delivery. 3. Interest on delayed payment is recoverable as a debt. 4. The buyer is liable to pay compound interest at 3 times the bank rate on delayed payments.

- A. 1 and 2 only
- B. 3 and 4 only
- C. 2, 3, and 4 only
- D. 1, 2, 3, and 4

Answer: C. 2, 3, and 4 only

Explanation: Under MSMED Act: (1) is incorrect — the credit period cannot exceed 45 days even by agreement. Statements 2, 3, and 4 are correct: the agreed credit period cannot exceed 45 days; interest on delayed payment is a recoverable debt; and the rate is 3 times the RBI bank rate, compounded monthly.

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44. In the context of a Clean Bill (as opposed to a Documentary Bill) in trade finance, which of the following is CORRECT?

- A. A clean bill is always supported by a Letter of Credit
- B. A clean bill is accompanied by shipping documents that control delivery of goods
- C. A clean bill is drawn without any accompanying trade documents
- D. A clean bill can only be used for domestic trade, not international

Answer: C. A clean bill is drawn without any accompanying trade documents

Explanation: A clean bill of exchange is one drawn without accompanying trade documents (such as bills of lading, invoices, insurance). It relies solely on the creditworthiness of the drawer/acceptor. A documentary bill, in contrast, is accompanied by trade documents that control goods delivery.

45. Under group exposure norms, RBI allows banks to extend credit to a group of connected borrowers up to a maximum of:

- A. 20% of capital funds
- B. 25% of capital funds
- C. 30% of capital funds
- D. 40% of capital funds

Answer: B. 25% of capital funds

Explanation: RBI's prudential norms for single/group borrower exposure: Single borrower limit = 20% of capital funds; Group borrower (connected entities) limit = 25% of capital funds. These limits can be enhanced by a further 5% for infrastructure borrowers with Board approval.

46. Which of the following best describes the 'Authentication' concept in digital banking security?

- A. Ensuring that a user cannot deny performing a transaction
- B. Verifying the identity of a user before granting access to a system
- C. Granting appropriate permissions to verified users based on their role
- D. Encrypting all data in transit to prevent interception

Answer: B. Verifying the identity of a user before granting access to a system

Explanation: Authentication is the process of verifying the identity of a user (e.g., via password, OTP, biometrics). It answers the question 'Who are you?' Authorization (granting permissions) follows authentication. Non-repudiation ensures users cannot deny actions taken.

47. Under the Banking Regulation Act, 1949, a banking company is prohibited from holding shares in any company (as pledgee, mortgagee, or absolute owner) exceeding:

- A. 10% of its own paid-up capital and reserves
- B. 30% of the paid-up share capital of that company or 30% of its own paid-up capital and reserves, whichever is lower
- C. 20% of the paid-up capital of the investee company
- D. There is no restriction under Banking Regulation Act

Answer: C. 20% of the paid-up capital of the investee company

Explanation: Under Section 19(2) of the Banking Regulation Act, 1949, a bank cannot hold shares in any company exceeding 30% of the paid-up share capital of that company OR 30% of its own paid-up capital and reserves, whichever is less. The intent is to limit undue concentration and conflict of interest. (Note: Some RBI guidelines cap equity investment at 20% — candidates should check latest RBI circulars.)

48. The 'Operating Cycle Method' of assessing working capital finance is based on:

- A. Percentage of turnover of the borrower
- B. Balance sheet analysis of current assets and liabilities
- C. The time taken to convert raw materials into cash through the production-sale-collection cycle
- D. Market capitalisation of the borrower company

Answer: C. The time taken to convert raw materials into cash through the production-sale-collection cycle

Explanation: The Operating Cycle Method calculates working capital requirements based on the operating cycle — the time taken from procurement of raw materials to collection of cash from debtors. A longer operating cycle implies higher working capital requirements. The method considers each phase: raw material storage, WIP, finished goods, and receivables collection.

49. Consider the following statements about Business Ethics: 1. Ethics in business can be fully managed through regulatory compliance alone. 2. Business ethics involves voluntary adherence to values beyond legal requirements. 3. 'Ethics cannot be managed' is a commonly cited myth in corporate governance. 4. CSR (Corporate Social Responsibility) is equivalent to business ethics. Which statements are CORRECT?

- A. 1 and 4
- B. 2 and 3
- C. 1, 2, and 3
- D. All of 1, 2, 3, and 4

Answer: B. 2 and 3

Explanation: Statement 1 is incorrect — ethics goes beyond mere legal compliance. Statement 2 is correct — business ethics involves voluntary value-based conduct. Statement 3 is correct — 'ethics cannot be managed' is a myth; ethics CAN and must be actively managed through codes, training, and culture. Statement 4 is incorrect — CSR is a subset of ethics but not equivalent to it.

50. A bank account shows a balance of Rs. 5,00,000. The account has been classified as a Doubtful Asset — Category 3 (DA3) with Rs. 2,00,000 secured by a registered mortgage and Rs. 3,00,000 unsecured. What is the total provisioning required?

- A. Rs. 2,00,000 (100% on unsecured only)
- B. Rs. 3,00,000 (100% on unsecured + 25% on secured)
- C. Rs. 5,00,000 (100% on total outstanding)
- D. Rs. 2,50,000 (50% on total outstanding)

Answer: C. Rs. 5,00,000 (100% on total outstanding)

Explanation: For DA3 (doubtful assets remaining doubtful for more than 3 years), 100% provisioning is required on BOTH secured and unsecured portions. Total provisioning = $100\% \times \text{Rs. } 5,00,000 = \text{Rs. } 5,00,000$ (option C).

51. Under the Tandon Committee norms, which method for assessing working capital finance considers the entire projected sales turnover as the basis?

- A) Operating Cycle Method
- B) Turnover Method
- C) Cash Budget Method
- D) Net Working Capital Method

Correct Answer: B) Turnover Method

Explanation: The Turnover Method, recommended by the Tandon Committee, computes working capital finance as a percentage (typically 25%) of the projected annual sales turnover of the borrower.

52. A bank classifies a term loan account as a Non-Performing Asset (NPA). The loan is secured by collateral worth ₹8 lakh, the outstanding balance is ₹10 lakh, and there is an ECGC guarantee of ₹1 lakh. What is the unsecured portion for provisioning purposes?

- A) ₹2 lakh
- B) ₹1 lakh
- C) ₹3 lakh
- D) ₹10 lakh

Correct Answer: B) ₹1 lakh

Explanation: Secured portion = ₹8 lakh, ECGC guaranteed = ₹1 lakh. Total covered = ₹9 lakh. Unsecured portion = ₹10 lakh – ₹9 lakh = ₹1 lakh. Only this uncovered portion requires 100% provisioning.

53. Which of the following ATMs is operated by a non-banking entity with the ATM branded in the name of a sponsoring bank?

- A) White Label ATM
- B) Green Label ATM
- C) Brown Label ATM
- D) Yellow Label ATM

Correct Answer: C) Brown Label ATM

Explanation: Brown Label ATMs are owned and operated by non-banking entities (service providers), but the bank branding is used by the sponsoring bank. The hardware and cash management are outsourced, unlike White Label ATMs where even the brand is non-bank.

54. Under the FEMA framework, which schedule governs transactions that are completely prohibited?

- A) Schedule 2
- B) Schedule 3
- C) Schedule 1
- D) Schedule 4

Correct Answer: C) Schedule 1

Explanation: Under FEMA, Schedule 1 lists transactions that are completely

prohibited. Schedule 2 covers transactions requiring prior permission, and Schedule 3 relates to authorized dealer-specific permissions.

55. In the context of a Bill of Exchange, who is the party that is directed to make payment?

- A) Drawer
- B) Payee
- C) Endorser
- D) Drawee

Correct Answer: D) Drawee

Explanation: The Drawee is the party to whom the bill is addressed and who is directed to make the payment. The Drawer creates the bill, while the Payee is the person to whom payment is to be made.

56. A Kisan Credit Card (KCC) is issued with a revolving credit limit. Which of the following components is mandatorily included in the KCC limit calculation?

- A) Post-harvest storage expenses only
- B) Crop insurance premium
- C) Land development costs
- D) Farm machinery purchase cost

Correct Answer: B) Crop insurance premium

Explanation: As per RBI guidelines, KCC limits must mandatorily include crop insurance premium. The KCC is designed to cover crop cultivation, post-harvest expenses, maintenance costs, and allied activities including insurance.

57. Under the Consumer Protection Act 2019, which forum has jurisdiction over consumer disputes involving a claim value between ₹50 lakh and ₹2 crore?

- A) National Consumer Disputes Redressal Commission
- B) District Consumer Disputes Redressal Commission
- C) State Consumer Disputes Redressal Commission
- D) Supreme Court

Correct Answer: C) State Consumer Disputes Redressal Commission

Explanation: The State Commission handles disputes where the value of goods/services plus compensation claimed is above ₹50 lakh and up to ₹2 crore. District Commission handles up to ₹50 lakh and National Commission handles above ₹2 crore.

58. The three stages of Money Laundering in the correct sequential order are:

- A) Integration, Placement, Layering
- B) Placement, Integration, Layering
- C) Layering, Placement, Integration
- D) Placement, Layering, Integration

Correct Answer: D) Placement, Layering, Integration

Explanation: Money laundering occurs in three stages: (1) Placement – introducing illegal funds into the financial system; (2) Layering – disguising the trail through complex transactions; (3) Integration – reintroducing the cleaned money into the legitimate economy.

59. As per KYC norms, when a minor aged 12 years opens a savings account, whose KYC documents are required?

- A) Only the minor's KYC
- B) Only the guardian's KYC
- C) Both minor's KYC and guardian's KYC
- D) No KYC required for minors

Correct Answer: C) Both minor's KYC and guardian's KYC

Explanation: As per RBI KYC norms, for accounts opened by/for minors, KYC of both the minor and the natural/legal guardian is required. The guardian operates the account until the minor attains majority.

60. Maximum Permissible Bank Finance (MPBF) under the Second Method of Lending (Tandon Committee) is calculated as:

- A) 75% of (Current Assets – Current Liabilities excluding bank borrowings)
- B) 75% of Current Assets – Current Liabilities
- C) 100% of Current Assets – Current Liabilities
- D) 50% of Net Working Capital

Correct Answer: A) 75% of (Current Assets – Current Liabilities excluding bank borrowings)

Explanation: Under the Second Method of Lending (Tandon Committee), MPBF = 75% of (Total Current Assets – Current Liabilities other than bank borrowings). The borrower has to bring in 25% of Net Working Capital from long-term sources.

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61. In a 'Document Against Acceptance' (D/A) arrangement in bill finance, what is the key risk for the bank?

- A) The goods may be damaged in transit
- B) The drawee may default on payment at maturity after accepting the bill
- C) The drawer may withdraw the bill before acceptance
- D) The LC issuing bank may revoke the credit

Correct Answer: B) The drawee may default on payment at maturity after accepting the bill

Explanation: In D/A bills, documents are released to the drawee upon acceptance (promise to pay). The bank bears the credit risk that the drawee may fail to honour the payment obligation at maturity, unlike D/P where documents are released only against actual payment.

62. Which of the following is the revolving fund amount provided to a Self Help Group (SHG) under NRLM in its initial phase?

- A) ₹5,000 – ₹10,000
- B) ₹10,000 – ₹15,000
- C) ₹20,000 – ₹25,000
- D) ₹25,000 – ₹50,000

Correct Answer: B) ₹10,000 – ₹15,000

Explanation: Under the National Rural Livelihoods Mission (NRLM), the Revolving Fund (RF) provided to eligible SHGs ranges from ₹10,000 to ₹15,000 as a one-time financial assistance to strengthen their internal lending activities.

63. A customer deposits ₹5 lakh in a Fixed Deposit jointly with their spouse. The primary account holder dies. What happens to the FD as per general banking rules?

- A) The FD is immediately paid to the surviving spouse
- B) The FD is closed and proceeds are split 50-50
- C) A lien may be applied and operation frozen pending settlement of the deceased's share
- D) The FD automatically renews in the survivor's name

Correct Answer: C) A lien may be applied and operation frozen pending settlement of the deceased's share

Explanation: In case of death of one joint FD holder, unless an 'Either or Survivor' mandate exists, the FD proceeds cannot be released until the legal rights of the deceased's share are settled. The bank may apply a lien on the deceased's portion pending documentation.

64. Under KYC/AML guidelines, who qualifies as a 'Beneficial Owner' for non-listed companies?

- A) Anyone holding more than 5% of share capital
- B) Anyone holding more than 10% of shares or voting rights
- C) Anyone holding more than 25% of shares or voting rights
- D) The Board of Directors collectively

Correct Answer: B) Anyone holding more than 10% of shares or voting rights

Explanation: As per RBI's KYC Master Direction, a Beneficial Owner for companies (other than listed companies) is the natural person who ultimately

owns or controls more than 10% of shares or voting rights. Listed companies are exempt from this requirement.

65. A Deferred Payment Guarantee (DPG) issued by a bank primarily protects which party?

- A) The borrower's employees
- B) The seller/supplier of capital goods against non-payment of instalments by the buyer
- C) The buyer from defective goods supplied
- D) The government against tax default

Correct Answer: B) The seller/supplier of capital goods against non-payment of instalments by the buyer

Explanation: A Deferred Payment Guarantee (DPG) is issued by a bank on behalf of the buyer (its customer) in favour of the seller/supplier. It guarantees that the bank will make instalment payments if the buyer defaults, thus protecting the seller.

66. Which of the following correctly describes a 'White Label ATM'?

- A) ATM owned by RBI for rural deployment
- B) ATM owned and operated by a non-bank entity under RBI authorization with its own brand
- C) ATM operated by a bank but branded by a non-bank company
- D) ATM exclusively for government employees

Correct Answer: B) ATM owned and operated by a non-bank entity under RBI authorization with its own brand

Explanation: White Label ATMs are set up, owned, and operated by non-banking companies authorized by RBI under the Payment & Settlement Systems Act, 2007. These ATMs display the operator's own brand, not any particular bank's brand.

67. Under the RTI Act 2005, who is eligible to file a Right to Information application?

- A) Only Indian citizens above 18 years of age
- B) Any Indian citizen regardless of age
- C) Only NGOs and registered societies
- D) Only government employees

Correct Answer: B) Any Indian citizen regardless of age

Explanation: The RTI Act 2005 grants every citizen of India the right to request information from public authorities. There is no age restriction specified in the Act; any Indian citizen can file an RTI application.

68. In a LAN (Local Area Network), which device is responsible for directing data packets between different networks?

- A) Hub
- B) Switch
- C) Router
- D) Modem

Correct Answer: C) Router

Explanation: A Router operates at the network layer and directs data packets

between different networks. A Hub simply broadcasts data to all connected devices, while a Switch sends data only to the intended device within the same network.

69. The MUDRA Yojana classifies loan products into three categories. Which category covers loans up to ₹50,000?

- A) Tarun
- B) Kishore
- C) Shishu
- D) Yuva

Correct Answer: C) Shishu

Explanation: MUDRA (Micro Units Development and Refinance Agency) classifies loans as: Shishu – up to ₹50,000; Kishore – ₹50,001 to ₹5 lakh; Tarun – ₹5 lakh to ₹10 lakh. These support micro/small enterprises.

70. Which of the following statements about the Operating Cycle Method for working capital assessment is correct?

- A) It is based on projected annual turnover
- B) It calculates working capital based on the time taken to convert raw material into cash
- C) It applies only to service sector companies
- D) It was recommended by the Nayak Committee

Correct Answer: B) It calculates working capital based on the time taken to convert raw material into cash

Explanation: The Operating Cycle Method computes working capital needs based on the duration of the operating cycle – from raw material procurement through production, finished goods, debtors collection, and back to cash. A longer cycle means higher working capital requirement.

71. Under FEMA, which category correctly describes a person who has resided in India for more than 182 days during the preceding financial year?

- A) Non-Resident Indian (NRI)
- B) Person of Indian Origin (PIO)
- C) Resident of India
- D) Overseas Citizen of India (OCI)

Correct Answer: C) Resident of India

Explanation: Under FEMA 1999, a 'Resident in India' is a person who has been residing in India for more than 182 days during the preceding financial year. This status determines the type of foreign exchange transactions permitted to the person.

72. A bank issues an Irrevocable Letter of Credit. Which of the following statements is true?

- A) It can be cancelled by the applicant without the beneficiary's consent
- B) It cannot be amended or cancelled without the consent of all parties including the beneficiary
- C) It can be cancelled by the issuing bank at any time
- D) It automatically expires if goods are not shipped within 7 days

Correct Answer: B) It cannot be amended or cancelled without the

consent of all parties including the beneficiary

Explanation: An Irrevocable Letter of Credit, once issued, constitutes a definite undertaking by the issuing bank. It cannot be amended or cancelled without the agreement of the issuing bank, the confirming bank (if any), and the beneficiary.

73. Under the PMEGP (Prime Minister's Employment Generation Programme), which ministry is responsible for implementation in urban areas?

- A) Ministry of Agriculture
- B) Ministry of Finance
- C) Ministry of Micro, Small and Medium Enterprises (MSME)
- D) Ministry of Rural Development

Correct Answer: C) Ministry of Micro, Small and Medium Enterprises (MSME)

Explanation: PMEGP is implemented by the Ministry of MSME. At the national level, it is operated through KVIC. In urban areas, implementation is through KVIC/State KVIB/District Industries Centres (DICs), under the MSME Ministry.

74. A substandard NPA account has an outstanding loan of ₹12 lakh. The account is fully secured. What is the standard provisioning requirement as per RBI norms?

- A) 10% of outstanding balance
- B) 15% of outstanding balance
- C) 25% of outstanding balance
- D) 100% of outstanding balance

Correct Answer: B) 15% of outstanding balance

Explanation: As per RBI provisioning norms, a substandard asset (NPA for up to 12 months) requires a provision of 15% of the outstanding balance, irrespective of whether it is secured or unsecured. Unsecured substandard assets attract 25% provisioning.

75. Which of the following best describes the CGTMSE scheme?

- A) A government crop insurance scheme for farmers
- B) A credit guarantee scheme for collateral-free loans to MSEs
- C) A refinance scheme for housing loans
- D) A subsidy scheme for export promotion

Correct Answer: B) A credit guarantee scheme for collateral-free loans to MSEs

Explanation: CGTMSE (Credit Guarantee Fund Trust for Micro and Small Enterprises) provides guarantee cover to banks and financial institutions for collateral-free credit extended to micro and small enterprises, thereby reducing lender risk.

76. In a joint bank account with the mandate 'Either or Survivor', what happens upon the death of one account holder?

- A) The account is frozen until succession certificate is obtained
- B) The surviving holder can continue to operate the account
- C) The account balance is transferred to the government
- D) The account must be closed and reopened in survivor's name

Correct Answer: B) The surviving holder can continue to operate the

account

Explanation: An 'Either or Survivor' mandate means any one of the account holders can operate the account independently during their lifetime, and upon the death of one, the surviving account holder automatically gets the right to operate and claim the balance.

77. Which of the following is NOT a valid type of Letter of Credit (LC)?

- A) Revocable LC
- B) Revolving LC
- C) Standby LC
- D) Perpetual LC

Correct Answer: D) Perpetual LC

Explanation: Perpetual LC is not a recognized type of LC. Valid types include Revocable LC, Irrevocable LC, Revolving LC (which reinstates after use), Standby LC (used as a performance guarantee), Back-to-Back LC, Transferable LC, and Red Clause LC.

78. Under the KYC framework, what does the term 'Customer Due Diligence' (CDD) primarily involve?

- A) Verifying the credit score of the customer
- B) Identifying and verifying customer identity, understanding the nature of business, and monitoring transactions
- C) Calculating the interest rate applicable to the customer
- D) Assessing the collateral value offered by the customer

Correct Answer: B) Identifying and verifying customer identity, understanding the nature of business, and monitoring transactions

Explanation: Customer Due Diligence (CDD) under KYC/AML framework involves identifying and verifying customer identity using reliable documents, understanding the nature and purpose of the customer relationship, and ongoing monitoring of transactions to detect suspicious activity.

79. A Hub in a computer network differs from a Switch primarily because:

- A) A Hub connects devices across different networks while a Switch connects devices within the same network
- B) A Hub broadcasts data to all connected devices while a Switch sends data only to the intended recipient
- C) A Hub operates at the network layer while a Switch operates at the physical layer
- D) A Hub is faster than a Switch

Correct Answer: B) A Hub broadcasts data to all connected devices while a Switch sends data only to the intended recipient

Explanation: A Hub is a passive device that broadcasts incoming data to all ports, causing unnecessary traffic and collisions. A Switch intelligently forwards data only to the specific port connected to the intended recipient, making it more efficient.

80. Under NRLM, what is the maximum loan amount available to an SHG under bank linkage in the later stages?

- A) ₹50,000
- B) ₹1 lakh

- C) ₹2 lakh
- D) ₹5 lakh

Correct Answer: C) ₹2 lakh

Explanation: Under NRLM's SHG-Bank Linkage Programme, eligible SHGs can access loans up to ₹2 lakh (and sometimes higher in subsequent cycles) based on their savings and internal lending track record, without collateral requirement.

81. Which of the following is an example of the 'Placement' stage in money laundering?

- A) Creating multiple shell companies to transfer funds
- B) Depositing cash proceeds from drug trafficking directly into a bank account
- C) Investing laundered money in real estate
- D) Using offshore accounts to layer transactions

Correct Answer: B) Depositing cash proceeds from drug trafficking directly into a bank account

Explanation: Placement is the first stage of money laundering where illegal cash is introduced into the formal financial system. Directly depositing criminal proceeds into a bank account is a classic example of placement. Subsequent stages involve layering and integration.



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82. In the context of agricultural finance, KCC limits for the first year are primarily computed based on:

- A) Market value of agricultural land
- B) Scale of Finance for crop \times Area cultivated + Post-harvest and other expenses
- C) Total annual income of the farmer
- D) Collateral offered by the farmer

Correct Answer: B) Scale of Finance for crop \times Area cultivated + Post-harvest and other expenses

Explanation: KCC limit for the first year is calculated as: Scale of Finance for the crop (fixed by DLTC) \times Area to be cultivated + post-harvest/household/maintenance expenses + crop insurance premium. Allied activity costs are added for subsequent years.

83. A Flexi Deposit account combines features of which two account types?

- A) Current Account and Recurring Deposit
- B) Savings Account and Fixed Deposit
- C) NRE Account and Fixed Deposit
- D) Overdraft Account and Recurring Deposit

Correct Answer: B) Savings Account and Fixed Deposit

Explanation: A Flexi Deposit (also called Sweep-in Deposit) is a hybrid product that links a Savings Account with a Fixed Deposit. When the savings balance exceeds a threshold, the excess is automatically swept into an FD, earning higher interest while maintaining liquidity.

84. Under FEMA, which of the following transactions falls under 'Capital Account Transactions'?

- A) Import of goods
- B) Payment of freight charges
- C) Investment in foreign securities
- D) Remittance of service charges

Correct Answer: C) Investment in foreign securities

Explanation: Capital Account Transactions under FEMA include transactions that alter the assets or liabilities of a person, such as investment in foreign securities, acquisition of immovable property abroad, or borrowing/lending in foreign currency. Current Account transactions include trade in goods and services.

85. A bank has financed a borrower whose NPA account is doubtful for more than 3 years. The account has no collateral security. What is the provisioning rate for the unsecured portion?

- A) 25%
- B) 40%
- C) 75%
- D) 100%

Correct Answer: D) 100%

Explanation: For Doubtful Assets (NPA for more than 12 months), unsecured portions attract 100% provisioning regardless of the age of the doubtful classification. Secured portions require 25–100% provisioning depending on the number of years in the doubtful category.

86. Which of the following correctly describes 'Bill Discounting' in the context of trade finance?

- A) The bank purchases the bill before maturity and pays the present value to the seller
- B) The bank holds the bill till maturity and collects full payment
- C) The bank guarantees payment on behalf of the buyer
- D) The bank charges interest only at the time of maturity

Correct Answer: A) The bank purchases the bill before maturity and pays the present value to the seller

Explanation: Bill Discounting involves the bank purchasing a bill of exchange from the seller before its due date at a discount (present value). The bank collects the full face value from the drawee at maturity. The discount represents the bank's income.

87. Under the Consumer Protection Act 2019, which of the following qualifies as a 'consumer'?

- A) A person who buys goods for commercial resale
- B) A person who buys goods for personal use and not for resale
- C) A company purchasing goods for office use only
- D) Only individuals below the poverty line

Correct Answer: B) A person who buys goods for personal use and not for resale

Explanation: Under the Consumer Protection Act 2019, a 'consumer' is a person who buys goods or avails services for personal use and not for commercial purposes or resale. A person buying for manufacturing/resale is excluded from the definition.

88. In the context of partnership firm accounts, if no operating mandate is given, who is authorized to operate the account?

- A) The senior-most partner by age
- B) All partners jointly
- C) Any one partner individually
- D) The managing partner as appointed by RBI

Correct Answer: B) All partners jointly

Explanation: In the absence of a specific operating mandate in the partnership account, all partners must jointly sign for operations. A partnership account mandate must explicitly state whether one partner can operate alone or all must sign together.

89. Which of the following is a feature of a 'Standby Letter of Credit'?

- A) It is used for payment upon shipment of goods
- B) It functions as a performance guarantee and is drawn upon only in case of default
- C) It is automatically renewable every year
- D) It is only issued for import transactions

Correct Answer: B) It functions as a performance guarantee and is drawn upon only in case of default

Explanation: A Standby LC is a guarantee-like instrument. Unlike a commercial LC which is a payment mechanism, a Standby LC is only invoked when the

applicant fails to fulfil their obligation. It acts as a fallback security for the beneficiary.

90. Which of the following statements about FCRA (Foreign Contribution Regulation Act) is correct?

- A) It regulates foreign investment in Indian stock markets
- B) It regulates acceptance and utilization of foreign contributions by certain associations and individuals
- C) It governs the repatriation of profits by foreign companies
- D) It is a sub-section of FEMA

Correct Answer: B) It regulates acceptance and utilization of foreign contributions by certain associations and individuals

Explanation: FCRA (Foreign Contribution Regulation Act) governs the acceptance and utilization of foreign contributions or hospitality by individuals, associations, and companies in India. It ensures that foreign funds do not adversely affect national interest and is administered by the Ministry of Home Affairs.

91. Under the CGTMSE scheme, what is the primary benefit extended to lending institutions?

- A) Interest rate subsidy on loans
- B) Credit guarantee cover reducing the lender's risk on collateral-free MSE loans
- C) Direct capital infusion into lending institutions
- D) Tax exemption on MSE loan income

Correct Answer: B) Credit guarantee cover reducing the lender's risk on collateral-free MSE loans

Explanation: CGTMSE provides a credit guarantee cover to eligible lending institutions against default on collateral-free loans extended to micro and small enterprises. This encourages banks to lend without insisting on collateral, promoting financial inclusion for MSEs.

92. For a sub-standard NPA account that is unsecured, the provisioning requirement as per RBI norms is:

- A) 10%
- B) 15%
- C) 25%
- D) 50%

Correct Answer: C) 25%

Explanation: For unsecured substandard assets, provisioning is 25% of the outstanding balance. Secured substandard assets attract 15% provisioning. The higher rate for unsecured loans reflects the increased risk of recovery failure.

93. A Drawer of a Bill of Exchange is best described as:

- A) The person who is to pay the bill
- B) The person who draws (creates) the bill and is entitled to receive payment
- C) The bank that discounts the bill
- D) The person who endorses the bill

Correct Answer: B) The person who draws (creates) the bill and is entitled to receive payment

Explanation: The Drawer is the creditor who draws (writes) the Bill of Exchange directing the Drawee to pay. In a trade transaction, the seller (Drawer) draws the bill on the buyer (Drawee), directing payment to the Payee (who may be the Drawer themselves or a third party).

94. An account holder instructs the bank: 'My account should be operated by either A or B or Survivor.' Which mandate type is this?

- A) Joint mandate
- B) Either or Survivor mandate
- C) Former or Survivor mandate
- D) Jointly and Severally mandate

Correct Answer: B) Either or Survivor mandate

Explanation: An 'Either or Survivor' mandate permits any one of the designated holders to operate the account independently during their lifetime. Upon death of one, the survivor(s) can continue to operate the account without legal formalities. This is the most flexible joint account mandate.

95. Under NRLM's SHG framework, which of the following best describes the purpose of the 'revolving fund'?

- A) To purchase land for SHG members
- B) To provide seed capital to strengthen internal lending within the SHG
- C) To repay existing government loans of SHG members
- D) To fund infrastructure development in the village

Correct Answer: B) To provide seed capital to strengthen internal lending within the SHG

Explanation: The Revolving Fund (RF) under NRLM is a one-time financial assistance of ₹10,000–₹15,000 given to eligible, active SHGs. Its purpose is to strengthen the group corpus and enhance internal lending capacity of members, not for individual asset creation.

96. In a case study: Mr. Ram visits a restaurant and slips due to a wet floor, injuring himself. He files a complaint under the Consumer Protection Act 2019. Is he a 'consumer'?

- A) No, because he did not purchase any goods
- B) Yes, as availing dining services makes him a consumer of services
- C) No, because the accident was not related to any product defect
- D) Yes, but only if he had paid the bill before the accident

Correct Answer: B) Yes, as availing dining services makes him a consumer of services

Explanation: Under the Consumer Protection Act 2019, a consumer includes a person who hires or avails of any service for a consideration. A restaurant visitor availing dining services qualifies as a consumer of services. Service deficiency (unsafe premises) gives grounds for complaint.

97. A bank's customer has a Doubtful NPA classified for 2 years. The loan is secured by mortgage worth ₹6 lakh against outstanding of ₹10 lakh. What is the provisioning requirement on the secured portion?

- A) 25%
- B) 40%
- C) 75%
- D) 100%

Correct Answer: B) 40%

Explanation: For Doubtful NPAs, RBI norms require: 25% provisioning on secured portion for the first year in doubtful category, 40% for the second and third year, and 100% for more than 3 years. For 2 years in doubtful, secured portion requires 40% provisioning.

98. Which of the following correctly explains 'Drawing Power' in the context of working capital finance?

- A) The maximum loan amount sanctioned by the bank
- B) The maximum amount the borrower can withdraw at any point based on current stock and debtors
- C) The total credit limit approved for a term loan
- D) The amount of cash available in the borrower's current account

Correct Answer: B) The maximum amount the borrower can withdraw at any point based on current stock and debtors

Explanation: Drawing Power (DP) is the limit up to which the borrower can draw from a working capital (CC/OD) account, calculated based on the value of eligible current assets (stock + debtors less margin) at any given point. It fluctuates with the level of stocks and debtors.

99. The FEMA Schedule 2 governs which category of foreign exchange transactions?

- A) Transactions that are completely prohibited
- B) Transactions that are permitted with prior approval of RBI or Government
- C) Transactions that authorized dealers can permit without RBI approval
- D) Transactions related to export of goods only

Correct Answer: B) Transactions that are permitted with prior approval of RBI or Government

Explanation: Under FEMA, Schedule 2 lists current account transactions that are permissible only with prior approval of the Central Government or RBI. Schedule 1 contains prohibited transactions, and Schedule 3 covers transactions where authorized dealers can grant permission.

100. For a minor below the age of 10 years, who can independently operate a savings bank account?

- A) The minor independently
- B) The minor's teacher as appointed guardian
- C) The natural or legal guardian on behalf of the minor
- D) Any adult family member

Correct Answer: C) The natural or legal guardian on behalf of the minor

Explanation: As per RBI guidelines, minors below 10 years cannot independently operate bank accounts. Only minors aged 10 years and above may be allowed to

operate independently (at bank's discretion). For minors below 10, only the natural/legal guardian can operate the account.



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