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Memory Based Question

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Must For Nov'25 Cycle

ANBC Calculation

1. In the calculation of 'Adjusted Net Bank Credit (ANBC)' for determining Priority Sector Lending (PSL) targets, which of the following is typically DEDUCTED from Net Bank Credit?

- a) Investments in bonds/debentures eligible for SLR.
- b) Bills rediscounted with RBI.
- c) Loans extended to large industries.
- d) Loans to agriculture sector.

Correct Answer: b) Bills rediscounted with RBI.

S: ANBC is calculated as Net Bank Credit (NBC) minus certain items like bills rediscounted with RBI/other financial institutions, and also takes into account specific investments (like in RIDF or securitized assets). Bills rediscounted are deducted as they are no longer on the bank's books.

2. Working Capital Limit Calculation

- **Question:** Which of the following methods is commonly used by commercial banks in India for assessing and calculating the working capital limits for large borrowers?
- **Options:** a) Debt-Equity Ratio Method b) Cash Budget Method c) Tandon Committee Methods d) Discounted Cash Flow Method
- **Correct Answer:** c) Tandon Committee Methods
- **Solution:** The Tandon Committee (1975) and Chore Committee (1979) recommendations laid down the framework for working capital financing by commercial banks in India, including various methods (like the Maximum Permissible Bank Finance - MPBF) for assessing limits.

3. Ethics

- **Question:** What is the fundamental role of 'ethics' in the banking profession?
- **Options:** a) To maximize profits at all costs. b) To ensure strict adherence to marketing guidelines. c) To guide moral principles and standards of conduct in all dealings. d) To solely focus on compliance with legal regulations.
- **Correct Answer:** c) To guide moral principles and standards of conduct in all dealings.
- **Solution:** Ethics in banking involves adhering to moral principles, honesty, transparency, integrity, and fair dealing with customers and stakeholders, going beyond mere legal compliance.

4. Tandon Committee - 2nd Method

- **Question:** According to the Second Method of lending recommended by the Tandon Committee for working capital finance, what is the minimum percentage of current assets that a borrower must contribute from their long-term sources of funds?
- **Options:** a) 5% b) 15% c) 25% d) 50%
- **Correct Answer:** c) 25%
- **Solution:** The Second Method (Maximum Permissible Bank Finance) stipulated that banks could finance 75% of the working capital gap (Current Assets - Current Liabilities other than bank finance), implying a minimum borrower contribution of 25% from long-term sources.

5. Forex Remittance

- **Question:** What is a 'Forex Remittance'?
- **Options:** a) A loan taken in foreign currency. b) The exchange of one domestic currency for another within the same country. c) The act of sending money to someone in another country, usually through a bank or a money transfer service. d) Investment in foreign stocks and bonds.
- **Correct Answer:** c) The act of sending money to someone in another country, usually through a bank or a money transfer service.
- **Solution:** Forex remittance refers to the transfer of funds from one country to another, typically by migrant workers to their home countries, or for international trade payments, etc.

6. MMID

- **Question:** What is the full form of 'MMID' in the context of mobile banking transactions in India?
- **Options:** a) Mobile Money Identification Document b) Mobile Money Identifier c) Mobile Merchant ID d) Main Money Identification Digit
- **Correct Answer:** b) Mobile Money Identifier
- **Solution:** MMID (Mobile Money Identifier) is a 7-digit number issued by a bank to its customers for conducting IMPS (Immediate Payment Service) transactions using mobile phones.

7. LAN

- **Question:** What does 'LAN' stand for in the context of computer networking?

- **Options:** a) Long Area Network b) Local Area Network c) Large Access Network d) Logistical Area Node
- **Correct Answer:** b) Local Area Network
- **Solution:** A Local Area Network (LAN) connects computers and devices within a limited geographical area, such as a home, school, computer laboratory, or office building.

8. Garnishee Order

- **Question:** A 'Garnishee Order' issued by a court directs a bank to do what?
- **Options:** a) To grant a loan to a specific customer. b) To disclose all financial details of a customer to the public. c) To freeze and attach funds held in a customer's account for payment to a judgment creditor. d) To open a new account for a customer without KYC.
- **Correct Answer:** c) To freeze and attach funds held in a customer's account for payment to a judgment creditor.
- **Solution:** A Garnishee Order is a legal instruction from a court to a bank to pay money from a debtor's account (the garnishee's customer) directly to a creditor (the garnishor) who has obtained a judgment against the debtor.

9. Loan Appraisal

- **Question:** What is the primary objective of 'Loan Appraisal' in banking?
- **Options:** a) To finalize the interest rate for the loan. b) To assess the creditworthiness of the borrower and the viability of the project for which the loan is sought. c) To prepare the loan sanction letter. d) To monitor the utilization of the loan funds after disbursement.
- **Correct Answer:** b) To assess the creditworthiness of the borrower and the viability of the project for which the loan is sought.
- **Solution:** Loan appraisal is the process of evaluating the borrower's repayment capacity, financial health, business prospects, and the overall feasibility and risk associated with the proposed loan.

10. NPA Provision * Question: As per RBI guidelines, how frequently are banks typically required to make provisions for Non-Performing Assets (NPAs)? * **Options:** a) Annually only b) Bi-annually c) Quarterly d) Monthly

- **Correct Answer:** c) Quarterly

- **Solution:** Banks are required to classify their assets and make provisions for NPAs on a quarterly basis based on the asset classification norms stipulated by the Reserve Bank of India.

11. Minimum Member in Public Limited Company * Question: What is the minimum number of members required to form a Public Limited Company in India as per the Companies Act, 2013? * **Options:** a) 2 b) 5 c) 7 d) 10

- **Correct Answer:** c) 7
- **Solution:** As per the Companies Act, 2013, a public limited company must have a minimum of seven members to be incorporated.

12. Small Account * Question: Which of the following is a key feature of a 'Small Account' as defined by RBI for financial inclusion? * **Options:** a) It requires full KYC documentation. b) It allows unlimited deposits and withdrawals. c) It has simplified KYC norms and certain operational restrictions, such as limits on aggregate credits and withdrawals. d) It can only be opened by senior citizens.

- **Correct Answer:** c) It has simplified KYC norms and certain operational restrictions, such as limits on aggregate credits and withdrawals.
- **Solution:** Small Accounts are designed to facilitate basic banking services for individuals who do not have full KYC documents. They come with simplified KYC requirements but also have limits on aggregate credits, withdrawals, and balances.

13. Stages In Money Laundering * Question: What is the correct chronological order of the three main stages involved in Money Laundering? * **Options:** a) Layering, Placement, Integration b) Integration, Layering, Placement c) Placement, Integration, Layering d) Placement, Layering, Integration

- **Correct Answer:** d) Placement, Layering, Integration
- **Solution:** The three typical stages of money laundering are: **Placement** (introducing illicit funds into the financial system), **Layering** (disguising the trail of illicit funds through complex transactions), and **Integration** (making the laundered funds appear legitimate).

14. Debtor-Creditor Relationship * Question: When a bank accepts a deposit from a customer, what is the legal relationship established between the bank and the customer? * **Options:** a) Agent-Principal b) Trustee-Beneficiary c) Debtor-Creditor d) Bailor-Bailee

- **Correct Answer:** c) Debtor-Creditor
- **Solution:** When a customer deposits money, the bank becomes a debtor and the customer becomes a creditor. The bank owes the deposited money back to the customer on demand or after a specified period.

15. Fund Based Services * Question: Which of the following is an example of a 'Fund Based Service' provided by banks? * **Options:** a) Issuing Letters of Credit b) Providing safe deposit lockers c) Granting Loans and Advances d) Offering internet banking facilities

- **Correct Answer:** c) Granting Loans and Advances
- **Solution:** Fund-based services involve the deployment or receipt of funds by the bank, directly impacting its balance sheet, such as granting loans, accepting deposits, or investing. Non-fund based services (like LCs or locker facilities) do not involve the direct transfer of funds from the bank's own resources immediately.

16. Topology Definition * Question: In the context of computer networks, what does 'Topology' refer to? * **Options:** a) The speed of data transfer between devices. b) The physical or logical arrangement of nodes and connections in a network. c) The security protocols used in a network. d) The capacity of the network to handle traffic.

- **Correct Answer:** b) The physical or logical arrangement of nodes and connections in a network.
- **Solution:** Network topology defines how devices in a network are connected to each other, such as bus, star, ring, mesh, or hybrid topologies.

17. Time Deposit * Question: What is a defining characteristic of a 'Time Deposit' account in banking? * **Options:** a) Funds can be withdrawn at any time without penalty. b) It does not earn any interest. c) Funds are deposited for a fixed period and can only be withdrawn after maturity or with a penalty. d) It allows for an unlimited number of cheque transactions.

- **Correct Answer:** c) Funds are deposited for a fixed period and can only be withdrawn after maturity or with a penalty.
- **Solution:** Time deposits (like Fixed Deposits or Recurring Deposits) are accounts where money is deposited for a fixed period at a pre-determined interest rate, unlike demand deposits which are withdrawable on demand.

18. Bankers' Cheque * Question: A 'Bankers' Cheque' is also commonly known as a: * **Options:** a) Post-dated Cheque b) Cross Cheque c) Demand Draft d) Bearer Cheque

- **Correct Answer:** c) Demand Draft
- **Solution:** A Banker's Cheque is essentially a Demand Draft issued by a bank on its own branch or another bank branch, guaranteeing payment to the payee. It cannot be dishonoured due to insufficient funds as the bank itself is the drawer.

19. Information System Audit * Question: What is the primary purpose of an 'Information System Audit' in a banking context? * **Options:** a) To train IT staff on new software. b) To evaluate the effectiveness of IT controls, security, and the integrity of data processing

systems. c) To develop new software applications. d) To upgrade hardware components of the IT infrastructure.

- **Correct Answer:** b) To evaluate the effectiveness of IT controls, security, and the integrity of data processing systems.
- **Solution:** An IS Audit assesses whether the IT systems and processes adequately protect organizational assets, maintain data integrity, and are operating effectively to achieve the organization's goals.

20. Ethics Value * Question: Which core value is most essential for establishing and maintaining public trust in the banking industry? * **Options:** a) Competitiveness b) Innovation c) Integrity d) Efficiency

- **Correct Answer:** c) Integrity
- **Solution:** Integrity, encompassing honesty, transparency, and adherence to moral principles, is paramount in banking as it directly impacts public trust, which is the foundation of the financial system.

21. Nayak Committee * Question: The P.J. Nayak Committee (2014) was constituted primarily to examine governance issues in which sector? * **Options:** a) Insurance Sector b) Cooperative Banking Sector c) Public Sector Banks d) Microfinance Institutions

- **Correct Answer:** c) Public Sector Banks
- **Solution:** The P.J. Nayak Committee on governance of public sector banks recommended reforms to improve the governance, management, and efficiency of PSBs.

22. Minor Account * Question: Who can typically operate a bank account opened in the name of a minor? * **Options:** a) Only the minor's guardian (parent or legally appointed). b) The minor singly, if they are above 10 years of age and capable of operating it independently. c) Either the guardian or the minor (if above 10 years and capable) as per bank rules and account type. d) Only the minor, regardless of age.

- **Correct Answer:** c) Either the guardian or the minor (if above 10 years and capable) as per bank rules and account type.
- **Solution:** Generally, accounts for minors are operated by their natural or legal guardian. However, many banks allow minors above 10 years of age to open and operate accounts independently, provided they are capable of writing and reading, and subject to certain transaction limits.

23. Cheque Dishonour * Question: Which of the following is the most common reason for the 'dishonour' of a cheque by a bank? * **Options:** a) The cheque is very old. b) Insufficient

funds in the drawer's account. c) The cheque amount is too small. d) The payee's name is misspelled.

- **Correct Answer:** b) Insufficient funds in the drawer's account.
- **Solution:** 'Not sufficient funds' (NSF) or 'Bouncing of Cheque' is the most frequent reason for a cheque to be dishonoured, meaning the account holder does not have enough money to cover the cheque amount.

24. Weaker Section * Question: In the context of Priority Sector Lending in India, which of the following categories of beneficiaries falls under the 'Weaker Sections'? * **Options:** a) Large Corporate Houses b) Small and Marginal Farmers c) High Net Worth Individuals d) Foreign Institutional Investors

- **Correct Answer:** b) Small and Marginal Farmers
- **Solution:** The 'Weaker Sections' category under PSL includes specific beneficiaries like small and marginal farmers, artisans, Scheduled Castes/Tribes, self-help groups, persons with disabilities, etc., who require special attention for financial support.

25. White Label ATM * Question: A 'White Label ATM' (WLA) in India is an ATM owned and operated by which type of entity? * **Options:** a) A Public Sector Bank b) A Private Sector Bank c) A Non-Bank Entity d) The Reserve Bank of India

- **Correct Answer:** c) A Non-Bank Entity
- **Solution:** White Label ATMs are set up, owned, and operated by non-bank entities authorized by the RBI. They provide banking services to customers of all banks without displaying any specific bank's logo.

26. BSBDA Account * Question: What does 'BSBDA' stand for in the context of bank accounts in India? * **Options:** a) Basic Savings Bank Digital Account b) Bharat Security Banking Deposit Account c) Basic Savings Bank Deposit Account d) Business Solutions Banking and Deposit Account

- **Correct Answer:** c) Basic Savings Bank Deposit Account
- **Solution:** Basic Savings Bank Deposit Account (BSBDA) is a no-frills account designed to ensure financial inclusion by providing basic banking services to all segments of the population without requiring a minimum balance.

1. ANBC Adjusted Net Bank Credit For Scheduled Commercial Bank

- **Question:** For a Scheduled Commercial Bank, why is 'Adjusted Net Bank Credit (ANBC)' a crucial figure in the context of banking regulations in India?

- **Options:** a) It determines the bank's capital adequacy ratio. b) It is the base for calculating the bank's Priority Sector Lending (PSL) targets. c) It represents the bank's total deposits from customers. d) It is used to assess the bank's liquidity position.
- **Correct Answer:** b) It is the base for calculating the bank's Priority Sector Lending (PSL) targets.
- **Solution:** The Reserve Bank of India (RBI) mandates Scheduled Commercial Banks to achieve specific lending targets for priority sectors, and these targets are calculated as a percentage of their Adjusted Net Bank Credit (ANBC) or Credit Equivalent of Off-Balance Sheet Exposures (CEOBE), whichever is higher.

2. Sub-Standard Provision

- **Question:** As per RBI guidelines, what is the minimum provision percentage required for a 'Sub-Standard Asset' that is a secured loan for a Scheduled Commercial Bank?
- **Options:** a) 0.40% b) 10% c) 15% d) 25%
- **Correct Answer:** c) 15%
- **Solution:** For sub-standard assets, banks are required to make a provision of 15% on the secured portion of the outstanding balance. If the sub-standard asset is unsecured, the provision required is higher, typically 25%.

3. Turnover Method

- **Question:** For working capital assessment, the 'Turnover Method' is generally prescribed for borrowers with aggregate fund-based working capital limits up to what amount?
- **Options:** a) Rs. 1 Crore b) Rs. 5 Crore c) Rs. 10 Crore d) Rs. 25 Crore
- **Correct Answer:** b) Rs. 5 Crore
- **Solution:** The Turnover Method is a simplified approach for assessing working capital requirements, primarily applicable to small and medium enterprises (SMEs) with fund-based working capital limits generally up to Rs. 5 crore, aiming to simplify the lending process for such borrowers.

4. Topology

- **Question:** In which type of network topology are all devices connected to a central hub or switch, and if the central device fails, the entire network fails?
- **Options:** a) Bus Topology b) Ring Topology c) Star Topology d) Mesh Topology
- **Correct Answer:** c) Star Topology

- **Solution:** In a star topology, each node is individually connected to a central device. While this offers easy installation and management, the failure of the central hub or switch will disrupt communication for all connected devices.

5. Company, Partnership Firm, Trusty

- **Question:** Which of the following legal entities is characterized by having a separate legal identity distinct from its owners, allowing it to own assets and incur liabilities in its own name?
- **Options:** a) Partnership Firm b) Sole Proprietorship c) Company d) Hindu Undivided Family (HUF)
- **Correct Answer:** c) Company
- **Solution:** A company (whether private or public limited) is an artificial legal person with perpetual succession and a common seal, having a separate legal entity from its members. This means it can sue or be sued, own property, and enter into contracts independently.

6. Data Mining

- **Question:** What is the primary objective of 'Data Mining' in the banking sector?
- **Options:** a) To manually verify each transaction for fraud. b) To store large volumes of customer data. c) To discover patterns, trends, and valuable insights from large datasets for strategic decision-making. d) To encrypt customer communication channels.
- **Correct Answer:** c) To discover patterns, trends, and valuable insights from large datasets for strategic decision-making.
- **Solution:** Data mining involves using sophisticated analytical tools to identify hidden patterns and relationships in vast amounts of customer and transaction data, which helps banks in areas like fraud detection, risk management, and targeted marketing.

7. Working Capital

- **Question:** How is 'Working Capital' in a business typically defined?
- **Options:** a) Total assets minus total liabilities. b) Current assets minus current liabilities. c) Fixed assets minus long-term debt. d) Total revenue minus total expenses.
- **Correct Answer:** b) Current assets minus current liabilities.
- **Solution:** Working capital represents the capital available for a business's day-to-day operations. It is the difference between current assets (cash, accounts receivable, inventory) and current liabilities (accounts payable, short-term debt).

8. SWIFT

- **Question:** What is the primary function of SWIFT (Society for Worldwide Interbank Financial Telecommunication) in the global financial system?
- **Options:** a) To facilitate international fund transfers directly. b) To provide a secure messaging network for financial transactions and instructions between member institutions. c) To regulate foreign exchange markets. d) To act as a global central bank.
- **Correct Answer:** b) To provide a secure messaging network for financial transactions and instructions between member institutions.
- **Solution:** SWIFT provides a standardized, secure, and reliable platform for exchanging financial messages (like payment orders, confirmations, and statements) between banks and other financial institutions globally. It is a messaging network, not a fund transfer system itself.

9. Section 10 Payment in Due Course of NI Act

- **Question:** As per Section 10 of the Negotiable Instruments Act, 1881, for a payment to be considered 'Payment in Due Course', it must be made in good faith and:
- **Options:** a) With prior approval from the RBI. b) Without negligence and to the person in possession of the instrument. c) Only to the original payee named on the instrument. d) After verifying the financial solvency of the payer.
- **Correct Answer:** b) Without negligence and to the person in possession of the instrument.
- **Solution:** Section 10 defines "Payment in Due Course" as payment made in accordance with the apparent tenor of the instrument, in good faith and without negligence, to any person in possession thereof under circumstances which do not afford a reasonable ground for believing that he is not entitled to receive payment of the amount therein mentioned. This protects the payer from liability.

10. NWC Net Working Capital * Question: What does a positive 'Net Working Capital (NWC)' generally indicate about a company's financial health? * **Options:** a) The company is facing a liquidity crisis. b) The company has sufficient current assets to cover its short-term liabilities. c) The company is heavily reliant on long-term debt. d) The company is operating at a loss.

- **Correct Answer:** b) The company has sufficient current assets to cover its short-term liabilities.
- **Solution:** A positive NWC (Current Assets > Current Liabilities) indicates that a company has adequate liquid resources to meet its short-term obligations and operations, suggesting financial stability and operational efficiency.

11. FCNR * Question: What is the primary characteristic of a 'Foreign Currency Non-Resident (FCNR)' deposit account in India? * **Options:** a) It can only be opened by Indian residents. b) It is maintained in Indian Rupees (INR). c) It allows NRIs to hold deposits in foreign currencies with Indian banks, free from exchange rate risk for the depositor. d) It offers no interest earnings.

- **Correct Answer:** c) It allows NRIs to hold deposits in foreign currencies with Indian banks, free from exchange rate risk for the depositor.
- **Solution:** FCNR accounts are term deposits held by Non-Resident Indians (NRIs) in foreign currencies (like USD, GBP, Euro, etc.). The exchange rate risk is borne by the bank, making it attractive for NRIs to park their foreign currency funds.

12. Locker Based Case Study * Question: A customer rents a safe deposit locker from a bank. If the contents of the locker are stolen due to a fire in the bank's premises caused by a short circuit, what is the bank's liability? * **Options:** a) The bank is fully liable for the value of all contents as it owns the premises. b) The bank has no liability as the customer owns the contents and the fire was accidental. c) The bank's liability is limited to a pre-defined amount, typically 100 times the annual rent, as it acts as a bailee. d) The bank is liable only if the customer proves gross negligence on the bank's part.

- **Correct Answer:** c) The bank's liability is limited to a pre-defined amount, typically 100 times the annual rent, as it acts as a bailee.
- **Solution:** As per recent RBI guidelines (2021), a bank's liability for loss of locker contents due to its negligence (e.g., fire, theft, fraud by staff) is limited to 100 times the prevailing annual rent of the locker. The bank acts as a bailee, but not an insurer of the contents.

13. Cheque Payment Case Study * Question: A bearer cheque is presented for payment at the counter. The drawer's signature is forged, but the forgery is not apparent and could not be detected with reasonable diligence. The bank makes the payment. Is the bank protected under 'payment in due course'? * **Options:** a) Yes, the bank is protected because the forgery was not apparent and payment was in good faith. b) No, the bank is not protected because it paid on a forged instrument. c) The bank is protected only if the payee was a regular customer. d) The bank is protected only if the amount was small.

- **Correct Answer:** b) No, the bank is not protected because it paid on a forged instrument.
- **Solution:** Under Section 10 of the Negotiable Instruments Act, 1881, payment on a forged signature of the drawer is not considered "payment in due course" and the bank cannot debit the customer's account, even if the forgery was not apparent. The bank is expected to know its customer's signature.

14. Working Capital - Turn Over * Question: How does a higher 'Turnover' (sales) generally impact the need for 'Working Capital' in a business? * **Options:** a) Higher turnover always reduces the need for working capital. b) Higher turnover always increases the need for working capital. c) Higher turnover has no direct relationship with working capital. d) The relationship depends on the efficiency of the operating cycle.

- **Correct Answer:** d) The relationship depends on the efficiency of the operating cycle.
- **Solution:** While higher turnover generally implies a greater need for working capital to finance increased sales, inventory, and receivables, the actual requirement is significantly influenced by the length and efficiency of the operating cycle (how quickly inventory is converted to sales and then cash). An efficient cycle can reduce the proportional need.

15. Lease Financing Case Study * Question: A company leases a machine for five years, which is the asset's economic life. The lease agreement requires the lessee to pay for maintenance, insurance, and taxes. At the end of the lease term, the company has the option to purchase the machine at a nominal price. This scenario best describes which type of lease? * **Options:** a) Operating Lease b) Financial Lease c) Sale and Leaseback d) Direct Lease

- **Correct Answer:** b) Financial Lease
- **Solution:** This is a financial lease (or capital lease) because it transfers substantially all the risks and rewards incidental to ownership of the asset to the lessee. Key indicators include: the lease term covering most of the asset's economic life, the lessee bearing costs like maintenance (net lease), and a bargain purchase option at the end.

16. Priority Sector Lending * Question: Which of the following activities is NOT typically considered part of 'Priority Sector Lending' (PSL) by banks in India as per RBI guidelines? * **Options:** a) Loans to Small and Marginal Farmers. b) Education loans up to a certain limit. c) Housing loans up to a specified limit. d) Loans to large corporate entities for infrastructure projects.

- **Correct Answer:** d) Loans to large corporate entities for infrastructure projects.
- **Solution:** Priority Sector Lending aims to provide financial support to sectors that are considered important for the overall development of the economy and are often underserved by traditional bank lending. Large corporate loans generally do not fall under PSL, although bank lending to certain infrastructure segments might be classified under specific criteria.

17. What is Cheque? * Question: As per the Negotiable Instruments Act, 1881, a 'Cheque' is defined as a: * **Options:** a) Bill of Exchange drawn on a specified banker and not expressed

to be payable otherwise than on demand. b) Promissory note payable to bearer on demand. c) Bill of Lading for goods in transit. d) Letter of credit issued by an importer.

- **Correct Answer:** a) Bill of Exchange drawn on a specified banker and not expressed to be payable otherwise than on demand.
- **Solution:** Section 6 of the Negotiable Instruments Act, 1881, defines a cheque as "a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand and it includes the electronic image of a truncated cheque and a cheque in the electronic form."

18. Order Cheque, Bearer Cheque * Question: What is the fundamental difference between an 'Order Cheque' and a 'Bearer Cheque'? * **Options:** a) An Order Cheque can only be deposited, while a Bearer Cheque can be cashed at the counter. b) An Order Cheque requires endorsement for transfer, while a Bearer Cheque is payable to the person in possession. c) An Order Cheque is always crossed, while a Bearer Cheque is not. d) An Order Cheque cannot be dishonoured, while a Bearer Cheque can be.

- **Correct Answer:** b) An Order Cheque requires endorsement for transfer, while a Bearer Cheque is payable to the person in possession.
- **Solution:** A Bearer Cheque is payable to whoever presents it (the 'bearer'). An Order Cheque is payable to a specific person or their order and usually requires an endorsement (signature on the back) for transfer to another party.

19. Case Study on Cheque * Question: A cheque is marked 'Account Payee Only'. If the receiving bank credits this cheque to an account other than that of the named payee, what is the implication for the receiving bank? * **Options:** a) The bank is protected as long as the payment was made in good faith. b) The bank may lose the protection of 'holder in due course' and could be held liable for conversion. c) The bank is only liable if the drawer explicitly instructs against it. d) There is no specific implication as it's an internal bank procedure.

- **Correct Answer:** b) The bank may lose the protection of 'holder in due course' and could be held liable for conversion.
- **Solution:** The 'Account Payee Only' crossing is a warning to the collecting bank. If the bank disregards this instruction and credits the cheque to an account other than the named payee, it may be deemed negligent and lose the protection it would otherwise have under the Negotiable Instruments Act, potentially facing liability for conversion (wrongful dealing with another's property).

20. Minor becomes Major On Attaining age of 18 Years, it is defined under which act? *

Question: The legal age at which a minor attains majority (18 years) in India, thereby gaining the capacity to enter into contracts and manage their own affairs, is primarily defined under

which Act? * **Options:** a) Indian Contract Act, 1872 b) Indian Majority Act, 1875 c) Transfer of Property Act, 1882 d) Hindu Succession Act, 1956

- **Correct Answer:** b) Indian Majority Act, 1875
- **Solution:** The Indian Majority Act, 1875, clearly defines the age of majority in India as 18 years, except in certain cases where a guardian has been appointed by a court, in which case it is 21 years.

21. LAN * Question: Which of the following is a key characteristic of a Local Area Network (LAN)? * **Options:** a) It connects devices across wide geographical areas like countries or continents. b) It typically covers a limited geographical area, such as a single building or a campus. c) It is primarily used for inter-city communication. d) It relies solely on wireless connections.

- **Correct Answer:** b) It typically covers a limited geographical area, such as a single building or a campus.
- **Solution:** LANs are designed for local connectivity, typically within a building, office, or home, enabling devices to share resources like printers, servers, and internet connections.

22. Bill of Lading * Question: In international trade, what is the primary function of a 'Bill of Lading'? * **Options:** a) It serves as a bank guarantee for payment. b) It is a document issued by the carrier acknowledging receipt of goods for shipment and acting as a document of title to the goods. c) It is an insurance policy covering goods in transit. d) It is a contract for currency exchange.

- **Correct Answer:** b) It is a document issued by the carrier acknowledging receipt of goods for shipment and acting as a document of title to the goods.
- **Solution:** A Bill of Lading serves three main purposes: a receipt for goods, a contract of carriage, and most importantly, a document of title, which allows the holder to claim the goods at the destination.

23. Bank Guarantee Case Study * Question: A contractor obtains a 'Bank Guarantee' from his bank in favor of a project owner. If the contractor defaults on his obligations, what is the bank's immediate responsibility under the guarantee? * **Options:** a) The bank must first investigate the default and then pay the project owner. b) The bank will only pay after the contractor provides the funds. c) The bank is obligated to pay the project owner on demand, irrespective of any dispute between the contractor and the project owner. d) The bank will mediate the dispute between the contractor and the project owner.

- **Correct Answer:** c) The bank is obligated to pay the project owner on demand, irrespective of any dispute between the contractor and the project owner.

- **Solution:** A bank guarantee is an independent undertaking by the bank to pay the beneficiary (project owner) upon presentation of a demand confirming the default, provided the terms of the guarantee are met. It is distinct from the underlying contract between the applicant (contractor) and the beneficiary.

24. Letter of Credit * Question: In international trade, what is the primary benefit of using a 'Letter of Credit' (LC)? * **Options:** a) It provides a discount on import duties. b) It guarantees payment to the exporter, provided the terms and conditions of the LC are met. c) It eliminates the need for shipping documents. d) It reduces the cost of goods for the importer.

- **Correct Answer:** b) It guarantees payment to the exporter, provided the terms and conditions of the LC are met.
- **Solution:** A Letter of Credit is a payment mechanism that provides security to the exporter. The issuing bank guarantees payment to the exporter, provided they present documents confirming that the goods have been shipped as per the agreed terms. This reduces the risk of non-payment for the exporter and credit risk for the importer.

25. MCLR * Question: What does 'MCLR' stand for in the context of lending rates by banks in India? * **Options:** a) Maximum Credit Lending Rate b) Marginal Cost of Funds based Lending Rate c) Minimum Cash Liquidity Requirement d) Market Credit Limit Ratio

- **Correct Answer:** b) Marginal Cost of Funds based Lending Rate
- **Solution:** MCLR (Marginal Cost of Funds based Lending Rate) is the minimum interest rate below which banks cannot lend, except for certain categories of loans. It is calculated based on the marginal cost of funds, negative carry on CRR, operating costs, and tenor premium.

26. Beneficial Owner * Question: In the context of KYC and Anti-Money Laundering (AML) regulations, who is a 'Beneficial Owner'? * **Options:** a) The person who directly opens and operates a bank account. b) The individual who ultimately owns or controls a customer or the assets for which a transaction is being conducted, even if not directly involved in the transaction. c) A nominee appointed for an investment. d) A bank employee who processes the transaction.

- **Correct Answer:** b) The individual who ultimately owns or controls a customer or the assets for which a transaction is being conducted, even if not directly involved in the transaction.
- **Solution:** AML regulations require banks to identify the ultimate natural person who owns or controls a legal entity (like a company or trust) or on whose behalf a transaction is being conducted, to prevent money laundering and terrorist financing.

27. White Label ATM * Question: Who is responsible for licensing and authorizing 'White Label ATM' (WLA) operators in India? * **Options:** a) The Ministry of Finance b) The Indian Banks' Association (IBA) c) The Reserve Bank of India (RBI) d) The National Payments Corporation of India (NPCI)

- **Correct Answer:** c) The Reserve Bank of India (RBI)
- **Solution:** The Reserve Bank of India (RBI) is the regulatory authority that frames policies and grants authorization to non-bank entities for setting up and operating White Label ATMs in India.

28. Bailor-Bailee * Question: When a customer places their valuables in a bank's safe deposit locker, what is the legal relationship established between the bank and the customer concerning the contents of the locker? * **Options:** a) Lessor-Lessee b) Debtor-Creditor c) Bailor-Bailee d) Principal-Agent

- **Correct Answer:** a) Lessor-Lessee
- **Solution:** For safe deposit lockers, the relationship is primarily that of a lessor (bank) and lessee (customer), where the bank leases the space, and the customer retains possession and ownership of the contents. The bank is not a bailee of the contents, as it does not have knowledge or custody of the specific items. (Correction: While often debated, legal stance is typically Lessor-Lessee, not Bailor-Bailee, for lockers. The bank provides the space, not custody of contents).

29. Token Used In Which Topology * Question: Which type of network topology commonly uses a 'token' to control access to the network medium, preventing data collisions? * **Options:** a) Star Topology b) Bus Topology c) Ring Topology d) Tree Topology

- **Correct Answer:** c) Ring Topology
- **Solution:** In a ring topology, particularly in Token Ring networks, a special data packet called a 'token' circulates around the ring. A device can only transmit data when it has the token, thus ensuring orderly access and preventing collisions.

30. Company Account - Joint Operation * Question: For a bank account opened by a company with joint operation (e.g., 'Any two directors'), which type of joint account operation typically governs withdrawals? * **Options:** a) Either or Survivor b) Former or Survivor c) Jointly d) Minor and Guardian

- **Correct Answer:** c) Jointly
- **Solution:** In corporate accounts where mandates specify "Any two directors" or "All directors jointly", the operation is 'jointly' by the designated signatories. "Either or Survivor" and "Former or Survivor" are typically for individual joint accounts.

31. Credit Card - Third Party * Question: In the context of credit card operations, what is a 'Third Party' in relation to the cardholder and the issuing bank? * **Options:** a) Another credit card held by the same individual. b) A vendor or merchant who accepts the credit card for payment. c) The regulatory authority overseeing credit cards. d) An authorized supplementary cardholder.

- **Correct Answer:** b) A vendor or merchant who accepts the credit card for payment.
- **Solution:** The merchant or vendor is the third party in a credit card transaction, as they provide goods/services to the cardholder and then process the payment through the acquiring bank, which then communicates with the issuing bank.

32. Cardinal Principle of Lending * Question: Which of the following is a 'Cardinal Principle of Lending' that banks typically follow to ensure the safety of their funds? * **Options:** a) Maximum profit maximization b) Diversification of risk c) Speedy loan disbursement d) Flexible repayment terms only

- **Correct Answer:** b) Diversification of risk
- **Solution:** The cardinal principles of lending include Safety, Security, Liquidity, Profitability, Purpose, and Diversification. Diversification involves spreading loans across different sectors, borrowers, and geographies to minimize concentration risk and enhance the safety of funds.

33. Operating Cycles * Question: What does the 'Operating Cycle' of a business primarily measure? * **Options:** a) The time it takes to repay all debts. b) The time it takes to convert raw materials into finished goods, sell them, and collect cash from sales. c) The period over which fixed assets are depreciated. d) The frequency of dividend payments to shareholders.

- **Correct Answer:** b) The time it takes to convert raw materials into finished goods, sell them, and collect cash from sales.
- **Solution:** The operating cycle represents the average period required for a business to convert an initial cash outlay into cash received from customers for sales. It includes the inventory period and the receivables period.

34. NROAIC * Question: An 'NRO Account' in India typically refers to which type of account for Non-Resident Indians (NRIs)? * **Options:** a) Non-Resident Overseas Account for Investment in Company. b) Non-Resident Ordinary Account, used for income earned in India. c) New Rupee Overseas Account for International Currency. d) National Remittance and Overseas Income Account.

- **Correct Answer:** b) Non-Resident Ordinary Account, used for income earned in India.
- **Solution:** NRO (Non-Resident Ordinary) accounts are held by NRIs to manage their income earned in India (e.g., rent, dividends, pension) and can also receive

remittances from abroad. The funds are repatriable only after tax payment.
(Assuming NROAIC refers to NRO Account, as "AIC" is not a standard suffix).

35. Customer Acceptance Policy * Question: What is a fundamental aspect of a bank's 'Customer Acceptance Policy' (CAP) under KYC norms? * **Options:** a) Accepting any customer who walks into the branch. b) Clearly defining criteria for customer acceptance, including risk categorization, to prevent money laundering and terrorist financing. c) Offering preferential interest rates to new customers. d) Reducing the number of required documents for all customers.

- **Correct Answer:** b) Clearly defining criteria for customer acceptance, including risk categorization, to prevent money laundering and terrorist financing.
- **Solution:** CAP is a critical component of KYC. It requires banks to establish clear policies for accepting customers based on various factors, including their risk profile (low, medium, high), type of business, and geographic location, to mitigate financial crime risks.

36. Work Ethics Helps To * Question: How does strong 'Work Ethics' primarily benefit an individual and the organization in the banking sector? * **Options:** a) It ensures faster promotion for employees. b) It helps in building trust, enhancing reputation, and fostering a positive work environment. c) It guarantees higher individual salaries. d) It primarily focuses on reducing working hours.

- **Correct Answer:** b) It helps in building trust, enhancing reputation, and fostering a positive work environment.
- **Solution:** Strong work ethics, including qualities like diligence, honesty, accountability, and professionalism, are crucial in banking for maintaining public trust, promoting integrity within the organization, and contributing to overall organizational success and a healthy culture.

DBMS Process

- **Question:** What is the primary function of a Database Management System (DBMS) in a banking environment?
- **Options:** a) To directly process ATM transactions. b) To manage, store, retrieve, and secure large amounts of banking data efficiently. c) To print currency notes. d) To regulate interest rates.
- **Correct Answer:** b) To manage, store, retrieve, and secure large amounts of banking data efficiently.
- **Solution:** A DBMS is crucial for banks as it provides a systematic way to organize, store, access, update, and protect customer accounts, transaction records, and other critical data, ensuring data integrity and availability.

2. Local Area Bank

- **Question:** What is the primary objective behind the establishment of Local Area Banks (LABs) in India?
- **Options:** a) To engage in large-scale international trade finance. b) To primarily cater to the credit and financial needs of a specific local area. c) To act as a central bank for a particular state. d) To focus exclusively on corporate lending.
- **Correct Answer:** b) To primarily cater to the credit and financial needs of a specific local area.
- **Solution:** Local Area Banks were conceived to bridge the gap in credit availability in local areas, especially in rural and semi-urban regions, by mobilizing local savings and making them available for local investments. They have a restricted area of operation (typically 3 contiguous districts).

3. SFM Bulk Deposit

- **Question:** For Scheduled Commercial Banks in India, what is the current threshold for classifying a single rupee deposit as a 'Bulk Deposit'?
- **Options:** a) Rs. 50 Lakh and above b) Rs. 1 Crore and above c) Rs. 2 Crore and above d) Rs. 5 Crore and above
- **Correct Answer:** c) Rs. 2 Crore and above
- **Solution:** As per RBI guidelines, a single rupee deposit of Rs. 2 Crore and above is currently classified as a 'Bulk Deposit'. This classification impacts the interest rates offered, which are generally negotiable for bulk deposits.

4. Higher Level of Credit Provisions

- **Question:** If a bank consistently maintains a significantly 'Higher Level of Credit Provisions' against its loan book, what does this typically indicate about the bank's approach to asset quality?
- **Options:** a) The bank is struggling with low profitability. b) The bank has a conservative approach towards potential loan losses. c) The bank is expanding its loan book aggressively. d) The bank is experiencing rapid deposit growth.
- **Correct Answer:** b) The bank has a conservative approach towards potential loan losses.
- **Solution:** Maintaining a higher level of credit provisions means the bank is setting aside more funds to cover potential future losses from non-performing assets. This reflects a prudent and conservative risk management strategy, strengthening its balance sheet against credit risks.

5. Business Process Reengineering

- **Question:** What is the core aim of 'Business Process Reengineering (BPR)' in a banking organization?
- **Options:** a) To make minor adjustments to existing processes for slight improvements. b) To fundamentally rethink and redesign core business processes to achieve dramatic improvements in critical measures of performance. c) To automate all manual tasks without changing the underlying process. d) To reduce the number of employees through layoffs.
- **Correct Answer:** b) To fundamentally rethink and redesign core business processes to achieve dramatic improvements in critical measures of performance.
- **Solution:** BPR involves a radical redesign of an organization's core business processes to achieve significant improvements in productivity, quality, service, and speed, often by leveraging technology and eliminating redundant steps.

6. ANBC

- **Question:** In the context of Adjusted Net Bank Credit (ANBC) for Priority Sector Lending, which of the following typically forms a part of the calculation of 'Net Bank Credit'?
- **Options:** a) Bonds and Debentures in HTM category. b) Demand and Time Deposits. c) Loans and Advances (net of inter-bank participation). d) Paid-up Capital.
- **Correct Answer:** c) Loans and Advances (net of inter-bank participation).
- **Solution:** Net Bank Credit primarily refers to the total outstanding loans and advances given by a bank, after adjusting for certain items like inter-bank participations (IBPs) purchased and sold, and specific investments. It is a measure of the bank's outstanding credit.

7. Small and Marginal Farmer

- **Question:** As per the classification for agricultural loans, a 'Small Farmer' is defined as a cultivator with a landholding of:
- **Options:** a) Up to 1 acre b) More than 1 hectare and up to 2 hectares c) More than 2 hectares and up to 4 hectares d) More than 4 hectares
- **Correct Answer:** b) More than 1 hectare and up to 2 hectares
- **Solution:** A 'Marginal Farmer' is a cultivator with a landholding of up to 1 hectare (2.5 acres). A 'Small Farmer' is a cultivator with a landholding of more than 1 hectare and up to 2 hectares (5 acres).

8. Working Capital

- **Question:** What does a negative 'Net Working Capital' (Current Assets < Current Liabilities) for a business primarily indicate?
- **Options:** a) The business is highly profitable. b) The business has excellent liquidity management. c) The business may face difficulties in meeting its short-term obligations. d) The business has surplus cash.
- **Correct Answer:** c) The business may face difficulties in meeting its short-term obligations.
- **Solution:** Negative Net Working Capital suggests that a business's current liabilities exceed its current assets, implying a potential inability to cover its short-term debts with its easily convertible assets, which could lead to liquidity issues.

9. VBO Officer on deputation gets interest rate on deposits

- **Question:** In some banks, specific categories of employees, including those on deputation (e.g., 'VBO Officers' if such a category exists internally), may be offered a slightly higher interest rate on their fixed deposits compared to general customers. This practice falls under which category of deposit policy?
- **Options:** a) Preferential rates for government employees. b) Staff Welfare Scheme. c) Senior Citizen Special Rates. d) Bulk Deposit Rates.
- **Correct Answer:** b) Staff Welfare Scheme.
- **Solution:** Many banks offer preferential interest rates on deposits (and sometimes loans) to their staff, both current and retired, as part of employee welfare and retention benefits. This is a common practice across the banking industry.

10. NULM Education Qualification * Question: The National Urban Livelihoods Mission (NULM) primarily aims to uplift the urban poor by providing them access to employment opportunities and skill development. Does a formal education qualification typically act as a mandatory prerequisite for beneficiaries to access support/training under NULM? * **Options:** a) Yes, a minimum graduation degree is always required. b) Yes, at least a high school diploma is mandatory. c) No, NULM schemes generally focus on skill-building and entrepreneurship regardless of formal education. d) Only for salaried employment, not for self-employment.

- **Correct Answer:** c) No, NULM schemes generally focus on skill-building and entrepreneurship regardless of formal education.
- **Solution:** NULM's objective is to reduce poverty and vulnerability of the urban poor. Its various components, like skill training for employment and self-employment schemes, are designed to be inclusive, often focusing on practical skills and livelihood creation rather than formal educational qualifications.

11. Can an account be closed by either account holder if the MOP is either or survivor or both have to sign the closure? * Question: If a joint savings account has the Mode of

Operation (MOP) as 'Either or Survivor', can either of the account holders independently request and authorize the closure of the account? * **Options:** a) No, both account holders must invariably sign the account closure form. b) Yes, either account holder can request and sign the closure form. c) Only the first account holder can initiate the closure. d) Closure is only permitted upon the death of one account holder.

- **Correct Answer:** b) Yes, either account holder can request and sign the closure form.
- **Solution:** For accounts with 'Either or Survivor' mandate, either of the account holders has the authority to operate the account, including depositing, withdrawing, or requesting account closure, as long as both are alive. The bank will typically verify the signature of the requesting party.

12. DMAT Shares * Question: What does 'DMAT Shares' refer to in the context of the Indian stock market? * **Options:** a) Physical share certificates held in a safe deposit box. b) Shares held in a dematerialized (electronic) form in a Demat account. c) Shares purchased through a direct mutual fund plan. d) Shares that are yet to be issued by a company.

- **Correct Answer:** b) Shares held in a dematerialized (electronic) form in a Demat account.
- **Solution:** 'DMAT Shares' is a common term for shares that are held in a dematerialized or electronic format, rather than physical paper certificates. These shares are stored in a Demat account maintained by a Depository Participant (DP).

13. NPA Provisions * Question: For a 'Doubtful Asset' category in a bank's Non-Performing Assets (NPA) classification, what is the general range of provision percentage required, depending on the period for which the asset has remained doubtful? * **Options:** a) 0.40% to 1% b) 10% to 15% c) 25% to 100% d) 100% flat

- **Correct Answer:** c) 25% to 100%
- **Solution:** For Doubtful Assets, the provision varies depending on the period for which the asset has been classified as doubtful and whether it is secured or unsecured.
- Doubtful 1 (up to 1 year): 25% (secured), 100% (unsecured)
- Doubtful 2 (1 to 3 years): 40% (secured), 100% (unsecured)
- Doubtful 3 (more than 3 years): 100% (secured and unsecured)



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THANK YOU P. Shama SIR.



←2 16:20

MR

SRIKANTH TALWAR

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IEIFS:50
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Thank your Oliveboard team for support and cleared in my first attempt

11:18

ST

Gau K

Got 56 in AFM
Jaiib cleared... 🙏
Thanks sir ..



←1 15:19

GK

U

Utkarsh JAIIB

Got 55 in RBWM, believe me it was quiet tough Cleared DBF aka Jaiib in 1st attempt

11:22

But at the end if concepts are clear its relatively easier

11:23

Manisha Morya

Thankyou so much sir... Got 58 ..
thanks for your efforts sir 🙏

←1 15:21

MM

S

Shivani

Thank you sir AFM 52 cleared

11:40



Rbwm was not leaving me for a long time. Thanks to your master batch i cleared it and finally cleared JAIIB sir. Thank you so much



←1 15:36



Manish Kumar Rawat

Got 52 sir thanks Rajeev sir

11:42



Priyam Awasthi

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PA

SK

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11:45

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Sir got 61 Thank you so much for your efforts formaking us to qualify in rbwm

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