

Mrs. K.Kalpana M.Com., M.Phil.,  
Assistant Professor in Commerce  
AIMAN College of Arts & Science for Women  
Trichy-21  
9787960440

**BANKING THEORY LAW & PRACTICE -16CCCM4**  
**I B.COM II SEMETER**  
**2 MARKS**

**1. Define Banking:**

Section 5(b) of the banking companies act defines banking as “accepting for the purpose of lending or investment of deposits of money received from the public, repayable on demand and withdraw able by cheque, draft, and order or otherwise”.

**2. What is branch banking?**

Branch banking is a system of banking in which a banking organization works at more than one place, the main place of business is called Head office and the other places of business are called branches. The Head office controls and co-ordinates the work at branches .the day to day operations is performed by the branch manager as perm the policies and directions issued from time to time by the Head office. This system of banking is prevalent throughout the world.

**3. What is meant by Deposit banking?**

Commercial banks are the best examples for deposit banking. Deposit bank will have to maintain liquidity i.e. enough cash reserve to meet withdrawals. Deposits bank is those banks which accept deposits of short term loans will also be for short term periods .The loans provide by deposit bank are in the form of over draft, cash credit and discounting bills of exchange.

**4. What do you mean by central bank?**

A central bank is usually control and quite often owned, by the government of a country. The Reserve Bank of India (RBI) is such a bank with in an India.

**5. What is Banker’s lien?**

A banker’s lien is a legal right arises in many common law jurisdictions of a bank to exercise a lien over any property in the custody of the bank as security for the indebtedness of the customer to the bank.

**6. What is letter of credit?**

A letter of credit, also known as a documentary credit or bankers commercial credit, or letter of undertaking, is a payment mechanism used in international trade to provide an economic guarantee from a creditworthy bank to an exporter of goods.

**7. What is savings account?**

Savings account is meant for saving purposes, any individual can open a savings account. Most of the salaried persons, pensioners and students use savings account .The advantage of having savings account is Banks pay interest for the saving. There is no restriction on the number and amount of deposits. Saving accounts are opened to encourage the people to save money to save their money and collect their savings.

## **8. What do you mean by Fixed Deposit Account?**

The term Fixed deposit means that the deposit is fixed and is repayable only after a specific period is over, under fixed deposit account, money is deposited for a fixed period say six months, one year or even ten years. The money deposited in this account cannot be withdrawn before the expiry of period.

## **9. What do you mean by the term banker?**

Section 3 of the Negotiable Instruments Act, the term 'Banker' includes any person acting as a banker. According to Halsbury's law of England a banker as "an individual, partnership or corporation whose sole predominating business is banking that is the receipt of money on current account or deposit account and the payment of cheques drawn by and collection of cheques paid by the customer"

## **10. Who is a customer?**

A customer is a person who has some kind of account, such as deposit or current with a bank and from this it follows that any person may become a customer by opening a deposit or current account or having similar relation with a bank." In simple words a customer can be any person for whom the bank agrees to conduct an account.

## **11. What is current account?**

Current account is basically meant for businessmen and is never used for the purpose of investment or savings. These deposits and there are no limits for number of transactions in a day. Most of the current accounts are opened in the names of firms/company accounts.

## **12. What is recurring deposit account?**

Recurring deposit account is opened by those who want to save certain amount of money regularly for a certain period of time and earn a higher interest rate. In recurring deposit account a fixed amount is deposited every month for a specified period and the total amount is repaid with interest at the end of the particular fixed period.

## **13. What is meant by super savings account?**

The Super Savings Account launched by Funds India is an innovative product designed to bring you the best of both worlds. The highest possible returns on your savings, without compromising on the liquidity of a bank savings account.

## **14. What is cash certificate?**

Cash certificates are a type of deposit that is purchased for a certain amount. The account holder purchases the cash certificate for a certain amount, but needs to make payments toward this amount only as long as the term of the certificate lasts. Typically, the account holder builds up to the full amount of the certificate, earning interest as the money is transferred to the account, like a reverse loan. Account holders make payments once every quarter. Cash certificates can last years, and holders can even borrow money against them if necessary.

**15. What is meant by reinvestment plan?**

A **reinvestment plan** is relatively common in mutual funds, investors agree to use dividends and other capital gains to **reinvest** in more shares of the mutual fund.

**16. What is do you mean by NRE account?**

An NRE account is a bank account opened in India in the name of an NRI, to park his foreign earnings; whereas, an NRO account is a bank account opened in India in the name of an NRI, to manage the income earned by him in India. These incomes include rent, dividend, pension, interest, etc.

**17. Who is a Minor?**

A minor is a person who has not completed 18 years of age. In case a guardian of his person or property is appointed by a court of law before he completes his 18 years, the period of minority is extended to the completion of 21 years. Section 11 of the contract act a minor is incompetent to contract.

**18. What is a bank pass book?**

Pass book contains true and authenticated record of the customer's account with the banker. The banker may incur errors in recording entries in the pass book. The pass book constitutes a conclusive proof of the accuracy of the entries made therein.

**19. What do you mean by garnishee order?**

The banker should not honour a cheque received by him after the issue of the garnishee order by the court of the authorities.

Section-31 of the Negotiable Instruments Act ,1881 provides that "The drawee of a cheque having sufficient funds of the drawer in his hands, properly applicable to the payment of such cheques must pay the cheque when duly required to do so and in, default of such payments, must compensate the drawer for any loss or damage caused by such default.

**20. Who are trustees?**

A trust is an agreement created between two parties of which one is called the trustee and the other is called beneficiary. Under the Indian trust act 1882,a trust is created by which certain property is entrusted to the trustees who will administer the property for specific benefit to the beneficiary.

**21. What is Joint Stock Company?**

Joint Stock Company is an artificial person and it has a separate legal entity. so, a bank account may be opened on its own name. A joint stock company may either be a private limited company or a public limited company. Some of the documents are required while opening of a joint stock company. Certificate of incorporation, certificate of commencement of business, memorandum of association, articles of association, Copies of annual accounts.

## 22. Write a note on Lunatics?

A person of unsound mind cannot make a valid contract. So the bankers should not open an account in the name of a person of unsound mind. But a customer may become lunatic after opening an account with the bank. When a customer becomes insane and the banker comes know of it, he must stop all the operations on the account immediately.

## 23. Define paying banker.

The **banker** who is liable to **pay** the value of a cheque of a customer as per the contract, when the amount is due from him to the customer is called "**Paying Banker**" or "Drawee **Bank**." The payment to be made by him has arisen due to the contractual obligation. He is also called drawee **bank** as the cheque is drawn on him.

## 24. What is meant by collecting banker?

The **collecting banker** is a **banker** who collects cheques drawn upon other **bankers** for and on behalf of his customer. He is called the **collecting banker** as he undertakes the work of **collection** of cheques. Holder for value.

## 25. Write a note on payment in due course.

Payment in due course is defined in section 10 of Negotiable instruments Act 1991 any person legally responsible to make payment under negotiable instrument must make the payment of the amount due under in due course with the purpose of obtaining a valid discharge against the holder.

## 26. Define Cheque.

A cheque is a document that orders a bank to pay a specific amount of money from a person's account to the person in whose name the cheque has been issued.

## 27. What is crossing?

A crossing is an instruction to the paying banker to pay the amount of cheque to a particular banker and not over the counter. The crossing of the cheque secures the payment to a banker. It also traces the person so receiving the amount of cheque.

## 28. What is meant by marking?

A **bank endorsement** is a guarantee by a **bank** confirming that it will uphold a cheque or other negotiable instrument, such as a banker's acceptance, from one of its customers. This assures any third-party that the **bank** will back the obligations of the creator of the instrument in the event the creator cannot make payment.

## 29. Write a note on internet banking?

Online banking also known as internet banking, e-banking or virtual banking, is an electronic payment system that enables customers of a bank or other financial institution's website. The customer number can be linked to any account that customer controls, such as cheque, savings, loan, credit card and other accounts.

### **30. What is banking?**

**Mobile banking** refers to the use of a Smartphone or other cellular device to perform online banking tasks while away from your home computer, such as monitoring account balances, transferring funds between accounts, bill payment and locating an ATM.

### **31. What is Automated Teller Machine?**

An Automated Teller Machine also known as cash machine, it is an electronic telecommunication device that enables the customers of a financial institution to perform financial transactions, particularly cash withdrawal, without the need for a human cashier, clerk or bank teller.

### **32. What is meant by credit card?**

A credit card is a thin rectangular slab of plastic or metal issued by a financial company, that lets cardholders borrow funds with which to pay for goods and services. Credit cards impose the condition that cardholders pay back the borrowed money, plus interest, as well as any additional agreed-upon charges.

### **33. What do you mean by EFT?**

An **electronic funds transfer** (EFT) is a transaction that takes place over a computerized network, either among accounts at the same bank or to different accounts at separate financial institutions.

### **34. What is RTGS?**

The term real-time gross settlement (RTGS) refers to a funds transfer system that allows for the instantaneous transfer of money and/or securities. RTGS is the continuous process of settling payments on an individual order basis without netting debits with credits across the books of a central bank. Once completed, real-time gross settlement payments are final and irrevocable. In most countries, the systems are managed and run by their central banks.

### **35. Write a note on NEFT?**

National Electronic Funds Transfer (NEFT) is a nation-wide payment system facilitating one-to-one funds transfer. Under this Scheme, individuals can electronically transfer funds from any bank branch to any individual having an account with any other bank branch in the country participating in the Scheme.

### **36. Describe PAN card.**

**PAN**, or permanent account **number**, is a unique 10-digit alpha-numeric identity allotted to each taxpayer by the Income Tax Department under the supervision of the Central Board of Direct Taxes. It also serves as an identity proof. The **PAN number** remains unaffected by change of address throughout India.

**37. What is meant by IFSC?**

IFSC is an acronym for Indian Financial System Code. IFSC code is a unique eleven-digit number which is a combination of alphabets and numerals. It is used to transfer funds online for NEFT, IMPS and RTGS transactions. Usually, the IFSC code can be found on the cheque-book provided by the bank.

**38. What do you mean by MICR?**

**MICR** code is a code printed on cheques using **MICR** (Magnetic Ink Character Recognition technology). This enables identification of the cheques and which in turns means faster processing. An **MICR** code is a 9-digit code that uniquely identifies the **bank** and branch participating in an Electronic Clearing System (ECS).

**39. Give the meaning of smart card.**

A **smart card**, typically a type of chip **card**, is a plastic **card** that contains an embedded computer chip either a memory or microprocessor type that stores and transacts data. This data is usually associated with either value, information, or both and is stored and processed within the **card's** chip.

**40. What is cash deposit machine?**

The cash deposit machine (CDM) is a self service terminal that lets you make deposits and payment transactions by cash, all successful transactions are immediately credited and customers will be issued an advice slip confirming the transaction.