MCQs (choose the correct option)

1. Meaning: The primary function of commercial banks is
- (a) Issuing currency (b) Accepting deposits (c) Framing monetary policy (d) Levying taxes

2. Accounts: Which account generally allows unlimited transactions without interest?
- (a) Savings (b) Current (c) RD (d) FD

3. Instrument: A bank-issued instrument guaranteeing payment to a specified person is
- (a) Cheque (b) DD (c) Promissory note (d) Endorsement

4. Digital transfer: Real-time gross settlement for high-value transfers is
- (a) NEFT (b) RTGS (c) IMPS (d) UPI

5. KYC: A mandatory KYC document for individuals typically includes
- (a) Utility bill only (b) PAN/Aadhaar and address proof (c) School ID (d) Birth certificate

Fill in the blanks

1. Definition: A bank is a financial institution that accepts ______ and lends money.
2. Relationship: The relationship between bank and depositor is primarily ______ and ______.
3. Account: Interest is generally paid on ______ account balances, not on current accounts.
4. Cheque part: The person who writes a cheque is called the ______.
5. Digital: ______ enables instant payments using a virtual payment address on mobile apps.
6. Transfer: ______ settles funds in batches; ______ settles individually in real time.
7. Card: Money is directly deducted from the account when using a ______ card.
8. Record: A ______ records all transactions in a depositor’s account and balance.
9. Fixed: The amount kept for a fixed term at a fixed interest rate is a ______ deposit.
10. Compliance: Verifying identity and address before opening an account is called ______.

Match the following

- Column A:

1. Cheque
2. Demand Draft
3. NEFT
4. RTGS
5. Recurring Deposit

- Column B:

a. Customer-written payment order
b. Bank-guaranteed payment instrument
c. Batch-settled fund transfer
d. Real-time high-value transfer
e. Monthly installment savings product

Short answer questions (3–4 sentences)

1. Functions of banks: State any four functions of commercial banks.
2. Savings vs current: Distinguish between savings and current accounts.
3. Cheque parts: Name and explain any four parts of a cheque.
4. Dishonour reasons: List four common reasons a cheque may be dishonoured.
5. DD vs cheque: How is a demand draft safer than a cheque?
6. KYC: What is KYC and why is it important?
7. Digital payments: Compare NEFT, RTGS, and IMPS by speed and settlement.
8. Deposits: Explain RD and FD with one key benefit of each.

Long answer questions (6–8 sentences)

1. Types of bank accounts: Describe savings, current, RD, and FD—features, typical users, and benefits.
2. Cheque mechanics: Explain cheque crossing, endorsement, bearer vs order cheques, and procedure of cheque clearing.

3. Modern banking: Discuss net banking, mobile banking, UPI, and cards—advantages, security measures, and limitations.

Case study questions

1. Cheque issue: Ravi issues a cheque for ₹8,500. The bank returns it marked "NSF."

- Identify what "NSF" means, two probable causes, and two steps Ravi can take to avoid this in future.

2. Transfer choice: Meera must send ₹3,50,000 urgently to a supplier today.

- Choose the most appropriate transfer method, justify it, and list two precautions for the transaction.

Answer key (concise)

- MCQs: 1–(b), 2–(b), 3–(b), 4–(b), 5–(b)
- Fill in the blanks:

1–deposits; 2–debtor, creditor; 3–savings; 4–drawer; 5–UPI; 6–NEFT, RTGS; 7–debit; 8–passbook; 9–fixed; 10–KYC

- Match: 1–a, 2–b, 3–c, 4–d, 5–e
- Short answers (guide points):
- Functions: accepting deposits, lending, remittances, agency services, locker, investment services
- Savings vs current: savings—interest, limited transactions; current—no interest, high liquidity, business use
- Cheque parts: date, payee, amount in words/figures, signature, MICR, account number
- Dishonour reasons: insufficient funds, signature mismatch, stale/post-dated, overwriting, stop payment
- DD vs cheque: DD is prepaid and bank-guaranteed; lower risk of bounce; issued by bank
- KYC: identity/address verification; prevents fraud, money laundering; mandatory for account opening
- NEFT/RTGS/IMPS: NEFT—batch/within hours; RTGS—real-time high value; IMPS—instant 24x7 retail

- RD/FD: RD—monthly deposits build savings; FD—lump sum at fixed rate for tenure
- Case studies (guide points):
- NSF: insufficient funds; causes—low balance/hold; fix—maintain balance, enable alerts, overdraft
- Transfer: RTGS for ₹3,50,000 same-day; precautions—correct beneficiary details, confirm limit/timing, keep proof