

**MARKING SCHEME  
SAMPLE PAPER  
Class XII  
BANKING (785)**

**Time: 3 Hours**

**Marks: 60**

- i. Question paper is divided into two sections.

**Section A –**

- Multiple choice questions/Fill up/one sentence. (1 mark each )
- Very Short Answer (2marks each)
- Short Answer (3 marks each)

**Section B- long Answer (5 marks each)**

- ii. All questions of that particular section must be placed in the correct order
- iii. Please check that this question paper contains 33 questions
- iv. The maximum time allowed is 3 hours.

**SECTION A**

**Multiple choice questions/Fill up/one sentence: (Attempt Any Ten Questions) (1X10=10)**

- Q.1 Wireless Application Protocol.
- Q.2 Fiscal policy is related to direct taxes and government spending. When direct taxes increased and government spending increased than the disposable Income of the people reduces and hence the demand reduces.
- Q.3 State Bank of India
- Q.4 Reserve bank of India
- Q.5 Liability
- Q.6 (b) RBI
- Q.7 Inflation front
- Q.8 Centralised On-line Real Time Environment.
- Q.9 Front
- Q.10 Internet Banking allows you to conduct bank transactions online.
- Q.11 31<sup>st</sup> March every year
- Q.12 Mumbai Inter Bank Offered Rate

**Very Short Answer (Attempt Any Five Questions) (2x5=10)**

Q.13 Functions of RBI

- Issuer of currency
- Banker to the Government
- Banker to Banks
- Financial Regulation and Management

Q.14 The rate at which banks borrow short-term funds from RBI is called Repo Rate. A reverse repo is the opposite of a repo. RBI announces the repo rate and reverse repo rate. The reverse repo rate will always be lower than the repo rate.

Q.15 a) change the password (PIN) of Debit card provided by bank before using it.  
b) Do register mobile no. for SMS alert on mobile for every transaction

Q.16 Features of Demand Draft:

- 1) A demand draft is payable on demand
- 2) If there are wrong signatures on the draft, the bank is liable.

Q.17 Amount = ₹39930 and interest will be ₹9930

Q.18 A Mutual Fund means an investment vehicle that pools the money of a large group of investors and purchases a variety of securities to achieve a specific investment objective. Bank profitability is increased by diversification of source of income. Fee Based products are less risky hence do not require additional capital

Q.19 Central Bank may directly affect the money supply to control its growth. Or it might act indirectly to affect cost and availability of credit in the economy. In modern times the bulk of money in developed economies consists of bank deposits rather than currencies and coins. So central banks today guide monetary developments with instruments that control over deposit creation and influence general financial conditions

**Short Answer (Attempt Any Five Questions)**

**(3x5=15)**

Q.20 Sub-standard asset is one which has been classified as NPA for a period not exceeding 12 months. In such cases, the current net worth of the borrower guarantor or the current market value of the security charged is not enough to ensure recovery of the dues to the bank in full. In other words, such an asset will have well-defined credit weaknesses that jeopardize the liquidation of the debt and are characterized by the distinct possibility that the bank will sustain some loss, if deficiencies are not corrected. A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off, wholly or partly

Q.21 **Types of Bank Guarantees**

**Financial Guarantee:** The bank guarantees that the beneficiary will meet the financial obligation and in case he fails, the bank as a guarantor is bound to pay.

**Performance Guarantee:** Guarantee issued is for honouring a particular task and completion of the same in the prescribed / agreed upon manner as stated in the guarantee document.

**Advance Payment Guarantee:** This guarantee assures that the advance amount would be returned, in case the agreement for which the advance is given does not get fulfilled.

Q.22 (a) The maturity of a promissory note or bill of exchange is the date at which it falls due for payment.

(b) Front end interest is interest calculated at the beginning of the loan installment, in advance, whereas the back end interest is interest calculated at the end of the installment when interest amounts fall due.

Q.23 An Equated Monthly Instalment (EMI) is defined as "Payment of a fixed payment amount made by a borrower to a lender at a specified date each calendar month. Equated monthly instalments are used to pay off both interest and principal each month, so that over a specified number of years, the loan is fully paid off along with interest."

$$\text{EMI} = \frac{[P \cdot r/1200] \cdot (1 + r/1200)^N}{[(1 + r/1200)^N - 1]}$$

Q.24 Three days of grace are added.

1. Bill drawn on 1<sup>st</sup> January, 2015 payable one month after the date. (4 Feb.2015)

2. Bill drawn on 29<sup>th</sup> December, 2015 payable two months after the date. (1 Feb. 2015)

Q.25 **Precautions to be taken are:**

- Ensuring security while banking online is to keep your password and pin number a secret.
- The security of your personal computer is very important for safe internet banking. Therefore, always install antivirus software and software to remove spyware.
- Checking your bank statements regularly will help you detect any transaction that has taken place without your knowledge
- While banking through the internet, make sure that the banking session is secure.
- In addition, always remember to completely log off, after completing the banking session.
- Bank have implemented One Time password (OTP) for online payments for purchases

Q.26 **Clearing House:** is a place where Banks that are members of the clearing house meet to exchange the cheques. Outward clearing refers to instruments that are deposited by customer that are drawn on other Banks that need to be presented at clearing. Inward clearing means all the Paper based instruments that have to be presented at the drawer bank either in person or by another bank in clearing or through collection

**Clearing House Functions:**

- Facilitate the exchange of instruments
- Settlements of Claims
- Settlements with Major Banks
- Settlements with the Central Bank

## SECTION B

Long Answer (Attempt any five questions)

(5x5=25)

Q.27 Factors are:

1. Inflation
2. Opportunity cost
3. Demand and supply
4. Length of time
5. Risk free interest rate

Q.28 BRANCH MANAGERS role

- The Branch Manager (BM) is not directly involved in matters of the front office customer service, unless there is some issue which is beyond the level of the front line staff.
- He represents the bank as far as the customers are concerned and so he is entirely responsible for the smooth conduct of the branch affairs.
- The BM should take responsibility to ensure that the ambience in the branch premises is very pleasant for the customer to visit and conduct business.
- There may be some matters which are beyond his powers. In such cases he should immediately approach his higher-ups for quick action. (For example, loan proposals for amounts beyond his delegated sanctioning powers);
- He should keep all the staff members informed of the latest updates on the bank's business – for example, changes in the operational rules, introduction of new products etc. This may be done by arranging periodical briefing of staff members on various aspects of banking
- He should conduct periodical meetings of all staff members to discuss the bank's performance, the branch's performance, targets to be reached, the strategies to be adopted to meet the targets etc.
- He should be well conversant of the background of the important customers of the branch.

Q.29 (a) **Difference between Credit and Debit Card**

Credit card	Debit card
<ul style="list-style-type: none"> <li>• Borrowing money from a bank or financial institution. (Spending "other's" money)</li> <li>• Need not be connected to any bank account</li> <li>• Pay additional interest drawn on the amount borrowed</li> <li>• Limit: Credit line</li> </ul>	<ul style="list-style-type: none"> <li>• Funds taken from the money that you have in your Bank account. (Spending your "own" money)</li> <li>• Needs Checking Account / Savings Account</li> <li>• No interest to be paid</li> <li>• Limit: Equals your account balance / limit</li> </ul>

Q.30 (a) Security features available in the E- banking are:

- Security token device for online banking
- Use of a secure website has become almost universally adopted
- Single password authentication

- PIN/ TAN ([Transaction authentication number](#))
- system where the PIN represents a password, used for the login
- OTP (One time password) to user's (GSM) mobile phone via SMS.
- Signature based online banking where all transactions are signed and encrypted digitally

(b) “Phishing” is one of the most commonly used forms of cyber attack. Phishing is the criminal attempt to acquire personal information such as usernames, passwords, and credit card details by masquerading as a trustworthy individual or entity in all sorts of electronic communication such as e-mail, websites and call to action notices.”

**Q.31 Qualitative or Selective Methods of monetary policy**

- Selective Credit control
- Rationing of credit
- Moral Persuasion
- Direct action

**Q.32** Mobile banking is a system that allows customers of a financial institution to conduct a number of financial transactions through a mobile device such as a mobile phone or personal digital assistant.

Advantages to Banks:

- Control costs, removal of cost duplication
- Cater to increasing online channel customers
- Personalize customer interactions
- Unparalleled convenience and proactive customer service
- Cross selling

**Q.33 FORM OF CONSOLIDATED BALANCE SHEET OF A BANK AND ITS SUBSIDIARIES ENGAGED IN FINANCIAL ACTIVITIES**

Balance Sheet of \_\_\_\_\_ (here enter name of the banking group)(000's omitted)  
Balance Sheet as on March 31 (Year)

	Schedule	Year ended 31.3..... (Current Year)	Year ended 31.3..... (Previous Year)

CAPITAL & LIABILITIES			
Capital	1		
Reserves & Surplus	2		
Minorities Interest	2A		
Deposits	3		
Borrowings	4		
Sundry Payables			
Other Liabilities and Provisions	5		
Total			
ASSETS			
Cash and Balances with Reserve Bank of India	6		
Balances with banks and money at call and Short Notice	7		
Investments	8		
Loans & Advances	9		
Sundry Receivables			
Fixed Assets	10		
Other Assets	11		
Goodwill on Consolidation			
Debit Balance of Profit and Loss A/C			
Total			
Contingent liabilities	12		
Bills for collection			