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FACULTY OF ADMINISTRATION AND MANAGEMENT SCIENCES

DEPARTMENT OF BANKING AND FINANCE

2017/2018 RAIN SEMESTER EXAMINATION

COURSE CODE/TITLE: BFN 202/ BANKING METHODS AND PROCESS

INSTRUCTION: Answer all questions in section A and only one in section B

TIME ALLOWED: 2HOURS

SECTION A

Answer Yes or No for question 1-15

1. The CBN appoints settlement bank once in a year. *NO*
2. Every non-settlement bank does clearing through correspondence banking. *YES*
3. All unpaid cheques is returned through the clearing house by the second clearing day. *YES*
4. A customer that deposited a fresh cheque on Monday will receive value in his account on Wednesday. *NO*
5. A cheque may be returned by the paying bank if the drawers account is dormant. *YES*
6. A cheque may not be returned by the paying bank if it contains material alteration. *YES*
7. A stale cheque is a cheque that has been in circulation for less than six months. *NO*
8. It is voluntary for a paying bank to state reason(s) for returning a cheque. *YES*
9. Clearing session commence each day by 8am. *YES*
10. A presenting bank is deemed negligent if a customer's account is not properly opened. *YES*
11. Settlement bank shall maintain properly executed agency agreement with non-settlement banks. *YES*
12. In case of industrial action the affecting bank shall only inform CBN branch controller. *YES*
13. Any bank has the right to reject financial instrument drawn on an industrial action bank if it stays away from clearing session for more than 1(one) day. *YES*
14. In case of national emergency that prevented clearing session such days shall not be counted as working days. *YES*
15. Any dispute between settlement banks on clearing activities shall be referred to court for adjudication. *YES*

Choose one of the options listed to answer question 16-50

16. A Bank is an institution that trade in;

- (a) Deposit and Bills
- (b) Money and credit
- (c) Interest and money
- (d) All of the above

17. Banking institutions in Nigeria obtain licence to operate from;

- (a) A Central Bank
- (b) The Central Bank
- (c) Director of Central Bank
- (d) Our Central Bank

18. Which of the following licence is obtainable from monetary authorities?

- (a) Regional, State and National
- (b) State, Local and International
- (c) Regional, National and International
- (d) Local, National and International
- (e) None of the above

19. Nigeria Central Bank is responsible for the following

- (a) Licensing and Supervision of other Banks
- (b) Licensing and Supervision of other financial Institutions
- (c) Licensing and Supervision of other financial Institutions
- (d) Licensing and Supervision of other Banks
- (e) All of the above

20. Commercial Banks are referred to by the CBN as;

- (a) Retail Banks
- (b) Wholesale Banks
- (c) Loan Institutions
- (d) Deposit Money Banks
- (e) Any of the above

21. Microfinance Banks operate as;

- (a) Branch Banking
- (b) Unit Banking
- (c) Group Banking
- (d) Correspondence Banking
- (e) None of the above

22. Microfinance Bank provide.....service hence decision making is.....

- (a) Essential, crucial
- (b) Local, essential
- (c) Crucial, important
- (d) Community, faster
- (e) Retail, slow

23. An Islamic Bank is unique when compared to other banks because

- (a) It forbid high interest sharing
- (b) It forbid exploitation of man by man
- (c) It allows modified profit sharing
- (d) It allows non-interest banking system
- (e) All of the above

24. Mortgage Banks otherwise referred to as in Nigeria provide

- (a) PMIs, Long term housing loan
- (b) PMI, short term mortgage loan
- (c) PMIs, medium term property loans
- (d) PMI, housing finance
- (e) All of the above

25. All Banking institutions in Nigeria provide;

- (a) Acceptance of Deposit service
- (b) Provision of loan
- (c) Financial Intermediation service
- (d) Financial dis-intermediation service

26. A Customers' means of identification of his relationship with his banker;

- (a) Passport photograph
- (b) Cheque Book
- (c) ATM Card
- (d) Account number
- (e) All of the above

27. Cash Lodgment by a customer into his account is facilitated through

- (a) Bank pay-in slip
- (b) Bank Cashier
- (c) Credit transfer
- (d) Electronic machine
- (e) All of the above

28. Which of the following is not a conventional banking account?

- (a) Saving Account
- (b) Fixed Deposit account
- (c) Escrow Account
- (d) Current account
- (e) All of the above

29. An overdraft differs from a loan in terms of;

- (a) Volume and flow
- (b) Maturity and flow
- (c) Cost and volume
- (d) Cost and benefit
- (e) All of the above

30. One major difference between a commercial bank and a microfinance bank is;

- (a) The former is a clearing bank
- (b) The later is a retail bank
- (c) The former accept deposit
- (d) The later provides loan
- (e) All of the above

31. A banks benefit for service rendered to its customers on current account is generally called;

- (a) Transaction fee
- (b) Ledger fee
- (c) Computer fee
- (d) Commission on turnover
- (e) All of the above

32. The term "POS" means

- (a) Payment Order service
- (b) Point of service
- (c) Point order service
- (d) Payment of sale
- (e) Point of sale

33. The term "ATM" means

- (a) Account transaction mobile
- (b) Automatic teller machine
- (c) Automated teller machine

(d) Account transacting mobility
(e) Automated teller mobile

34. A customer that instruct his banker to transfer fund on regular basis should ask for

- (a) Standing order service
- (b) Standing other services
- (c) Standing ordering service
- (d) Standing orders service
- (e) All of the above

35. Interest on Treasury bill is Free

- (a) Interest
- (b) Risk
- (c) Premium
- (d) Commission
- (e) All of the above

36. Banker is the Customer is the when the customer is owing the bank

- (a) Creditor, debtor
- (b) Debtor, creditor
- (c) Principal, Agent
- (d) All of the above

37. Customer is the banker is the When banker keeps customer's item in safe custody

- (a) Bailee, bailor
- (b) Bailor, bailee
- (c) Baileee, bailors
- (d) Bailors, bailees
- (e) None of the above

38. When bank transfers money on behalf of his customer, the banker is in the first instance

- (a) Transferee
- (b) Transferor
- (c) Agent
- (d) Principal
- (e) All of the above

39. Mortgage contract between the bank and customer is subject to equity of redemption. This means

- (a) Customer has the option not to repay
- (b) Bank has the option to sell the customers property if he fails to repay
- (c) Bank cannot sell customer property after payment
- (d) Bank must return customer property after repayment of the loan
- (e) Customer must repay the loan obtained from the bank

40. Revised Nigerian bankers' clearing house rules was updated in

- (a) January 2017
- (b) June 2012
- (c) January 2012
- (d) July 2012
- (e) August 2012

41. Guidelines for cheque truncation in Nigeria was revised in;

- (a) January 2017
- (b) February 2107
- (c) March 2012
- (d) April 2012
- (e) May 2012

42. The acronym NBCH means

- (a) Nigeria Board Cheque House
- (b) Nigeria Banking Clearing House
- (c) Nigeria Bankers Clearing House
- (d) Nigeria Banks Clearers House
- (e) Nigeria Business Clearing House

43. Which of the following is not an objective of the NBCH;

- (a) Provide speedy and efficient collection of cheque
- (b) Facilitate an effective and efficient payment system
- (c) Provide mechanism for settlement of cheque
- (d) Provide operational standard for cheque truncation
- (e) All of the above

44. Membership of the NBCH is comprised as follows

- (a) CBN, Commercial banks and Microfinance bank
- (b) CBN, Commercial banks and universal banks
- (c) CBN, Commercial bank and Mortgage bank
- (d) CBN, Commercial banks
- (e) None of the above

45. Clearing Session in each branch is presided by;

- (a) Clearing manager and assistant
- (b) Clearing Officer and assistant
- (c) Clearing superintendent and assistant
- (d) Clearing director and assistant
- (e) All of the above

46. In any economy, banks act as middlemen in effecting creation of credits. In doing so, they

- (a) Contribute to financial disintermediation
- (b) Lend short and borrow long
- (c) Transform inactive money capital into active capital
- (d) Enhance the growth of capitalism

47. Developmental function of a developing nation's Central Bank does not include which of the following

- (a) Localisation of the credit base
- (b) Establishment of a stock exchange
- (c) Establishment of a development of financial institution
- (d) Supervision of all types of financial institution

48. The Central Bank of any country as the main financial institution responsible for formulating the country's monetary policy, does not engage in which of the following:

- (a) Open Market Operation
- (b) Moral suasion and coercive measures
- (c) Payment of interest on deposit
- (d) Payment of interest on stabilization securities.

49. Computerization of banking operation has not reduced which of the following in favour of the bank:

- (a) Transaction Cost
- (b) Waiting time
- (c) Loan processing cost
- (d) Staff overhead

50. A cheque lodged by a customer at the counter of his banker should be paid

- (a) Within 2 clearing days or 3 working days from the day of lodgement
- (b) After 2 clearing days or 3 working days from the day of lodgement
- (c) Before 2 clearing days or 3 working days from the day of lodgement
- (d) On 2 clearing days or 3 working days from the day of lodgement
- (e) None of the above

SECTIONN B

1 (a) Discuss vividly the strategic roles that banks play in a modern economic system.

(b) What are the distinguishing factors that differentiate Commercial banks from Central Banks?

(c) "A sound Banking system is said to be healthy when it is technically solvent" – Discuss briefly.

2 (a) List and explain three (3) requirements for licensing new banks in Nigeria.

(b) List the regulatory agencies in Nigeria banking sector.

(c) In a tabular form, list the sources and application of funds in banks.