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FACULTY OF MANAGEMENT SCIENCES.
DEPARTMENT OF ACCOUNTING & BANKING AND FINANCE.
2016\2017 RAIN SEMESTER EXAMINATION.

Course code/title: Banking Methods and Process / BFN 202

Instructions: Answer All Questions.

Time Allowed: 1.45 Hours.

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1 A bank is an institution that trades in;

- (a) Deposit and bills
- (b) Money and credit
- (c) Interest and money
- (d) Loans and interest
- (e) All of the above

2 Banking institutions in Nigeria obtain licence to operate from;

- (a) A Central bank
- (b) The Central bank
- (c) Director of Central bank
- (d) Minister of Finance
- (e) Our Central bank

3 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

4 Nigerian Central Bank is responsible for which of the following;

- (a) Licensing and supervision of other banks
- (b) Licencing and supervision of other financial institutions
- (c) Licensing and supervision of other financial institutions
- (d) Licencing and supervision of other bank
- (e) All of the above

5 Commercial Banks are referred to by CBN as;

- (a) Retail banks
- (b) Wholesale banks
- (c) Loans institutions
- (d) Deposit money banks
- (e) Any of the above

6 Microfinance banks operate as;

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

7 Microfinance banks provide service hence decision making is

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

- (e) Retail, slow
- 8 An Islamic bank is unique when compared to other banks because;
- (a) It forbids high interest sharing
 - (b) It forbids exploitation of man by man
 - (c) It allows modified profit sharing
 - (d) It allows non-interest banking system
 - (e) All of the above
- 9 Mortgage Banks otherwise referred to as in Nigeria provide.....
- (a) PMIs, long term housing loans
 - (b) PMI, short term mortgage loans
 - (c) PMIs, medium term property loans
 - (d) PMI, housing finance
 - (e) All of the above
- 10 All banking institutions in Nigeria provide;
- (a) Acceptance of deposits service
 - (b) Provision of loans
 - (c) Financial intermediation service
 - (d) Financial dis-intermediation service
 - (e) None of the above
- 11 A customer's means of identifying his relationship with his banker;
- (a) Passport photograph
 - (b) Cheque book
 - (c) ATM card
 - (d) Account number
 - (e) All of the above
- 12 Cash lodgements by a customer into his account is facilitated through
- (a) Bank pay-in slip
 - (b) Bank cashiers
 - (c) Credit transfer
 - (d) Electronic machines
 - (e) All of the above
- 13 Which of the following is a not a conventional banking account
- (a) Saving account
 - (b) Fixed deposit account
 - (c) Escrow account
 - (d) Current account
 - (e) All of the above
- 14 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
- 15 One major difference between a commercial bank and microfinance is
- (a) The former is a clearing bank
 - (b) The later is a retail bank
 - (c) The former accepts deposit
 - (d) The later provides loan
 - (e) None of the above

16 A bank's benefit for services rendered to its customers on current accounts is generally called

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

17 The term "POS" means

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

18 The term "ATM" means

- (a) Account transaction mobile
- (b) Automatic Teller machine
- (c) Automated teller machine
- (d) Account transacting mobility
- (e) Automatic teller mobile

19 A customer that instructs his banker to transfer funds 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

20 Interest on Treasury bills is Free

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

21 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

22 Customer is the banker is the when the banker keeps customer's items in safe custody

- (a) Baileeis, bailors
- (b) Bailor, bailee
- (c) Bailees, bailors
- (d) Bailors, bailees
- (e) None of the above

23 When bank transfer 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

24 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 customer property if he fails to repay
- (c) Bank cannot sell customer property after repayment
- (d) Bank must return customer property after repayment of the loan
- (e) Customer must repay the loan obtained from the bank

25 One difference between express and implied dealings between the bank and customer is that

- (a) Express means fast operations
- (b) Implied means slow operations
- (c) Implied means by conduct of dealings
- (d) Express means by misconduct of dealings
- (e) None of the above

26 Revised Nigeria bankers' clearing house rules was up-dated in

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

27 Guidelines for cheque truncation in Nigeria was revised in

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

28 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

29 Which of the following is not an objective of **NBCH**

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

30 Membership of the **NBCH** is comprised as follows

- (a) CBN, commercial banks and Microfinance banks
- (b) CBN, commercial banks and Universal Banks
- (c) CBN, commercial banks and Mortgage banks
- (d) CBN, commercial banks
- (e) None of the above

31 Clearing sessions in each branch is presided by

- (a) Clearing manager and assistant
- (b) Clearing officer and assistants
- (c) Clearing superintendent and assistants
- (d) Clearing director and assistants
- (e) None of the above

32 A person nominated by a clearing bank for clearing sessions is referred to as

- (a) Clearing officer
- (b) Clearing manager
- (c) ~~Clearing representative~~
- (d) Clearing coordinator
- (e) Clearing clerk

33 Which of the following may not lead to the suspension of a member bank from clearing session

- (a) Where settlement account is adequately funded
- (b) Where the collateral discounted is insufficient
- (c) Where a settlement bank persistently overdraws its account
- (d) Failure to provide acceptable and competent nomination to the house
- (e) Failure to maintain adequate collateral with CBN

34 Which of the following is not an eligible financial instrument for clearing in Nigeria?

- (a) Dividend warrants
- (b) Interest warrants
- (c) Debit notes
- (d) ~~Trade bills~~
- (e) Bankers payments

35 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
- (f)

Answer YES or NO for questions 36 – 50

36 The CBN appoints settlement banks once in a year

37 Every non-settlement bank does clearing through correspondence banking

38 All unpaid cheques is returned through the clearing house by the second clearing day

39 A customer that deposited a fresh cheque on a Monday will receive value in his account on Wednesday

40 A cheque may be returned by the paying bank if the drawer's account is dormant

41 A cheque may not be returned by the paying bank if it contains material alteration

42 A stale cheque is a cheque that has been in circulation for less than 6 months

43 It is voluntary for a paying bank to state reason(s) for returning a cheque

44 Clearing session commence each day by 8am

45 A presenting bank is deemed negligent if a customer's account is not properly opened

46 Settlement banks shall maintain properly executed agency agreement with non-settlement banks

47 In case of industrial action the affecting bank shall only inform CBN branch controller

48 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.

49 In cases of national emergency that prevented clearing session such days shall not be counted as working days

50 Any dispute between settlement banks on clearing activities shall be referred to court for adjudication