

AGA KHAN UNIVERSITY EXAMINATION BOARD

HIGHER SECONDARY SCHOOL CERTIFICATE

CLASS XII

MODEL EXAMINATION PAPER 2023 AND ONWARDS

Banking Paper I

Time: 1 hour 10 minutes Marks: 40

INSTRUCTIONS

1. Read each question carefully.
2. Answer the questions on the separate answer sheet provided. DO NOT write your answers on the question paper.
3. There are 100 answer numbers on the answer sheet. Use answer numbers 1 to 40 only.
4. In each question, there are four choices A, B, C, D. Choose ONE. On the answer grid, black out the circle for your choice with a pencil as shown below.

Correct Way	Incorrect Ways
1 <input type="radio"/> A <input type="radio"/> B <input checked="" type="radio"/> C <input type="radio"/> D	1 <input type="radio"/> A <input type="radio"/> B <input checked="" type="radio"/> C <input type="radio"/> D
	2 <input type="radio"/> A <input type="radio"/> B <input checked="" type="radio"/> C <input type="radio"/> D
	3 <input type="radio"/> A <input type="radio"/> B <input checked="" type="radio"/> C <input type="radio"/> D
	4 <input type="radio"/> A <input type="radio"/> B <input checked="" type="radio"/> C <input type="radio"/> D

Candidate's Signature

5. If you want to change your answer, ERASE the first answer completely with a rubber, before blacking out a new circle.
6. DO NOT write anything in the answer grid. The computer only records what is in the circles.
7. You may use a scientific calculator if you wish.

1. The word, 'bank' originated from the French word
 - A. 'banc'.
 - B. 'bench'.
 - C. 'banck'.
 - D. 'banque'.
2. If a bank undertakes commercial and investment activities together to promote industrialisation, then this type of banking is called
 - A. unit banking.
 - B. chain banking.
 - C. mixed banking.
 - D. branch banking.
3. National Bank of Pakistan (NBP) was established under the National Bank of Pakistan Ordinance 1949 and was government-owned.

On the basis of the given information, the NBP is classified as a

 - A. statutory bank.
 - B. chartered bank.
 - C. legislator bank.
 - D. registered bank.
4. The department of a bank that is involved in the maintenance and assessment of the bank's internal control, risk management and governance areas is known as the
 - A. legal department.
 - B. audit department.
 - C. security department.
 - D. public relations department.
5. The BIGGEST demerit of e-banking is
 - A. security concern.
 - B. lack of knowledge.
 - C. more financial cost.
 - D. loss of human touch.
6. Alam is a trader. He frequently makes transactions with the bank. On the basis of his goodwill, the bank has cleared a cheque which exceeded the amount Alam had in his account.

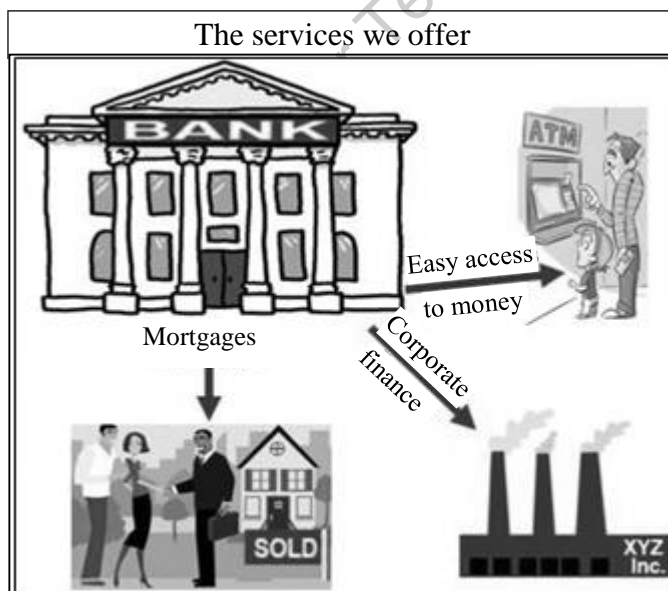
In the given scenario, the bank facilitated the customer through the provision of

 - A. overdraft.
 - B. mortgage.
 - C. bank loan.
 - D. cash credit.

7. Ahmed Traders have their bank account with HBL. The business was declared bankrupt and was liquidated by the directors. The directors informed the bank to close their account.

The given scenario of closure of bank account is considered as

- A. termination of account by law.
 - B. voluntary termination of account by bank.
 - C. voluntary termination of account by customer.
 - D. termination of account by unethical act of customer.
8. Which type of a bank account normally gives the highest rate of interest?
- A. Savings account
 - B. Current account
 - C. Home savings account
 - D. Fixed deposit account
9. One of the essential documents required for opening a current account of a partnership business is a/ an
- A. collateral security.
 - B. attested copy of the partnership deed.
 - C. account holder's introductory reference letter.
 - D. federal board of revenue (FBR) registration number.
10. The notice board of a commercial bank displays the following picture.



As per the given picture, the services provided by this commercial bank are classified as

- A. utility functions.
- B. primary functions.
- C. secondary functions.
- D. tertiary functions.

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11. A detailed record of all transactions of a bank account is provided to customers through the
- A. letter of credit.
 - B. bank statement.
 - C. collection letter.
 - D. status statement.
12. Which of the following functions performed by a commercial bank will assist the central bank to achieve economic development?
- A. Promoting business ethics
 - B. Helping to control the money supply
 - C. Providing advises for the promotion of trade
 - D. Generating employment opportunities in the country
13. The money that all the commercial banks of Pakistan are required to keep with the State Bank of Pakistan is known as the
- A. liquidity ratio.
 - B. efficiency ratio.
 - C. cash reserve ratio.
 - D. statutory liquidity ratio.
14. In Pakistan, what is the total percentage of cash and liquidity reserves that every scheduled bank is required to keep at the State Bank of Pakistan?
- A. 5%
 - B. 10%
 - C. 15%
 - D. 20%
15. All of the following are the limitations of credit creation EXCEPT for the
- A. policies of the central bank.
 - B. availability of good securities.
 - C. outflows to foreign countries.
 - D. liquidity preferences of the people.
16. The qualitative action of central bank to control credit would be to
- A. sell treasury bills in the market.
 - B. manipulate the bank interest rate.
 - C. issue directives for restricting bank advances.
 - D. change reserve requirements for commercial banks.
17. A central bank can issue Rs 100 note after keeping gold or silver valuing Rs 30 or Rs 40. This method of currency regulation is known as the
- A. fixed fiduciary system.
 - B. maximum limit system.
 - C. minimum reserve system.
 - D. proportional reserve system.

18. All of the following are the procedures to control the money supply in an economy EXCEPT
- A. fluctuating bank rates.
 - B. issuing of currency notes.
 - C. initiating open market operations.
 - D. fluctuating cash reserve requirements.
19. The State Bank of Pakistan has advised the government to increase the interest rate in the upcoming monetary policy.
- The objective achieved by the increase in the interest rate is
- A. price stability.
 - B. full employment.
 - C. economic growth.
 - D. equal income distribution.
20. The title given to the head of the State Bank of Pakistan is the
- A. Director.
 - B. President.
 - C. Governor.
 - D. Chairman.
21. When a drawee accepts a bill of exchange, he/ she
- A. undertakes all the risk of the loss when the instrument is lost or stolen.
 - B. is not responsible for further payment or the liability associated with the bill.
 - C. becomes liable to pay the bill at the time and place fixed for the payment.
 - D. is only responsible for the payment of the portion of the bill which he/ she accepts.
22. Areeba encashed the bill of exchange before the date of its maturity (due date) from her bank.
- This encashment is called
- A. retirement of bill.
 - B. discounting of bill.
 - C. endorsement of bill.
 - D. dishonouring of bill.
23. Ahmed draws a bill for Rabia for Rs 3,000. Ahmed then endorsed this bill to Zeba. The amount of bill will be received by
- A. Zeba.
 - B. Rabia.
 - C. Ahmed.
 - D. the bank.

24. The given credit instrument is identified as

STAMP	F.B Area, Karachi DD/MM/YY
Amount: Rs 100,000	
On demand pay Mr Amin or order the sum of Rs 100,000 in 60 days for value received.	
Accepted (signed) Drawee's Name Drawee's Address	Drawer (signed) Drawer address:

- A. I owe You.
- B. money order.
- C. promissory note.
- D. bill of exchange.

25. All of the following are the essential characteristics of a promissory note EXCEPT that it must

- A. be in writing.
- B. be unconditional.
- C. contain an order to pay.
- D. be signed by the maker.

26. Saeed issued a cheque to its supplier. The supplier went to the bank for the collection of money, but the cashier said that the cheque cannot be cashed at the counter and should be deposited in the account because the cheque was a/ an

- A. open cheque.
- B. cross cheque.
- C. blank cheque.
- D. bearer cheque.

27. Saleem receives an endorsed bill from Rashid with the following statement on the face of it:
"Pay to Saleem only, Rashid".

The endorsed bill can be classified as

- A. full endorsement.
- B. partial endorsement.
- C. restrictive endorsement.
- D. conditional endorsement.

28. Which of the following sources is classified as the banks' own source of fund?
- A. Bank withdraws funds from the bank's reserves
 - B. Bank issues the bonds through open market operations
 - C. Bank receives financial assistance from the central bank
 - D. Bank invests the long-term fixed deposits in treasury bills
29. Atlas Bank is providing cash loans (cash advancing) to general public in exchange for the value of their assets such as gold jewellery or government securities. The loans are payable in 5 years installment plan with mark up. Such loans can be classified as
- A. secured loans.
 - B. demand loans.
 - C. unsecured loans.
 - D. cash credit loans.
30. Waqar wants to borrow Rs 1 million from a commercial bank. The bank has asked Waqar to provide good collateral. Which of the following characteristics represent a good collateral security?
- A. Liquidity, equitability, stability and measurability
 - B. Liquidity, marketability, stability and transferability
 - C. Liquidity, equitability, transferability and measurability
 - D. Liquidity, transparency, transferability and measurability
31. With reference to the characteristics of good security, the principle of diversity means loans are issued
- A. in terms of sure repayment.
 - B. against some material security.
 - C. to different business or individual.
 - D. only to those who can repay the debt at short notice.
32. ABC Bank issued car loan to Ms Afifa with a five-year installment plan. If she defaults during this period, then the bank has the right to take back the custody of the car and auction it. The collateral security used in the given scenario is
- A. pledge.
 - B. mortgage.
 - C. trusteeship.
 - D. hypothecation.
33. The exchange rate between countries or commercial paper currencies is called
- A. bank rate.
 - B. distributive rate.
 - C. foreign exchange rate.
 - D. purchasing power rate.

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34. The MOST important participant in foreign exchange market is
- A. central bank.
 - B. retail customer.
 - C. commercial bank.
 - D. foreign exchange broker.
35. In order to improve the deficit on the balance of payments (BoP) of country Y, the government has imposed a quota on buying finished goods from other countries.
- The MOST likely impact of the given action on the international trade activities of the country Y, would be a/ an
- A. decrease in the imports of raw materials.
 - B. increase in the imports of finished goods.
 - C. decrease in the production of raw materials.
 - D. increase in the production of finished goods.
36. The difference between the import and export of goods and services is called
- A. budget.
 - B. balance of trade.
 - C. international trade.
 - D. balance of payments.
37. The monetary measure that a government can take to improve the balance of payments (BoP) is
- A. applying quota.
 - B. imposing tariffs.
 - C. devaluing currency.
 - D. initiating import substitution.
38. The fundamental principle that drives the Islamic Economic System is
- A. leasing a property for a loan.
 - B. investing money in non-profit operations.
 - C. renting money on a fixed or predetermined rate.
 - D. trading properties on a value higher than it was purchased.
39. Asim is an entrepreneur who runs a biryani restaurant. He plans to extend his business by introducing ready to serve tin packs of biryani to gain a large market share.
- For this initiative, he got finances from an Islamic Financing Bank which is ready to invest in his business. The bank agreed to bear all losses of the invested assets on a mutually agreed profit-sharing ratio.
- The given mode of Islamic finance is classified as the
- A. *Ijara.*
 - B. *Mudarabah.*
 - C. *Murabahah.*
 - D. *Musharakah.*

40. Zarai Taraqiati Bank Limited is the new name given to the
- A. Agricultural Bank of Pakistan.
 - B. Agricultural Development Bank of Pakistan.
 - C. Agricultural and Development Bank of Pakistan.
 - D. Agricultural Development Institution of Pakistan.

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