

AGA KHAN UNIVERSITY EXAMINATION BOARD

HIGHER SECONDARY SCHOOL CERTIFICATE

CLASS XII

Banking Paper I

Time: 40 minutes Marks: 25

Note: The MCQs in this model paper can also be used as examples and for practice for Annual and Re-sit Examinations 2021.

INSTRUCTIONS

1. Read each question carefully.
2. The MCQs in this model paper can be used as examples and for practice for Annual and Re-sit examinations 2021.
3. Answer the questions on the separate answer sheet provided. DO NOT write your answers on the question paper.
4. There are 100 answer numbers on the answer sheet. Use answer numbers 1 to 25 only.
5. 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

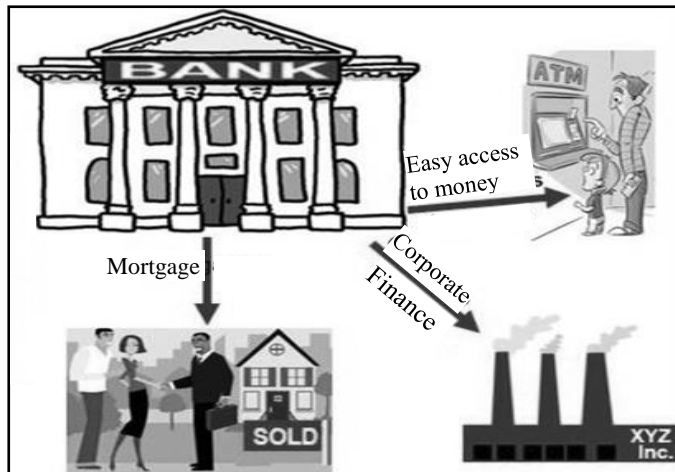
6. If you want to change your answer, ERASE the first answer completely with a rubber, before blacking out a new circle.
7. DO NOT write anything in the answer grid. The computer only records what is in the circles.
8. You may use a scientific calculator if you wish.

Note: The MCQs in this model paper can be used as examples and for practice for Annual and Re-sit examinations 2021.

1. 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.
2. 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.
3. What is the total percentage of cash and liquidity reserves that every scheduled bank is required to keep as per the regulations of the State Bank of Pakistan?
 - A. 5%
 - B. 10%
 - C. 15%
 - D. 20%
4. 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.

5. The notice board of a commercial bank displays the following picture.

The services we offer



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.
6. 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
7. 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
8. The title given to the head of the State Bank of Pakistan is the
- A. Director.
B. President.
C. Governor.
D. Chairmen.

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9. 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.
10. 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.
11. 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.
12. 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.
13. 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.
14. A detailed record of all transactions of a bank account is provided to customers through the
- A. letter of credit.
 - B. status statement.
 - C. bank statement.
 - D. collection letter.

15. 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.
16. 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.
17. 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.
18. 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.
19. Which of the following 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
20. 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

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21. 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 above 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.
22. The monetary measure that a government can take to improve the balance of payments (BoP) is through
- A. applying quota.
 - B. imposing tariffs.
 - C. devaluing currency.
 - D. initiating import substitution.
23. The difference between the import and export of goods and services is called a/ an
- A. budget.
 - B. balance of trade.
 - C. international trade.
 - D. balance of payments.
24. Zarai Taraqati Bank Limited is the new name given to
- A. Agricultural Bank of Pakistan.
 - B. Agricultural Development Bank of Pakistan.
 - C. Agricultural and Development Bank of Pakistan.
 - D. Agricultural Development Institution of Pakistan.
25. 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 above mode of Islamic finance is classified as the

- A. *Ijara.*
- B. *Mudarabah.*
- C. *Murabahah.*
- D. *Musharakah.*

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