MODEL QUESTION – SET 6

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JAIBB

Laws and Practice of General Banking (LPGB)

Subject Code : 1 0 4

Time—3 hours

Full marks—100

Pass marks—45

[N.B. The figures in the right margin indicate full marks. Answer the questions as mentioned in different parts.]

Part A—Broad Questions

(Answer any two questions)

Marks—20×2 = 40

1. *(a)* Define Contract of Guarantee and Contract of Indemnity under the Contract Act, 1872. What are the essential differences between them? **10**

(b) Describe the general and special relationship between a banker and a customer. **10**

2. *(a)* What is meant by Unique Customer Identification Code (UCIC)? Discuss the importance of KYC in banking operations. **4+6=10**

(b) What are the essential elements of a valid contract under the Contract Act, 1872? When is a contract said to be void? **6+4=10**

3. *(a)* Define Memorandum of Association and Articles of Association under the Companies Act, 1994. What are their key contents? **10**

(b) What formalities and precautions should a banker take before opening the account of an illiterate person? **10**

4. *(a)* Explain the features of a Garnishee Order. Discuss the obligations of a banker for wrongful dishonor of a cheque. **5+5=10**

(b) Discuss the provisions of the Partnership Act, 1932 relevant to opening a partnership firm’s bank account, and the liability of partners. **10**

Part B—Mathematical Problem

(Answer any one question)

Marks—10×1 = 10

5. A customer wants to know the exact interest payable on a Fixed Deposit Receipt (FDR) of BDT 9.50 lakh for a tenure of eight months. Assuming the current interest rate on fixed deposits is 9.5% per annum, calculate the exact amount of interest payable at maturity.

6. DEF Bank has an average total demand and time liabilities of BDT 25,000 crore over the reporting period. Bangladesh Bank requires banks to maintain a Cash Reserve Ratio (CRR) of 4% on a bi-weekly average basis.

(a) Calculate the required CRR amount.

(b) If the bank actually maintained an average balance of BDT 950 crore with Bangladesh Bank during the period, determine whether the bank is compliant, and calculate any shortfall or excess.

Part C—Problem Solving

(Solve any one case)

Marks—20×1 = 20

7. Case-1: Invocation of a Bank Guarantee

Review the following case study and answer the questions that follow.

Background: XYZ Construction Ltd. was awarded a government infrastructure contract requiring a performance guarantee of BDT 2 crore. ABC Bank issued an unconditional, on-demand bank guarantee in favour of the government agency on behalf of XYZ Construction Ltd. Midway through the project, XYZ Construction Ltd. failed to complete the work as per the contract schedule. The government agency invoked the guarantee and demanded payment of the full amount from ABC Bank. XYZ Construction Ltd. approached the bank claiming the invocation was unjustified since the delay was caused by the agency's own failure to hand over the site on time, and sought an injunction to stop the bank from paying.

(i) Discuss the legal nature of an unconditional bank guarantee and the bank's obligation upon invocation. **5**

(ii) Distinguish between a contract of guarantee and a contract of indemnity in this context. **5**

(iii) Can XYZ Construction Ltd. restrain the bank from honouring the guarantee on the ground of an underlying contractual dispute? Discuss the "fraud exception" to this rule. **5**

(iv) Advise ABC Bank on the appropriate course of action upon receiving the invocation notice. **5**

8. Case-2: Operation of a Partnership Firm's Account After a Partner's Death

Review the following case study and answer the questions that follow.

Background: Karim, Rahim, and Salam were partners of "KRS Traders," maintaining a current account with your branch operated jointly as per the partnership mandate on file. Karim, one of the partners, suddenly passed away. The next day, Rahim and Salam visited the branch with a cheque signed by both of them, requesting withdrawal of funds for urgent business payments. Karim's widow later contacted the bank claiming a share of the partnership assets and objecting to any further operation of the account without her involvement.

5

(i) Discuss the effect of a partner's death on the operation of a partnership firm's bank account under the Partnership Act, 1932.

(ii) Can the surviving partners continue to operate the account and honour the cheque presented by Rahim and Salam? **5**

(iii) What rights, if any, does Karim's widow have over the firm's account balance? **5**

(iv) What steps should the bank take to protect itself from potential liability in this situation? **5**

Part D—Understanding Terminology

(Answer any five questions)

Marks—2×5 = 10

9. Compare and contrast between any five of the following:

(a) Mortgage vs Pledge **2**

(b) Void Contract vs Voidable Contract **2**

(c) Wagering Agreement vs Contingent Contract **2**

(d) Partnership vs Joint Venture **2**

(e) e-KYC vs Traditional KYC **2**

(f) Politically Exposed Person (PEP) vs Beneficial Owner **2**

(g) Executor vs Administrator **2**

(h) Term Loan vs Overdraft **2**

Part E—Short Questions

(Answer all the questions)

Marks—2×10 = 20

10. Briefly answer the following:

(a) What is UCIC? **2**

(b) Define beneficial owner. **2**

(c) What is a Transaction Profile? **2**

(d) What is meant by a risk-based approach in AML? **2**

(e) Define void agreement. **2**

(f) What is a contingent contract? **2**

(g) What is meant by "consideration" in contract law? **2**

(h) Define quorum for a company board meeting. **2**

(i) What is an adhesive stamp? **2**

(j) What is meant by “attestation” of a document? **2**

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