MODEL QUESTION – SET 7

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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)* What is a Letter of Credit (LC)? Explain the roles of the issuing bank, advising bank, and confirming bank. **3+7=10**

(b) Discuss the rights of a banker, including the right of general lien and the right of set-off. **10**

2. *(a)* What is meant by “funded” and “non-funded” credit facilities? Give examples of each. **5+5=10**

(b) Define negotiation of a negotiable instrument under the NI Act, 1881. How does it differ from an ordinary assignment? **5+5=10**

3. *(a)* What is NPSB (National Payment Switch Bangladesh)? Discuss its role in the national payment system. **10**

(b) Define noting and protest of a dishonored bill of exchange under the NI Act, 1881. **10**

4. *(a)* What formalities and precautions should a banker take before registering a Registered Partnership Firm’s account, compared to an Unregistered Firm? **10**

(b) What is meant by Remittance and Foreign Financial Operations (RFFO)? Discuss the role of banks in facilitating inward remittance. **10**

Part B—Mathematical Problem

(Answer any one question)

Marks—10×1 = 10

5. Mr. Faruk obtained a term loan of BDT 10,00,000 from a commercial bank at an interest rate of 12.5% per annum, repayable in Equal Monthly Instalments (EMI) over 5 years. Calculate:

(a) The EMI amount payable.

(b) The total interest payable over the loan tenure.

6. A customer approaches a bank to discount a bill of exchange with a face value of BDT 2,00,000 and a remaining maturity of 100 days. The bank's discount rate is 11.5% per annum, and it also charges 0.35% commission on the face value of the bill.

(a) Calculate the discount and commission charged by the bank.

(b) Determine the net payable amount against the bill.

Part C—Problem Solving

(Solve any one case)

Marks—20×1 = 20

7. Case-1: Forged Cheque and Customer Negligence

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

Background: Ms. Nasima Begum reported to her bank that her chequebook had been stolen. Before she could report it, three cheques totaling BDT 6,50,000 bearing forged signatures resembling hers had already been paid by the bank against her current account. Ms. Nasima claims the bank should bear the full loss since it failed to detect the forgery. The bank contends that Ms. Nasima was negligent in safeguarding her chequebook and delayed reporting the theft by four days after discovering it missing.

(i) Discuss the paying bank's duty of care in verifying signatures on a cheque under the Negotiable Instrument Act, 1881. **5**

(ii) Can a bank debit a customer's account on the basis of a forged cheque? Discuss the general rule. **5**

(iii) How does the customer's delay in reporting the theft affect the allocation of liability between the bank and the customer? **5**

(iv) Advise on how liability should be apportioned in this case, with reasons. **5**

8. Case-2: Garnishee Order on a Customer's Account

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

Background: Your branch receives a garnishee order from a court, attaching the account of Mr. Habibur Rahman for an outstanding decree of BDT 3,00,000. At the time the order is served, Mr. Rahman's account has a credit balance of BDT 2,20,000. However, two cheques issued by Mr. Rahman prior to the order, totaling BDT 80,000, are presented for payment on the same day the garnishee order is received.

(i) Explain the nature and effect of a garnishee order on a customer's bank account. **5**

(ii) What is the bank's obligation upon receiving the garnishee order, and from what point in time does it take effect? **5**

(iii) Should the bank honour the two cheques presented on the same day, or must the funds be frozen entirely? Discuss with reference to timing. **5**

(iv) What steps should the bank take to respond to the court regarding the attached balance? **5**

Part D—Understanding Terminology

(Answer any five questions)

Marks—2×5 = 10

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

(a) Sale vs Exchange under the Transfer of Property Act **2**

(b) Registered Partnership vs Unregistered Partnership **2**

(c) UCIC vs Customer Information File (CIF) **2**

(d) Retail Banking vs Universal Banking **2**

(e) Funded Facility vs Non-Funded Facility **2**

(f) Letter of Credit vs Letter of Guarantee **2**

(g) Garnishee Order vs Attachment Order **2**

(h) Vault Cash vs Till Money **2**

Part E—Short Questions

(Answer all the questions)

Marks—2×10 = 20

10. Briefly answer the following:

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

(b) Define RFFO. **2**

(c) What is meant by a “funded” credit facility? **2**

(d) Define Letter of Credit. **2**

(e) What is a confirming bank? **2**

(f) What is meant by “negotiation” of a bill of exchange? **2**

(g) Define noting and protest. **2**

(h) What is a crossed cheque marked “not negotiable”? **2**

(i) What is the significance of “account payee” crossing? **2**

(j) Define bill of lading. **2**
