

DE-4005**21**

DISTANCE EDUCATION

B.B.M. DEGREE EXAMINATION, DECEMBER 2008.

PRACTICE AND LAW OF BANKING – I

Time : Three hours

Maximum : 100 marks

PART A — (5 × 8 = 40 marks)

Answer any FIVE questions.

Each answer not to exceed 1 page.

1. What do you understand by the term customer of a bank? What are the conditions necessary to constitute a customer of a bank?
2. Briefly explain the banker's obligation to honour the cheques.
3. What are the features of a negotiable instrument?
4. Explain the differences between a cheque and a bill of exchange.
5. Define endorsement. What is its significance?
6. What do you mean by the term 'set-off'? Under what circumstances can a banker exercise it?
7. Why do business people prefer a current account?
8. Can a customer draw cheques relying upon wrong credit entries in his passbook?

PART B — (4 × 15 = 60 marks)

Answer any FOUR questions.

Each answer not to exceed 5 pages.

9. Discuss the general relationship between a banker and his customer.
10. What is payment in 'due course'? State the rights and privilege of a holder in due course.
11. Explain the duties and responsibilities of a paying banker.
12. What do you mean by crossing of cheques? Explain its different types with examples.
13. Distinguish between 'closing of an account' and stopping operation of an account. Under what circumstances, can a banker close the account?
14. Discuss the legal position of a banker with regard to a fixed deposit.
15. What risk does a banker incur in opening an account with trustees and executors? What precautions will you take in such cases?