**SAINTGITS COLLEGE OF APPLIED SCIENCES**

**First Internal Assessment Examination September 2018**

**B.Com First Semester (Computer Applications &Taxation)**

**BANKING AND INSURANCE**

**Section A**

*Answer any 5 questions. Each question carries 2 marks.*

1. “Accepting for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, or order or otherwise”.

2. A Scheduled Bank is one, which is included in the Second Schedule of the Reserve Bank of India Act, 1934.

3. Micro Units Development and Refinance agency bank. It is a public sector financial institution which provides loans at low rated. It was established on 8th April 2015 by Prime Minister Narendra Modi to provide finance to MSME.

4. Time deposits are the deposits with bank for a fixed period which is specified at the time of making the deposit. It is also called as Fixed Deposits.

5. The Banker specifies a limit, called cash credit limit, for each customer up to which the customer is permitted to borrow against the security of tangible assets or guarantee.

6. Insurance is a legal contract involving two parties, where one party propose to the other to indemnify against financial loss arising from an event, which is not in control of either party in consideration of an event, which is not in control of either party in consideration of some periodic payments of money.

**Section B**

*Short essay questions*

*Answer any 5 questions. Each question carries 5 marks.*

7. When a bank receives cash from a depositor, it opens an account in the name of depositor and credits the amount received to the depositors account. Such bank deposits are called primary deposits.

Whenever a bank grants a loan or buys an asset it does not usually pay cash for it. Instead of paying cash, the bank actually places the amount of loan in the account of the borrower. These deposits are derived from the primary deposits and hence they are called as derivative deposits.

8. It is a form of short term temporary financing for individual or business firm until a more comprehensive long term finance is arranged

Features- Short term (period of 2 weeks to 3 years), Provide immediate flow of capital, Expected to pay back quickly, very high interest rate

9. Private sector and public sector banks.

10. a. Amount of deposits

b. Cash reserve ratio

c. Security for loans

d. Liquidity preference

e. Business conditions

f. Monetary policy

g. Leakages

h. Development of banking system

i. Behaviour of other banks

j. Use of cheque

11. Central bank is the apex financial institution in the banking and financial system of a country. It is the leader of all the banking institution of the country. It regulates, controls and supervises the monetary and credit system of the country. RBI is the central bank of India. The main functions are:

a. Monopoly of note issue

b. acts as the banker to the government

c. acts as the banker’s bank

d. acts as the controller of credit

e. acts as the custodian of the foreign exchange reserves

f. acts as the lender of last resort

g. acts as the banker of central clearance, settlement and transfer

12. Payment and collection, Purchase and sale of securities, Acting as Executor, administrator and trustee, Acting as Attorney, Acting as correspondents and representatives, Collection of information, Remittance of funds.

**Section C**

*Long essay questions*

*Answer any 1question. It carries 15marks.*

13. a. Commercial Banks

b. Industrial banks

c. Co- operative Banks

d. Agricultural Banks

e. Foreign Exchange Banks

f. Savings bank

g. Central Bank

h. Development Bank

i. Public sector bank

j. Private sector bank

k. World bank

l. New Generation Bank

14.Principles of insurance-

1. Utmost good faith- Insurer and insured must act in good faith and disclose all material facts concerning the subject matter.

2. Insurable interest- No person can enter into a contract of insurance unless he has insurable interest in the subject matter of the contract.

3. Indemnity- Insured will be paid only the actual amount of loss or the amount of the policy whichever is less.

4. Subrogation- When an insurer pays compensation to the insured for loss, the insurer will get all the rights of the insured in respect of the damaged property and against a third party who is responsible for the loss.

5. Contribution- Applied to all double insurance contract. Each insurer is bound to contribute to the loss of the insured in proportion to the policy amount .

6. Mitigation of loss- Insured has the duty to take all steps to minimize or mitigate the loss, in cas of occurrence of the risk insured.

7. Causa proxima- When there are several causes for a loss, only proximate or nearest cause should be considered.