St. Claret College

Autonomous, Bengaluru

UG END SEMESTER EXAMINATION- MAY 2025
B.COM II SEMESTER
BC 2224: MODERN BANKING

10

TIME: 3 hours.   MAX. MARKS: 80

This paper contains TWO printed pages and FOUR parts

Instructions:
1. **Verify and ensure that the question paper is completely printed.**
2. **Any discrepancies or questions about the exam paper must be reported to the COE   within 1 hour after the examination.**
3. **Students must check the course title and course code before answering the questions.**

PART-A

Answer ALL questions. Each answer carries ONE mark.   **[10 x 1 = 10]**

1. What is the primary purpose of the Prompt Corrective Action (PCA) framework?
   a) To provide loans to start-ups
   b) To monitor and improve the financial health of weak banks
   c) To regulate foreign exchange transactions
   d) To introduce new banking technologies

2. What is the main objective of the Banking Regulation Act, 1949?
   a) To regulate the stock market
   b) To provide guidelines for banking operations
   c) To control inflation directly
   d) To issue currency notes

3. Which of the following is NOT a valid reason for the termination of a banker-customer relationship?
   a) Death of the customer
   b) Insolvency of the customer
   c) Customer opening another account in a different bank
   d) Mutual agreement between the bank and the customer

4. In banking, when a customer deposits money into their account, the banker acts as a:
   a) Trustee
   b) Creditor
   c) Debtor
   d) Agent

5. A Bearer Cheque is payable to:
   a) The person whose name is written on it
   b) The person who presents it at the bank
   c) Only the account holder who issued it
   d) The bank manager

6. A person who receives a negotiable instrument in good faith for consideration is called:
   a) Holder in Due Course
   b) Drawer
   c) Drawee
   d) Guarantor

7. Artificial Intelligence (AI) is used in banking for:
   a) Automating customer service using chatbots
   b) Printing physical passbooks
   c) Making manual ledger entries
   d) Slowing down digital transactions

8. What is SWIFT used for in the banking sector?
   a) Managing blockchain transactions
   b) Conducting international financial transactions
   c) Regulating banking licenses in India
   d) Creating digital banking applications
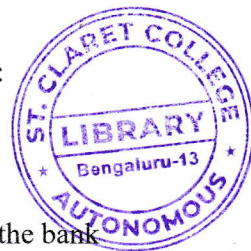
9. What is the primary function of the Banking Ombudsman (BO)?
   a) To regulate foreign exchange transactions
   b) To resolve customer complaints related to banking services
   c) To provide loans to small businesses
   d) To impose taxes on banking transactions

10. What does a CIBIL Score represent?
   a) The annual income of a customer
   b) The customer's creditworthiness.
   c) The total amount of bank deposits held by a customer
   d) The number of banking transactions made per month

PART-B

Answer any THREE questions. Each answer carries EIGHT marks. [3 x 8 = 24]

11. Explain the various objectives of RBI.
12. Define commercial bank. Write a note on various types of commercial banks.
13. What are negotiable instruments? Explain the various types of negotiable instruments.
14. Write a short note on various technologies used in modern banking.
15. What is CIBIL Score? Enumerate the benefits of having a high CIBIL Score

PART-C

Answer any THREE questions. Each answer carries TWELVE marks [3 x 12 = 36]

16. What is monetary policy? Briefly explain the various tools for monetary policy.
17. Enumerate the various relationships between banker and customer.
18. Define endorsement. Describe the various types of endorsement.
19. What do you mean by digital banking? Elaborate on the various trends in digital banking.
20. What is the banking ombudsman scheme? Explain the objectives, duties, and powers of the banking ombudsman.

PART-D

Answer the question. It carries TEN marks. [1 x 10 = 10]

21. **Traditional Banking vs Modern Banking:** Heritage Bank is a community bank that has been serving a suburban town for over five decades. It has built a strong reputation for providing personalized, relationship-driven banking services with a focus on customer care. The bank is locally owned, and most of its clients are families, small businesses, and retirees. For years, Heritage Bank's staff has prided itself on knowing customers by name and providing tailored solutions based on individual needs. The bank's offerings are relatively traditional, with the majority of customers using in-person services such as checking, savings, and loan accounts. While the bank has recently started offering online banking services, a majority of its older customer base still prefers to interact with their banking representatives in person.

However, Heritage Bank is facing increasing pressure from both larger, nationwide banks and fintech companies that offer lower fees, faster services, and more modern online banking tools. In addition, customer expectations are evolving. Younger generations, who are more tech-savvy, are increasingly seeking more flexible, digital-first banking options.

a) How can Heritage Bank maintain its relationship-based customer service while embracing digital banking solutions?

b) How can the bank balance the demand for digital banking with the tradition of in-person customer service?

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