QUESTION NO. 1

DEFINITION OF BANK ACCOUNT:

Bank account is a sort of agreement between bank and the account holder in which not only the amount but also the valuables and documents can be deposited into the bank.

PROCEDURE:

Following is the procedure of opening a bank account.

(1) Selection of Bank and Branch:

First of all the customer has to choose suitable bank and the branch of bank. The customer prefers that bank which provides maximum facilities (e.g.,) evening banking facilities etc. and wants to have deposit in a branch, which is nearest or easily approachable without the wastage of time.

(2) Selection of Account:

While opening an account, the nature of different accounts must be observed. For example:

(a) Current account is suitable for businessmen because they have to make frequent receipts and payments.

(b) Saving account is suitable for salaried and low- income persons. They deposit their savings into the bank on which bank pays profit.

(c) The persons who expect to have huge surplus money for a long period deposit their money into fixed deposit or monthly income scheme e.g., retired employees etc.

(3) Method of Opening Account:

After selecting the account, the customer can open the bank account by following this method:

(i) Contact with Bank:

First of all the customer contacts the bank and gets all necessary information about account opening.

(ii) Getting Form:

A printed form is used for the opening of account, which is different for different accounts. Bank provides this form free of cost.

Following are the contents of this form:

(a) Complete name of account holder.

(b) Complete address of account holder.

(c) Profession of account holder.

(d) Identity card number.

(e) Telephone number.

(f) Name, address and account number of introducer.

(S.B.P waived this requirement in September 2007)

(g) Amount to be deposited.

(h) Signature of account holder.

(i) Name of bank and its branch.

(j) Date of account opening.

*(iii) **Documents Attached:***

The customer has to attach following documents with the account opening form.

(a) A copy of identity card (for individual)

(b) For Partnership:

- Copies of partners identity cards.
- Copy of registration, if any.
- Nominated persons who will operate the bank account.

(c) For Company:

- Memorandum of company.
- Articles of company.
- Certificate of incorporation.
- Certificate of commencement (for public limited company).
- Resolution passed for the opening of account.
- List of directors and their approval.

(d) For Non-Trading Concern:

- Copy of Byelaws.
- Objectives.
- Resolution passed for the opening of account in bank.
- Signatures of nominated persons who will operate the bank account.

*(iv) **Specimen Signature Card:***

While submitting form, the bank issues specimen signature card and obtains full signature of the account holder for future reference (at the time of withdrawal). Bank keeps this card in its record. The specimen signature card includes the following particulars:

(i) Name of the bank, and branch (with code).

(ii) Account number.

(iii) Title of deposit (in block letter).

(iv) Special instructions.

(v) Signature(s) of the applicants) (twice).

Note: *If an accountholder empowers a person to sign his cheques then he supplies the name and specimen signature of that person to bank on a prescribed form. This form is called Bank Mandate Form.*

(v) *Issuance of Account Number:*

After making necessary inquiries, if the banker is satisfied then he allows the customer to open the account. The account number of the customer is stated or written on the form.

(vi) *Deposit of Amount:*

The accountholder deposits the minimum amount into the bank, written on the account opening form. This minimum requirement is different for different accounts.

(vii) *Issuance of Documents:*

After the opening of bank account, following documents are issued to the accountholder:

(1) Pay-in-Slip.

(2) Cheque Book.

(3) Pass Book (On demand).

QUESTION NO. 2

See Paper 2016 Question No. 2

QUESTION NO. 3

DIFFERENCE BETWEEN BILLS OF EXCHANGE, PROMISSORY NOTE & CHEQUE

BILLS OF EXCHANGE:

Bills of exchange is an unconditional order by the creditor or seller to the debtor or purchaser to pay a certain amount after the expiry of specified period.

PROMISSORY NOTE:

Promissory note is that negotiable instrument in which the debtor promises to pay a certain sum of money at a certain date to the creditor.

CHEQUE:

Cheque is a negotiable instrument or such document, which is used for the withdrawal of money from the bank.

BILLS OF EXCHANGE	PROMISSORY NOTE	CHEQUE
(1) Nature:		
It is an unconditional order for payment.	It is an unconditional promise for payment.	It is an unconditional order for payment.
(2) Parties:		
It has three parties: (i) Drawer (ii) Drawee (iii) Payee	Promissory note has two parties: (i) Drawer (ii) Payee	It has three parties: (i) Drawer (ii) Drawee (iii) Payee

(3) Acceptance:		
Acceptance of bills of exchange is compulsory.	Promissory note does not require any acceptance.	Cheque does not require any acceptance.
(4) Payment:		
Bills of exchange is always payable on demand / fixed future date.	The amount of promissory note is paid according to the promise.	Cheque is always payable on demand.
(5) Crossing:		
A bills of exchange cannot be crossed.	A promissory note cannot be crossed.	A cheque can be crossed.
(6) Revenue Stamp:		
Revenue stamps are pasted on the bills of exchange according to the amount.	Revenue stamps are pasted on the promissory note according to the amount.	No revenue stamps are pasted on the cheque.
(7) Notice of Dishonour:		
If the bill is dishonoured then it is necessary to inform all the parties.	The notice is not necessary if the promissory note is dishonoured.	The notice is not necessary if the cheque is dishonoured.
(8) Grace Days:		
Three grace days are given to the debtor for the payment of B/E.	No grace day is given to the debtor for the payment of promissory note.	No grace day is given to the bank for the payment of cheque.
(9) Liability of Payment:		
The drawee (debtor) is responsible for the payment.	The drawer (.debtor) of the promissory note is responsible for payment.	The drawee (bank) is responsible for the payment.
(10) Noting & Protesting:		
The holder or payee of the bill can protest if the bill is dishonoured.	The protest over the promissory note has no legal weight.	If the cheque is dishonoured then it does not require any protest.
(11) Discounting:		
The creditor can discount the bill in the need of hour.	The promissory note cannot be discounted.	The cheque cannot be discounted.

(12) Types:		
It may be of four types: (i) Inland bill (ii) Foreign bill (iii) Accommodation bill (iv) Trade bill	It has two types: (i) Inland promissory note (ii) Foreign promissory note	It has three main types: (i) Bearer cheque (ii) Order cheque (iii) Crossed cheque
(13) Copies:		
Normally, three copies of foreign bill are prepared.	Only one copy of the promissory note is prepared.	Only one copy of the cheque is prepared.
(14) Drawer:		
The drawer of the bill is a creditor.	The drawer of the promissory note is a debtor.	The drawer of the cheque is the depositor.
(15) Drawee:		
In case of bills of exchange, the drawee is a debtor.	In case of promissory note, the drawee is a creditor.	The drawee is that specified branch of bank' in which the drawer opens his account.

QUESTION NO. 4

See Paper 2015 Question No. 4

QUESTION NO. 5

See Paper 2014 Question No. 1 & Paper 2017 Question No. 2

QUESTION NO. 6

See Paper 2015 Question No. 2

QUESTION NO. 7

See Paper 2015 Question No. 7 & Paper 2016 Question No. 4

QUESTION NO. 8

(a) EXCHANGE CONTROL

The government of any country, for achieving its specific economic objectives, does not permit the free movement of foreign exchange and the conversion of one country's currency into the currency of another country. Hence, the government makes some rules and regulations to check the free movement and conversion of home/foreign currencies which are called "Exchange Control" policies. After the first world war, many countries became inflation stricken and their capital started shifting to other countries then the authorities of some countries used the methods of exchange control in order to keep the capital within the country.

(b) DEVALUATION

Devaluation means decreasing the price of one country's currency in foreign exchange market by the government where the economy is operating under a fixed exchange rate. In other words devaluation is the official decrease in the domestic value of the currency in relation to other foreign currencies.

According to Samuelson:

"A decrease in the official price of a nation's currency in terms of gold is called devaluation".

(c) PRIVATIZATION OF BANKS IN PAKISTAN

After the nationalization of banks, it was hoped that it would increase the public confidence over banks. However in spite of showing any remarkable sign of development, there was large-scale corruption and unbalanced distribution of credit. So the Govt. of Pakistan started a privatization policy in 1990. A Privatization Commission was set up on February 22, 1990. It has transferred two banks (MCB and ABL) to the private sector.

MERITS OF PRIVATIZATION:

(1) Elimination of Corruption:

The privatization was considered necessary to eliminate red-tapism and bureaucratic structure that have developed in all sectors of the economy after nationalization.

(2) Improves Efficiency:

One of the major benefits of privatization is that it improves efficiency of the bank. The policy was made at raising standard of performance and quality of work in banks.

(3) Capital Market:

Another major merit of privatization is that it developed capital market because normally private sector attracts more investment.

(4) Better Services to the Customer:

Another benefit of privatization is that it provides better services to the customers. It also provides modern baking system to the customers.

(5) Proper Incentives:

In private sector all the employees get proper reward for their valuable services and they are encouraged by giving different incentives and in this way efficiency improves.

(6) Quick Hiring and Firing:

As in the private sector the policy of quick hiring and firing is adopted, so the employees try their level best to improve the efficiency to stay at job.

(7) Accountability:

The element of accountability or check and balance can be strictly observed in case of privatization, which keeps the working of bank remarkable.

(8) Eliminates Political Interference:

Another major merit of privatization is that is eliminates political interference. The banks advance and recover loans without any discrimination.

(d) EQUITY AND DEBT FINANCE

Equity Finance:

If the owner from his own resources meets the financial need or requirement of business then the finance is called equity finance. In sole tradership, if the owner cannot meet or fulfill the financial need of business from his own resources and he also does not want to take loan then he can get additional funds or capital by admitting a trust worthy person into business as a partner.

Debt / Borrowed Financing:

When the owners are not in the position to meet financial need of business from their own resources, the deficiency of capital can be met by taking loan. The loans can be obtained from different individuals or financial institutions. The finance thus obtained is called debt or borrowed finance.