

## SHORT QUESTION

### Q.1. What is commercial bank?

A commercial bank is a bank that **accepts deposits, gives loans, and provides financial services to the public.**

*Example:* MCB Bank Limited.

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### Q.2. Write the name of any four scheduled banks.

1. Habib Bank Limited (HBL)
  2. National Bank of Pakistan (NBP)
  3. MCB Bank Limited
  4. United Bank Limited (UBL)
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### Q.3. Write the name of three functions of Commercial bank.

1. Accept deposits
  2. Provide loans
  3. Foreign exchange services
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### Q.4. Define central bank.

Central bank is the **main bank of a country** that **issues currency, controls money supply, and regulates commercial banks.**

*Example:* State Bank of Pakistan (SBP).

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### Q.5. Why central bank is called Lender of Last Resort?

Because it provides **emergency loans** to commercial banks when they are short of funds.

*Example:* SBP lends money to a bank facing cash shortage.

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### Q.6. What is meant by non-scheduled bank?

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BANK

A non-scheduled bank is a bank **not included in the central bank's schedule** and has limited operations.

*Example:* Small rural or cooperative banks.

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### Q.7. Difference between current account and savings account

Feature	Current Account	Savings Account
Purpose	Business transactions	Savings by individuals
Interest	No interest	Earns interest
Withdrawal	Unlimited	Limited transactions
Example	Shopkeeper's bank account	Personal savings account

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### Q.8. When and which book was written by Professor Robbins?

Professor Lionel Robbins wrote “**An Essay on the Nature and Significance of Economic Science**” in 1932.

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## LONG QUESTION

### Q.1. Define bank and explain the functions of Commercial bank.

#### Definition of Bank

A bank is a **financial institution that accepts deposits, provides loans, and offers other financial services** to individuals, businesses, and government.

#### Example:

Habib Bank Limited (HBL) in Pakistan.

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### Functions of Commercial Bank

#### 1. Accepting Deposits

Banks accept money from the public in **different accounts** like savings, current, and

fixed deposits.

*Example:* A person deposits Rs. 50,000 in savings account.

2. **Providing Loans and Advances**

Banks give credit to customers for business, personal, or agricultural purposes.

*Example:* Bank gives a loan to start a small shop.

3. **Discounting Bills of Exchange**

Banks provide money against bills before maturity.

*Example:* A trader gets money from the bank by discounting a bill payable after 3 months.

4. **Agency Functions**

Banks act on behalf of customers for payments, collection, and investments.

*Example:* Bank pays electricity bill on behalf of a customer.

5. **Investment of Funds**

Banks invest deposits in profitable ventures.

*Example:* Buying government securities.

6. **Providing Foreign Exchange**

Banks deal with currency exchange for imports and exports.

*Example:* Exporter receives dollars through the bank.

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## Q.2. Describe the functions of Central Bank of Pakistan in detail.

### Definition of Central Bank

Central bank is the **main bank of the country** which controls money supply, issues currency, and regulates other banks.

**Example:**

State Bank of Pakistan (SBP).

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### Functions of Central Bank

1. **Issuing Currency**

SBP has the sole right to issue Pakistani rupees.

2. **Lender of Last Resort**

Provides emergency loans to commercial banks facing liquidity problems.

*Example:* Bank running out of cash can borrow from SBP.

3. **Controlling Credit**

Regulates money supply using tools like repo rate, cash reserve ratio.

*Example:* Raising interest rates to control inflation.

4. **Regulating Banks**

Supervises commercial and scheduled banks to maintain stability.

*Example:* Ensures banks follow rules and maintain reserves.

5. **Maintaining Foreign Reserves**

Manages foreign currency and reserves for imports and exports.

*Example:* USD reserves for trade payments.

6. **Government Banker**

Central bank manages accounts and loans of government.

*Example:* Collects taxes and provides loans to government projects.

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**Q.3. Define bank. Differentiate central bank and commercial bank.**

Feature	Central Bank	Commercial Bank
Definition	Main bank of the country controlling currency and credit	Accepts deposits and gives loans to public
Ownership	Government	Private or government
Issuing currency	Only central bank can issue currency	Cannot issue currency
Objective	Control money supply & maintain economic stability	Profit and financial services
Lending	Lender of last resort to banks	Gives loans to individuals & businesses
Example	State Bank of Pakistan	Habib Bank, MCB Bank