20 True or False

Decide, then check the answer and reason below each statement.

Question 1

Collateral is the asset a bank holds to fall back on if a borrower defaults.

TRUE

It converts an unsecured repayment promise into a recoverable asset.

Question 2

The seven classic JAIIB PPB collateral types include goods, gold, land and buildings, and shares.

TRUE

These are among the seven types along with documents of title, life insurance, and time deposits.

Question 3

Primary security and collateral security mean exactly the same thing with no distinction.

FALSE

Primary security is created directly from the loan, while collateral security is an additional pledged asset.

Question 4

When possession of goods is transferred to the banker, the charge created is a pledge.

TRUE

Pledge requires transfer of possession, unlike hypothecation.

Question 5

Hypothecation requires the goods to be physically handed over to the bank.

FALSE

In hypothecation, possession of the goods stays with the borrower.

Question 6

Gold is considered a low-risk security because it is liquid, easy to value, and simple to store.

TRUE

These characteristics make gold loans among the lowest-risk advances for banks.

Question 7

A bill of lading and a railway receipt are examples of documents of title to goods.

TRUE

Such documents are used in business as proof of possession or control of goods.

Question 8

The charge created on a life insurance policy pledged as collateral is a mortgage.

FALSE

The charge created on a life insurance policy is an assignment, not a mortgage.

Question 9

Policies with nominations under Section 6 of the Married Women's Property Act are generally acceptable as bank security.

FALSE

Such policies are generally not acceptable since their proceeds are protected for specific beneficiaries.

Question 10

The charge created over land and buildings is a mortgage.

TRUE

Immovable property taken as collateral is secured through a mortgage.

Question 11

Recovery of dues secured by mortgaged property can be pursued in a civil court or before the Debt Recovery Tribunal.

TRUE

Banks follow this legal route to recover dues from mortgaged land and buildings.

Question 12

A loan against a fixed deposit held with the same bank is considered one of the riskiest advances a bank can make.

FALSE

It is actually considered among the safest advances since the bank can set off the deposit on default.

Question 13

The charge created on a time deposit taken as collateral is a lien.

TRUE

The deposit is lien-marked in favour of the bank as security.

Question 14

Advances against shares are governed by Sections 19(2), 19(3), and 20(1)(a) of the Banking Regulation Act, 1949.

TRUE

These sections form the legal basis for share-backed bank advances.

Question 15

Banks are permitted to grant advances freely against partially paid-up shares.

FALSE

No advance should be granted against partially paid-up shares under RBI-aligned guidelines.

Question 16

Shares held in dematerialised form are generally accepted as collateral through a pledge of the demat securities.

TRUE

This is the standard method for securing bank advances against listed shares.

Question 17

Confusing pledge and hypothecation is a listed common mistake JAIIB PPB candidates make.

TRUE

The key distinction is whether possession of the goods is transferred or retained.

Question 18

Gold loan tenure is described as typically ranging from 3 months to 36 months.

TRUE

This is the tenure range mentioned for gold loans in the guide.

Question 19

A title search is unnecessary when taking land and buildings as bank collateral.

FALSE

Investigating ownership rights through a clear title search is a key consideration for this collateral type.

Question 20

There is no risk of fraud or forgery associated with documents of title to goods.

FALSE

There is a real possibility of fraud, forgery, and alteration in such documents, requiring careful verification.