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**P.G. DIPLOMA IN BANKING AND FINANCE
EXAMINATION, 2019
BANKS, FINANCIAL INSTITUTIONS AND
FINANCIAL MARKETS**

Paper I

Time : Three Hours

Maximum Marks : 80

N.B. :— (i) All questions are compulsory.

(ii) All questions carry equal marks.

1. What are Non-Banking Financial Intermediaries ? Explain the role and structure of Non-Banking Financial Intermediaries. [16]

Or

Explain the role and structure of Co-operative Banks in India.

2. Explain in detail the RBI Regulation over the banks relating to Cash Reserve Ratio and Statutory Liquidity Ratio. [16]

Or

Explain in detail the following functions of RBI :

- (a) Issue and management of currency
(b) Regulation and supervision over banks.

3. Explain banking sector development during 1969-90. [16]

Or

- (a) Explain fund-based functions of Commercial Banks.
(b) Explain the functions of Life Insurance Corporation (LIC).

P.T.O.

4. What is Capital Market ? Explain in detail the features and composition of Indian Capital Market. [16]

Or

Explain the nature and importance of treasury bill market and commercial bill market.

5. Write short notes on (any *two*) : [16]
- (a) Discount and Finance House of India (DFHI)
 - (b) Securities and Exchange Board of India (SEBI)
 - (c) Role of Foreign Banks in India
 - (d) Open Market Operation.

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P.G. Diploma in Banking and Finance EXAMINATION, 2019

LAW AND PRACTICE OF BANKING

Paper II

Time : Three Hours

Maximum Marks : 80

N.B. :— (i) *All questions are compulsory.*

(ii) *All questions carry equal marks.*

1. Explain in detail the provisions of the Banking Regulation Act, 1949 pertaining to Penalties (Section – 46) and Power of Reserve Bank to impose penalty (Section – 47A).

Or

Explain in detail the powers of the RBI to remove the managerial and other persons from office as under section 36AA and the power of Reserve Bank to appoint chairman of the Board of directors appointed on a whole time basis or a managing director of a banking company as under section 10BB of the Banking Regulation Act, 1949.

P.T.O.

- 2.** Explain in detail the Central Banking Functions of the RBI, as under Chapter III of the RBI Act, 1934, with reference to :
- (i) Obligation of the Bank to transact Government business (Section – 20)
 - (ii) Bank to have the right to transact Government business in India. (Section – 21)
 - (iii) Bank to transact Government business of States on agreement (Section - 21A)
 - (iv) Assets of the issue department (Section 33).

Or

Explain in detail ‘the Business which the Bank may transact’ as under section 17 of the RBI Act, 1934.

- 3.** Explain the following provisions of the Negotiable Instruments Act, 1881 :
- (i) Protest for better security (Section - 100)
 - (ii) Holder in due course (Section - 9)
 - (iii) Liability of the drawer and drawee of a cheque (Section 30 and 31 respectively)
 - (iv) Indorser who excludes his own liability or makes it conditional (Section - 52).

Or

Define a cheque as per Section 6 of the Negotiable Instruments Act, 1881. Explain in detail its features. What are the penalties for the dishonour of negotiable instrument under section 138 of the Negotiable Instruments Act, 1881 ?

4. Explain in detail the obligation of a bank to maintain secrecy of accounts. Under what conditions could this duty of secrecy come to an end ?

Or

State and explain the following definitions from the Foreign Exchange Management Act, 1999 :

- (a) Foreign Security (Section 2 - o)
 - (b) Security (Section 2 - za)
 - (c) Capital Account Transaction (Section 2 - e)
 - (d) Foreign Exchange (Section 2 - n).
5. Write notes on (any *two*) :
- (i) Noting and protest
 - (ii) Garnishee order
 - (iii) Collection and Furnishing of Credit Information
 - (iv) Reserve fund.

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P.G. DIPLOMA IN BANKING AND FINANCE EXAMINATION, 2019

BANK LENDING (Paper - III)

Time : Three Hours

Maximum Marks : 80

N.B. :— (i) *All questions are compulsory.*

(ii) *All questions carry equal marks.*

(iii) *Answers must be to the point.*

1. Why do you think does a bank lend ? Why do you think should bank lending be a well thought out action ? What would happen if the bankers fail to comply with the general principles of lending ?

Or

“Assets of banks, with special reference to loans and advances, would be performing assets if the criteria for assessing borrowers are followed meticulously.” Explain. Do you think the general principles of bank lending are taken care of in the process of assessing a borrower ? Explain.

2. What steps should a banker take while dealing with a new (first time) borrower ? Explain your answer in detail.

P.T.O.

Or

Answer the following questions relating to secured and unsecured loan :

- (a) What is a secured loan ?
- (b) What makes any loan unsecured ?
- (c) Name the Act that defines secured loan or advance.
- (d) A loan of Rs. 4 lakh against a car worth Rs. 5 lakh is extended. Can we call this loan secured ? Answer must be either 'yes' or 'no' ?
- (e) Two years later the same car carries a resale value of Rs. 2.5 lakh and the amount of loan outstanding is Rs. 3.75 lakh. Can we still call it a secured loan ? If it is unsecured by what amount do you think is this loan unsecured ?

3. What do you understand by creating a charge ? Explain in detail all the modes of creating a charge ?

Or

What is the RBI's definition of priority sector ? Do you think priority sector lending, in India, should continue ? Why ?

4. What is loan administration ? What are different tools of loan administration ? What would happen in the absence of loan administration ?

Or

Explain how is the security interest enforced under (Section – 13 of) the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

5. Write short notes on (any *two*) :

- (1) Precautions to be taken while lending against life insurance policy.
- (2) Working capital finance.
- (3) Definitions of ‘Securitisation’ and ‘Security receipt’ as under section 2 of the Securitization Act, 2002.
- (4) Primary and collateral security.

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P.G. Diploma in Banking and Finance EXAMINATION, 2019

Paper IV : ACCOUNTING SYSTEM AND

FINANCIAL ANALYSIS

Time : Three Hours

Maximum Marks : 80

N.B. :— (i) *All questions are compulsory.*

(ii) *All questions carry equal marks.*

1. The following is the Trial Balance of Samruddhi Bank Ltd. for the year ended 31st March, 2016 : [16]

Dr.		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Cash in hand	15,000	Equity Share Capital (25,000	
Cash Balance with R.B.I.	9,50,000	Shares of Rs. 100 each	
Money At Call & Short Notice	4,00,000	fully paid)	25,00,000
Investment in Shares of 'B Ltd.'	2,50,000	General Reserve Fund	12,50,000
Investment in Govt. Bonds	20,85,000	Profit & Loss A/c (1/04/2015)	80,000
Loans, Cash Credits & Overdrafts	14,25,000	Current Deposit Accounts	5,00,000
Bills Purchased & Discounted	2,30,000	Savings Bank Deposit Accounts	2,50,000
Buildings	2,50,000	Fixed Deposit Accounts	7,25,000
Stock of Stationery	42,500	Interest & Discount received	6,40,000
Interest paid	20,000		
Salaries paid	1,20,000		
Rent, Taxes and Lighting	11,500		
Directors' Allowances	9,000		
General Expenses	1,37,000		
	59,45,000		59,45,000

P.T.O.

Adjustments :

- (1) Rebate on Bills Discounted Rs. 1,900 is to be provided.
- (2) Provide Reserve for Bad & Doubtful Debts Rs. 25,000.
- (3) Interest accrued on Investments amounted to Rs. 40,000.
- (4) Provide Depreciation at 5% p.a. on the opening Balance of Building.

Additional Information :

- (1) The Authorised Capital of the Bank is 50,000 Equity Shares of Rs. 100 each.
- (2) Market Value of the Govt. Bonds is Rs. 19,50,000.
- (3) The amount of Building includes the addition in of Rs. 50,000 during the year.
- (4) Acceptances and Endorsements on behalf of the customers amounted to Rs. 10,75,000.

You are required to prepare Profit & Loss Account for the year ended 31st March, 2016 and the Balance sheet as on that date in the prescribed form as per the Banking Regulation Act.

2. The following figures have been extracted from the Books of Modern Co. Ltd. for the year ended 31st March, 2015 :

Particulars	Amount (Rs.)
Opening Stock	2,40,000
Cost of Goods sold	9,60,000
Sales	12,00,000
Closing Stock	2,40,000
Gross Profit	2,40,000
Net Profit	1,50,000
Debtors	1,20,000
Cash & Bank Balance	2,00,000
Creditors	2,50,000
Bank Overdraft	1,00,000

You are required to calculate the following ratios : [16]

- (1) Current Ratio
- (2) Gross Profit Ratio
- (3) Net Profit Ratio
- (4) Stock Turnover Ratio
- (5) Debtors Turnover Ratio
- (6) Working Capital Turnover Ratio.

3. Vivek of Satana draws a bill on Vinod of Satara for Rs. 12,000 for the period of 3 months. Vinod accepts it and returns it to Vivek. Vivek then sent the bill to his Bank for collection.

On the day of maturity, Vinod finds himself unable to make the payment of the bill and requests Vivek to renew it. Vivek accepts the proposal on the condition that Vinod should pay Rs. 2,000 on account and interest of Rs. 500 in cash and should accept the new bill for the balance amount for the period of two months. These arrangements were carried through.

One month before the due date of the new bill, Vinod relies his acceptance by paying Rs. 9,700 in full settlement.

Give Journal Entries in the Books of Vivek and Vinod. [16]

4. (A) The Cash Book of Mr. Anand showed a Bank Overdraft of Rs. 11,000 on 31st March, 2016. On comparing the Pass Book with the Bank column of Cash Book, it was observed that all the items agreed except the following : [8]

- (1) Cheques amounting to Rs. 4,300 were issued to creditors but the same were not presented for payment in the Bank up to 31st March, 2016.
- (2) The Bank had credited the Account of Mr. Anand with the following with no corresponding effect in the Cash Book :
 - (a) Bank collected the Dividend of Rs. 700 and credited the same in the account.
 - (b) Mr. Sameer, a debtor of Mr. Anand deposited directly Rs. 750 in the Bank account of Mr. Anand.

- (3) Mr. Anand deposited the cheques amounting to Rs. 1,500 into the Bank, but they were not cleared and credited to his Account by the Bank up to 31st March, 2016.
- (4) Bank had debited Mr. Anand's Account with the following items, but there were not corresponding entries for these items in his Cash Book.
 - (a) Interest on Bank Loan Rs. 1,570
 - (b) Brokerage on purchase of shares Rs. 500
 - (c) Charges of Rs. 300 for dishonour of a cheque previously credited.

You are requested to prepare a Bank Reconciliation Statement as on 31st March, 2016 in the Books of Mr. Anand.

(B) Journalise the following transactions in the books of M/s. Aaditya Traders for the month ended 31st March, 2014 : [8]

- | | |
|---------|---|
| March 1 | Received Rs. 7,300 from Mr. Avinash in full settlement of Rs. 7,500. |
| 3 | Purchased goods worth Rs. 40,000 at 10% discount on credit from M/s Vinay Traders. |
| 10 | Aditya, the proprietor paid the amount to M/s Vinay Traders after deducting 10% discount for prompt payment. |
| 18 | Cash sales at list price Rs. 20,000 after allowing 10% Trade Discount and 5% Cash Discount. |
| 25 | Cash Rs. 4,000 withdrawn by Aditya, the proprietor, for personal his use. |
| 26 | Goods costing Rs. 6,000 distributed as free samples. |
| 29 | Interest on Bank Loan Rs. 1,400 debited to the Current account of the Business Firm. |
| 30 | Paid Rs. 18,000 by cheque to Mr. Abhiman in full and final settlement of his account and received 10% discount. |

5. Write short notes on the following (any *four*) : [16]
- (a) Sub-Division of Journal
 - (b) Trade Discount and Cash Discount
 - (c) Limitations of Financial Statements
 - (d) Funds Flow Statement
 - (e) Trial Balance
 - (f) Bank Reconciliation Statement