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P.G. Diploma in Banking and Finance Examination, 2010
Paper – II : LAW AND PRACTICE OF BANKING

Time : 3 Hours

Max. Marks : 80

Instructions : 1) *All questions are compulsory.*
2) *All questions carry equal marks.*

1. State and explain in detail the provisions of the Banking Regulation Act, 1949 pertaining to management of a banking company.

OR

State and explain in detail the provisions of the Banking Regulation Act, 1949 pertaining to Reserve Fund and Liquid Assets.

2. State and explain in detail the provisions of the Reserve Bank of India Act, 1934 pertaining to the Central Board of Directors and Assets of the Issue Department.

OR

What do you understand by a Banker and his customer ? Explain Banker's right of set off.

3. Define a Promissory Note. Explain in detail various features of a promissory note.

OR

Distinguish between a bill of exchange and a cheque.

4. What is meant by a collecting banker ? Explain rights and duties of a collecting banker.

OR

Explain the provisions of the Foreign Exchange Management Act, 1999 pertaining to person Resident in India and Authorised person.

5. Write notes on **any two** :

- a) Statutory protection to Paying Banker
- b) Enforcement Directorate
- c) Crossing of a cheque
- d) Noting and protest.



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P.G. Diploma in Banking and Finance Examination, 2010
BANKS, FINANCIAL INSTITUTIONS AND FINANCIAL MARKETS
(Paper – I) (New)

Time: 3 Hours

Max. Marks : 80

Instructions : i) *All questions are compulsory.*
ii) *All questions carry equal marks.*

1. Describe the structure of Indian money market. Explain the following instruments of money market :

- i) Treasury bills
- ii) Commercial bills
- iii) Commercial paper.

OR

1. What are Constituents of Financial System ? Discuss the role of financial system in economic development.
2. Discuss the operations of public sector banks in India. Explain any two reforms with reference to commercial banks in India.

OR

2. Explain the meaning of capital market. What are the features of Indian capital market ?
3. Give reasons for nationalisation of the Reserve Bank of India. Discuss the following functions of the Reserve Bank of India.
- i) Banker to the Government
 - ii) Bankers' Bank.

OR

3. What is Monetary Policy ? Explain the working of any two quantitative methods of Credit Control in India.

P.T.O.



4. What is a Mutual Fund ? Explain the types and functions of mutual funds.

OR

4. Explain the meaning of non-banking financial intermediaries (NBFIs). What are the functions of :

i) Insurance Companies

ii) Provident Funds.

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

a) Housing Finance Companies

b) Private Sector Banks

c) Urban Co-operative Banks

d) Statutory Liquidity Ratio (SLR).



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P.G. Diploma in Banking and Finance Examination, 2010
BANK LENDING
Paper – III

Time : 3 Hours

Max. Marks : 80

Instructions : 1) *All questions are compulsory.*
2) *All questions carry equal marks.*

1. Describe the principles of Bank Lending.

OR

How do banks analyse a new lending proposition ?

2. Distinguish between secured and unsecured loans. What precautions should a Banker take while lending against Real Estate and Fixed Deposit Receipts ?

OR

Explain Mortgage and Lien as the modes of creating charge.

3. Write a detailed note on criteria for assessing a borrower.

OR

Write an explanatory note on various types of corporate lending.

4. Describe various types of personal lending by banks.

OR

State and explain any four definitions given in the Securitisation Act, 2002.

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

- a) Objectives of Loan Administration
- b) Priority Sector Lending by banks
- c) Management of Non performing Assets
- d) Lok Adalat.



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P.G. Diploma in Banking and Finance Examination, 2010
ACCOUNTING SYSTEM AND FINANCE ANALYSIS
(New Course) (Paper – IV)

Time : 3 Hours

Max. Marks : 80

Instructions : 1) All questions are compulsory.
2) All questions carry equal marks.

1. Following ledger balances have been extracted from the books of Mahalaxmi Bank Ltd. Prepare Profit and Loss Account and Balance Sheet as on 31st March 2009 in prescribed proforma :

	Rs.		Rs.
General Expenses	24,000	Bad Debts	8,000
Share capital		Cash with RBI	2,00,000
8000 equity shares of		Cash with other banks	1,03,000
Rs. 100 each Rs. 50 paid up	4,00,000	Gold	39,000
Current Deposits	20,20,000	Money at call and	
Interest paid	23,000	short notice	1,00,000
Reserve Fund	1,00,000	Profit and Loss a/c credit	
Fixed Deposits	12,80,000	balance as on 1-4-08	1,20,000
Savings Deposits	2,00,000	Dividend paid for	
Cash in hand	35,000	the year 07-08	30,000
Interest received	1,60,000	Discount earned	30,000
Loans, cash credits		Commission received	5,000
and overdrafts	20,60,000	Investments	9,40,000
Depreciation	27,000	Bills Discounted	2,63,000
Premises	4,31,000	Non Banking Assets	20,000
Silver	32,000		
Branch adjustment a/c			
(credit)	8,000		
Bank drafts, T.T. payable	12,000		

P.T.O.

**Adjustments :**

- 1) Rebate on bills discounted Rs. 12,000/-
- 2) Interest accrued on investments Rs. 10,000/-
- 3) Provide Rs. 20,000/- for taxation
- 4) Provide Rs. 30,000 reserve for doubtful debts
- 5) Bills for collection Rs. 80,000

Acceptances and endorsements Rs. 1,20,000.

2. Following are the Balance Sheets of FRS Software Ltd. as on 31st December 2008 and 2009 :

Balance Sheets as on 31st Dec.

	Rs.	Rs.		Rs.	Rs.
Liabilities	(2008)	(2009)	Assets	(2008)	(2009)
Equity share capital	10,00,000	11,00,000	Goodwill	50,000	40,000
Share premium	—	10,000	Land and		
10% debentures	5,00,000	3,00,000	Building	4,20,000	6,60,000
General reserve	2,00,000	2,20,000	Plant and		
Profit and Loss A/c	1,10,000	1,70,000	Machinery	6,00,000	8,00,000
Prov. for taxation	40,000	1,10,000	Stock	2,50,000	2,10,000
Trade creditors	50,000	30,000	Debtors	2,70,000	2,16,000
Bills payable	20,000	30,000	Cash	3,00,000	24,000
			Preliminary		
			expenses	30,000	20,000
	19,20,000	19,70,000		19,20,000	19,70,000

Additional Information :

- a) During the year 2009 a part of Machinery costing Rs. 7,500/- (Accumulated Depreciation thereon Rs. 2,500) was sold for Rs. 3,000/-
- b) Dividend of Rs. 1,00,000/- was paid during the year 2009.
- c) Income Tax of Rs. 50,000/- was paid during the year 2009.
- d) Depreciation for the year 2009 was provided as follows :
 - Land and building Rs. 10,000
 - Plant and machinery Rs. 50,000

Prepare : 1) A schedule of changes in working capital

- 2) A statement of sources and application of fund with all supported working.



3. Enter the following transactions in Cash Book with cash, Bank and Discount columns and balance the cashbook :

2010

- Jan. 1 Cash Balance Rs. 5,000, Bank balance Rs. 3,000
- 2 Received a cheque of Rs. 1,480 from Samip and allowed him discount Rs. 20.
- 4 Deposited Rs, 900 into bank.
- 7 Paid by cheque Rs. 1,350 to Suresh in full settlement of Rs. 1,500/-.
- 9 Cash sales Rs. 2,000/- paid into bank
- 15 Received a cheque of Rs. 1,400 from Milind and allowed him discount Rs. 100.
- 18 Milind's cheque deposited into bank
- 21 Paid by cheque Rs. 1,200 Life Insurance Premium of the proprietor.
- 24 Issued a cheque to the petty cashier Rs. 300 and withdrew for office use Rs. 1,500
- 27 Paid salaries Rs. 400 in cash and office rent by cheque Rs. 250.
- 28 Cash purchases of Rs. 600 from Suriti Corporation.
- 30 Received Bank Pass Book showing dividend received on shares Rs. 470 and Bank Commission and ledger charges debited Rs. 80/-.

OR

3. Mr. A draws a bill of exchange for Rs. 40,000 at 3 months on 1st April 2009. B accepts it and returns it to A. A endorses it to Mr. C. On the due date Mr. C informs that the bill is dishonoured. Noting charges paid by him Rs. 200.

On 5th July 2009, A pays off the entire amount due to Mr. C. B accepts on the same date another bill for the amount plus interest Rs. 1,000 for three months. The bill is honoured on the due date.

Pass journal entries in the books of Mr. A, B and Mr. C.



4. From the following details, prepare Anil's Bank Reconciliation statement as on 31st December 2009 :
- Bank balance as per Cash Book Rs. 15,000/-
 - Interest on investment credited in Pass Book Rs. 600 and Bank charges Rs. 200 debited in the Passbook – not recorded in Cash Book.
 - Direct payment by Bank for Anil's Life Insurance Premium Rs. 1,700 and direct deposit of Rs. 4,500/- by Anil's customer into Bank – Not recorded in Cash Book
 - Cheques deposited but not credited Rs. 3,200/-
 - Cheques issued but not presented for payment Rs. 1,300/-
 - A cheque of Rs. 5,215 issued to Darshan encashed, but recorded in Cash Book as Rs. 5,521/-
 - The receipt side of the Cash book-Bank column was wrongly totalled as Rs. 420/- instead of Rs. 240/-

OR

4. A Ltd., was registered with a Nominal Capital of Rs. 18,00,000 in equity shares of Rs. 10 each. The following balances have been extracted from the books as on 31st March 2010 :

	Rs.		Rs.
Purchases	3,70,000	Issued and subscribed capital	
Sales	8,30,000	80,000 equity shares of	
Premises	6,00,000	Rs. 10 each	8,00,000
6% debentures	6,00,000	Salaries	29,000
Plant and Machinery	6,60,000	Director's fees	11,400
Interim dividend		Bad Debts	4,000
paid on 1-10-09	75,000	Debenture interest paid	18,000



Stock on 1-4-09	1,50,000	Profit and Loss a/c	
Furniture	14,400	(Credit on 1-4-2009)	29,000
Sundry debtors	1,74,000	Bills payable	76,000
Goodwill	60,000	Sundry creditors	1,00,000
Cash in hand	6,500	General reserve	50,000
Bank balance	79,800	Sundry Income	7,000
Preliminary expenses	10,000		
Wages	1,70,000		
General expenses	33,900		
Freight and carriage	26,000		

Adjustments :

- Closing stock Rs. 2,85,000/-
- Depreciate plant and machinery @ 10% p.a.
- Write off Rs. 1,000/- from preliminary expenses
- Create Reserve for doubtful debts @ 5% on Sundry Debtors
- Transfer Rs. 30,000 to General Reserve
- Directors propose Rs. 60,000 as final dividend.

Prepare Profit and Loss A/c for the year ended 31st March 2010 and Balance Sheet as on that date in the prescribed proforma.

5. Following is the Trial Balance of Mr. Sahil as on 31st March 2010. Prepare Trading and Profit and Loss A/c for the year ended 31st March 2010 and Balance Sheet as on that date :

Trial Balance as on 31st March 2010

	Debit Balances	Credit Balances
	Rs.	Rs.
Opening stock	72,000	
Purchases	2,20,000	
Carriage inward	8,000	
Bills payable		20,000



Sales		5,15,000
Wages	80,000	
Goodwill	30,000	
Freehold land and building	2,80,000	
Plant and machinery	2,00,000	
Motor vehicles	70,000	
Creditors		96,600
Bank overdraft		1,00,000
Advertising	10,000	
Salaries	40,000	
Office stationery and expenses	10,400	
Bank Commission	100	
Carriage outward	3,000	
Leasehold premises	1,00,000	
(Lease is to run for 10 years from 1-4-2009)		
Cash	1,100	
Debtors	12,000	
Interest on Bank overdraft	10,000	
Commission received		10,000
Sahil's capital		4,05,000
	<u>11,46,600</u>	<u>11,46,600</u>



Adjustments :

- 1) Closing stock is valued at Rs. 60,000/-
- 2) Depreciate plant and machinery at 15% and Motor vehicles at 20%
- 3) Outstanding wages Rs. 4,000/-
Outstanding salaries Rs. 4,500/-
- 4) Provide Reserve for doubtful debts @ 5% on debtors.
- 5) Interest on overdraft Rs. 2,000/- is not yet recorded so far.

OR

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

- a) Double entry book keeping
- b) Rebate on bills discounted
- c) Nature and limitations of financial statements
- d) Trade discount and cash discount
- e) Meaning of Trial Balance and errors not disclosed by Trial Balance
- f) Cash flow statement
- g) Nature and importance of Ratio Analysis.