

P.G. Diploma in Banking and Finance Examination, 2011
Paper – I : BANKS, FINANCIAL INSTITUTIONS AND
FINANCIAL MARKETS

Time : 3 Hours

Max. Marks : 80

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

1. Describe the structure of financial system in India. Discuss the role of financial system in economic development.

OR

What is a money market ? Explain the following instruments of money market.

- i) Commercial bills
 - ii) Treasury bills
 - iii) Certificate of Deposit.
2. Explain the features of Indian capital market. What are the functions of Securities and Exchange Board of India (SEBI) ?

OR

Discuss the operations of public sector banks in India. Explain any two reforms with reference to commercial banks in India.

3. What were the reasons for nationalisation of the Reserve Bank of India ? Discuss the following functions of the Reserve Bank of India :
- i) Banker's Bank
 - ii) Supervision of banks.

OR

What are selective credit control methods ? Explain the working of any two quantitative methods of credit control in India.



4. What are Mutual Funds ? Explain the types and functions of mutual funds.

OR

Explain the meaning of Non-Banking Financial Intermediaries (NBFIs). What are the functions of :

- i) Insurance companies
- ii) Hire Purchase Finance Companies.

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

- i) Private Sector Banks
- ii) Urban Co-operative banks
- iii) Provident Funds
- iv) Statutory Liquidity Ratio (SLR).

Post Graduate Diploma in Banking and Finance Examination, 2011
Paper – II : LAW AND PRACTICE OF BANKING

Time : 3 Hours

Max. Marks : 80

Instructions : 1) *All questions are compulsory.*
2) *Figures to the right indicate full marks.*

1. State and explain the provisions of the Banking Regulation Act, 1949 relating to definitions of
- | | | |
|--------------------------------|----------------------------|-----------|
| a) Banking | b) Banking Company | |
| c) Demand and time liabilities | d) Secured loan or advance | 16 |

OR

Spell out in detail the provisions of the Banking Regulation Act, 1949 pertaining to the conditions under which the R.B.I. may extend license to a Banking Company. Also spell out provisions pertaining to cancellation of license of a Banking Company. **16**

2. State and explain in detail all the functions of the Reserve Bank of India pertaining to note issue in India. **16**

OR

State and explain Lien and its types. Explain that 'Bankers' Lien is always a pledge.' **16**

3. Define all the Negotiable Instruments as per the Negotiable Instruments Act, 1881. Spell out the parties to each of these instruments. **16**

OR

Spell out the provisions relating to dishonour of a negotiable instrument and noting and protest as given in the Negotiable Instruments Act, 1881. **16**

4. Spell out the meaning of a paying and a collecting banker. What statutory protection is available to the paying banker ? **16**

OR

Spell out the provisions relating to 'Adjudication and Appeal' as laid down under the Foreign Exchange Management Act, 1999. **16**



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

16

- 1) Holder and holder in due course
- 2) Statutory protection to collecting banker.
- 3) Reasons for returns of a cheque.
- 4) Penalties under Foreign Exchange Management Act, 1999.



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Paper – IV : ACCOUNTING SYSTEM AND FINANCIAL ANALYSIS

Time: 3 Hours

Max. Marks : 80

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

1. From the following balances extracted from the books of Vidya Bank Ltd. prepare Profit and Loss Account and Balance Sheet as on 31st March 2010 in the prescribed proforma.

Equity Share Capital	Rs.
10,000 Equity shares of Rs. 100 each Rs. 50 paid up	5,00,000
Reserve Fund	3,50,000
Fixed Deposits Accounts	9,50,000
Savings Bank Deposits	30,00,000
Demand Deposits	60,00,000
Recurring Deposits	20,00,000
Money at call and short notice	3,00,000
Investments at cost	30,00,000
Interest accrued and paid	2,00,000
Salaries	80,000
Rent	20,000
General expenses	10,000
Profit and Loss Account (Cr.) 1-4-2009	2,10,000
Dividend paid for the year 2008-09	50,000
Premises	12,00,000
Cash in hand	60,000

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Cash with Reserve Bank of India	15,00,000
Cash with other Banks	12,00,000
Gold	1,00,000
Borrowing from other Banks	10,00,000
Silver	2,00,000
Non Banking Assets	1,00,000
Interest and discounts	6,50,000
Commission and exchange	50,000
Lockers' Rent	50,000
Branch Adjustment A/c (Debit)	1,00,000
Bills discounted and purchased	5,00,000
Bills payable	8,00,000
Loans, cash credits and overdrafts	70,00,000
Unclaimed dividend	30,000
Sundry creditors	30,000

Adjustments :

- 1) Rebate on bills discounted Rs. 5,000
- 2) Allow 5% depreciation on premises.
- 3) A provision for doubtful debts of Rs. 30,000 is to be made
- 4) Create provision for Taxation Rs. 50,000.
- 5) Bills for collection Rs. 1,40,000, Acceptances and Endorsement Rs. 2,00,000.



2. From the following Profit and Loss A/c and Balance Sheet of Ferro Alloys Ltd. calculate the ratios given

Profit and Loss A/c for the year ended 31-3-2010

	₹		₹
To opening stock	10,00,000	By sales	90,00,000
To purchases	60,00,000	By closing stock	12,00,000
To wages	2,00,000		
To Gross Profit c/d	30,00,000		
	1,02,00,000		1,02,00,000
To Administrative expenses	14,00,000	By Gross Profit b/d	30,00,000
To selling and Dist. expenses	2,50,000	By Rent received	2,00,000
To Non operating expenses	50,000		
To Net Profit	15,00,000		
	32,00,000		32,00,000

Balance Sheet of Ferro Alloys Ltd as on 31-3-2010

Liabilities	₹	Assets	₹
Equity share capital	20,00,000	Land and Building	10,00,000
Reserves and surplus	17,00,000	Plant and Machinery	12,00,000
Sundry creditors	10,00,000	Stock	12,00,000
Bills payable	3,00,000	Debtors	10,00,000
Bank overdraft	2,00,000	Bills Receivables	2,00,000
		Bank Balance	5,00,000
		Cash Balance	1,00,000
	52,00,000		52,00,000



- 1) Current ratio
 - 2) Quick ratio
 - 3) Operating Ratio
 - 4) Stock turnover ratio
 - 5) Gross profit ratio
 - 6) Net profit ratio
 - 7) Return on equity share capital
 - 8) Proprietary ratio.
3. Enter the following transactions in Cash Book with Cash, Bank and Discount columns of Mr. Roja and balance the Cash book.
- 2011
- Feb. 1 Cash Balance Rs. 6,000/- Bank overdraft Rs. 3,000/-
- 2 Received a cheque of Rs. 1,580/- from Ram and allowed him discount Rs. 20/-
 - 4 Deposited Rs. 1,500/- into bank
 - 5 Paid by cheque Rs. 1,350/- to Mohan in full settlement of his account of Rs. 1,400/-
 - 11 Cash sales to Nilesh Rs. 2,000/-
 - 14 Received a cheque of Rs. 1,600 from Sohan and allowed him discount Rs. 100/-
 - 16 Sohan's cheque deposited into bank.
 - 20 Purchased 300 Equity shares of Rs. 10 each at Rs. 15 and paid the amount by cheque.
 - 21 Issued a cheque of Rs. 500/- to Vensus Traders for books purchased by Roja's son.
 - 22 Received a cheque of Rs. 2,400/- from Suresh in full settlement of his account of Rs. 2,560/- and the same was deposited into bank.
 - 25 Transferred Rs. 5,000/- from Private Savings Bank A/c to Business Bank A/c



- 26 Received Rs. 800/- from Mohit for interest on loan given to him
- 27 Issued a cheque to the petty cashier Rs. 400/- and withdrew from Bank for office use Rs. 2,000/-
- 28 Paid Salaries Rs. 800 in Cash and Office Rent Rs. 600/- and residential rent Rs. 900, both by cheque.

OR

- 3. On 1st May 2010 a bill for Rs. 30,000/- payable after 3 months was drawn by Anil on Sunil. Sunil accepted the bill and returned to Anil. Anil discounted the bill for Rs. 29,600/-. At maturity, the bill was dishonoured, noting charges paid by Bank Rs. 400/-. On 5th August, Sunil paid Rs. 10,500/- in cash including interest Rs. 500/- and accepted a new bill for the balance for a period of 2 months. On the due date, the new bill was honoured.

Pass Journal entries in the books of Anil and Sunil.

- 4. Cash book of Mr. Roshan showed Bank balance of Rs. 10,900/- as on 31st Dec. 2010. On comparing his Cash book and Pass book, you find the following :
 - 1) Cheques issued but not presented for payment Rs. 5,400/-
 - 2) Cheque of Rs. 1,200/- deposited into Bank, was collected and credited by the bank, was entered in Cash Book as Rs. 2,100/-
 - 3) An amount of Rs. 3,500/- directly paid into bank a/c by our customer was not entered in cash book.
 - 4) Cheques deposited but not credited Rs. 3,400/-
 - 5) Bank charges Rs. 600/- and Interest on overdraft Rs. 1,300/- appear in Pass book only.
 - 6) The receipt side of the cash book bank column had been overcast by Rs. 200/-
 - 7) Dividend on shares Rs. 800/- credited in the pass book through ECS has not been recorded in cash book.

Prepare Bank Reconciliation Statements.

OR



4. Journalise the following transactions :

- 1) Mr. Samir started business with cash Rs. 80,000/- of which Rs. 30,000/- borrowed from his friend.
- 2) Cash Purchases from Anand Rs. 15,000/-
- 3) Purchased goods from Akash worth Rs. 20,000/- at 20% Trade discount and 5% cash discount. 50% of the amount was paid in cash.
- 4) Goods worth Rs. 10,000 were burnt by fire. The Insurance company admitted the claim for Rs. 4,000/- only.
- 5) Cash withdrawn from Bank for office use Rs. 3,000.
- 6) Outstanding salaries Rs. 5,000/-
- 7) Purchased office stationery for cash Rs. 400/-
- 8) Cash stolen from the Cash box Rs. 1,600/-

5. From the following information, prepare Trading and Profit and Loss A/c for the year ended 31st March 2011 and Balance Sheet as on that date of Mr. Ritesh Deshpande :

Debit Balances	Rs.	Credit Balances	Rs.
Sundry Expenses	1,000	Ritesh's capital	80,000
Printing and stationery	200	Bills Payable	19,600
Bills Receivable	9,200	Sales	1,82,000
Wages	30,000	Purchases Returns	4,500
Drawings	10,000	Bank loan	25,000
Sales Returns	5,600	Discount Received	3,200



Purchases	1,20,000	Sundry Creditors	65,000
Salaries	17,000	Commission Received	6,500
Sundry Debtors	60,000	Expenses payable	4,900
Opening Stock	85,000		
Repairs	2,400		
Interest on Bank loans	2,500		
Bad Debts	1,500		
Furniture	10,000		
Insurances	1,000		
Machinery	20,000		
Freight and Duty	4,600		
Cash in hand	1,700		
Bank balance	4,000		
Goodwill	5,000		
	3,90,700		3,90,700

Adjustments :

- 1) Closing stock is valued at Rs. 1,08,000
- 2) Commission Receivable Rs. 1,500 and prepaid Insurance Rs. 400.
- 3) Depreciate Machinery @ 10% p.a. and furniture @ 5% p.a.
- 4) Create Reserve for doubtful debts @ 5% on debtors.
- 5) Goods distributed as free samples Rs. 500.

OR



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

- 1) Nature and Importance of financial statements.
- 2) Proforma of a Company Balance Sheet as per the Company's Act of 1956.
- 3) Trial balance and errors disclosed and not disclosed by Trial Balance.
- 4) Rebate on bills discounted.
- 5) Importance of cash flow statement to a Lending Banker.
- 6) Meaning of fund, flow of fund and transactions creating flow of fund.
- 7) Trade discount and cash discount.

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Paper – III : BANK LENDING

Time : 3 Hours

Max. Marks : 80

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

1. Why do you think should the bank lending be safe ? Do you think in earning profits the banker may be required to compromise with the other principles of lending ?

OR

How does the assessment of borrowers on the basis of character, capacity and collateral help a banker identify genuine borrowers ?

2. Spell out in detail the steps in analysing a new loan proposal.

OR

Explain the relationship between value of an asset and amount of loan extended by a banker in defining a secured loan. What are the most important precautions that a banker must take while extending loans against life insurance policy.

3. Spell out the components of priority sector in India. What are the guidelines laid down by the RBI pertaining to priority sector lending ?

OR

How do you distinguish between personal and corporate lending by a bank ? Write an explanatory note on any one of the types of personal loans extended by a banker.

4. What do you understand by loan administration ? Spell out in detail the tools of loan administration.

OR

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

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

- One time settlement
- Lok Adalat and Debt Recovery Tribunal
- Tools with the bankers to keep non performing assets under control.
- Consortium lending.