

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8 Total number of printed pages : 5

PART—A

(Answer Question No.1 which is compulsory and any two of the rest from this part.)

1. (a) Greenfield Ltd. has a cash credit limit of Rs.10 crore with Jagat Bank. The company's paid-up capital and reserve amounts to Rs.15 crore. The company requires an increase in cash credit limit upto Rs.20 crore. The memorandum and articles of association of the company are silent as to the limit upto which the company can borrow. They have given powers to directors to give security and also to borrow.
 - (i) Will the bank sanction the required cash credit limit ? Give reasons.
 - (ii) If a term loan of Rs.20 crore is required, will the bank approve it ? If so, what formalities are to be followed ?

(4 marks)
- (b) A stranger opens an account by depositing a cheque to which he asserts himself to be the payee. Does he thereupon become a customer ? Is the banker who collects that cheque protected in receiving payment on his behalf even though he has defective title ?

(4 marks)
- (c) Happy Ltd. was sanctioned a loan of Rs.10 crore by Excellent Bank. Hasmukh Bhai, Chairman and Sukhi Ram, Managing Director of the company were authorised to sign the documents. Sukhi Ram suddenly had to fly to USA before executing the

documents. However, Hasmukh Bhai executed the documents on 1st December, 2005, while Sukhi Ram executed the documents on 20th December, 2005 after coming back from USA. Explain what will be the effective date of documents from the limitation period point of view. Had this situation occurred in case of a partnership firm, state whether the effective date of documents would have been different ?

(4 marks)

- (d) A cheque issued by Rajat is presented to Kuber Bank on 20th November, 2005 and paid. The cheque is dated as 11th November, 2005. On 25th November, 2005, Mrs. Rajat comes to the branch of Kuber Bank and gives a letter stating that Rajat died on 7th November, 2005 and demands restoration of the amount of the cheque. Advise.

(4 marks)

- (e) Karan took a vehicle loan under the hire purchase agreement with Jyoti Bank. The bank seized and took forcible possession of the vehicle on his failure to repay the instalment towards the said loan. Karan alleging illegal action on the part of the bank in seizing the vehicle by its musclemen and lodged a complaint with the police for taking steps to recover the vehicle. But, when the police did not take any action on the complaint of Karan, he challenged their inaction before the High Court. In your opinion, whether the action of the bank and inaction/apathy on the part of the police in recovering the vehicle was justifiable ? Give reasons.

(4 marks)

2. Attempt *any three* of the following :

- (i) What are the accepted norms the banks should follow to minimise the risk involved in lending ?

- (ii) Distinguish between 'development banking' and 'commercial banking'.
- (iii) Enumerate the main elements of prudential norms announced by the Reserve Bank of India.
- (iv) Analyse the various items appearing on the asset side of the balance sheet for enhancement of working capital.

(5 marks each)

3. Attempt *any three* of the following :

- (i) Write a note on 'banking ombudsman scheme'.
- (ii) Write a note on 'role of treasury management department' in banks.
- (iii) "Settlements arrived at before Lok Adalats in respect of NPAs are not legally enforceable by themselves." Comment.
- (iv) "Skill of successful banking lies in arranging maturity pattern of liabilities and assets sub-serving the principle of liquidity." Comment.

(5 marks each)

4. Attempt *any five* of the following :

- (i) Define 'banking' under the Banking Regulation Act, 1949.
- (ii) Write a short note on 'narrow banking'.
- (iii) Write a short note on 'relationship banking'.
- (iv) "The combination of 'account payee' crossing and 'not negotiable' crossing gives fullest protection to a cheque." Comment.
- (v) "The qualitative credit control methods control the use and direction of credit." Comment.
- (vi) "A banker's right to set-off is nothing but the right to combine the accounts." Comment.

(3 marks each)

PART—B

(Answer Question No.5 which is compulsory and any two of the rest from this part.)

5. (a) A shopkeeper has taken two policies against fire covering the stock at his shop. The sum insured under Policy-A is Rs.20 lakh and the sum insured under the Policy-B is Rs.30 lakh. If the loss occurred due to fire is Rs.10 lakh, whether he would get the claim under both the policies ? If not, then how much amount of claim he would get under both these policies ?

(5 marks)

- (b) State various distribution channels associated with life insurance business.

(5 marks)

- (c) Comment on the following statements :

- (i) Risk avoidance is one method of handling risk.
- (ii) Price risk can be hedged.
- (iii) Liability can be insured.
- (iv) Insurance works as a social security tool.
- (v) Credit insurance replace normal credit risk management process.

(2 marks each)

6. Write notes on *any three* of the following :

- (i) Underwriting agents for insurance sector
- (ii) Claim examiners in life and health insurance
- (iii) Risk administration programme
- (iv) Certificate of insurance.

(5 mark each)

7. (a) What does 'permit' mean under motor insurance ?
What is the duration of a permit and how is it renewed ? State the general conditions attaching to all the permits.
(6 marks)
- (b) Describe the role of an actuary with respect to demographic assumption in life insurance.
(3 marks)
- (c) Write a short note on the need for credit insurance.
(3 marks)
- (d) Differentiate between 'active credit risk management' and 'passive credit risk management'.
(3 marks)
8. (a) What is the measurement of 'subrogation' ?
(6 marks)
- (b) Indicate giving reason(s) whether the following guarantees are considered 'insurance' :
- (i) A television set is guaranteed by the manufacturer against defects for 90 days.
 - (ii) A new set of radial tyres is guaranteed by the manufacturer against road defects for 50,000 kms.
 - (iii) A builder of new homes gives a ten year guarantee against structural defects in the home.
- (2 marks each)*
- (c) Explain 'securitisation of insurance risk'.
(3 marks)