

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 4

PART—A

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

1. (a) Efficient Bank had issued a demand draft in favour of Bijoy on the request of Ajoy. After receiving this demand draft, Bijoy, the payee, endorsed the demand draft in favour of Chander in consideration of purchase of certain material. Incidentally, the demand draft was lost by Chander who made a request to the issuing branch to issue a duplicate demand draft. The bank refused to issue duplicate demand draft to Chander stating that he has no *locus standi* on the demand draft. Comment on the action of the bank. (4 marks)
- (b) Choose the most appropriate answer from the given options in respect of the following :
- (i) Bank's financial soundness is indicated by —
 - (a) Profitability
 - (b) Liquidity
 - (c) Solvency
 - (d) Earnings.
 - (ii) The centre code in clearing cheques has —
 - (a) Three digits
 - (b) Six digits
 - (c) Nine digits
 - (d) Twelve digits.
 - (iii) Capital adequacy ratio of all banks operating in India on an on-going basis must be a minimum of —
 - (a) 11%
 - (b) 12%
 - (c) 9%
 - (d) 10%.
 - (iv) Every banking company incorporated in India must transfer at least following percentage of its annual profits to statutory reserve before declaring dividend —
 - (a) 10%
 - (b) 20%
 - (c) 30%
 - (d) 40%.
- (1 mark each)

- (c) Distinguish between **any two** of the following :
- (i) 'ECS (Debit) clearing' and 'ECS (Credit) clearing'.
 - (ii) 'Repo in liquidity management' and 'reverse repo in liquidity management'.
 - (iii) 'Hypothecation' and 'mortgage'.
- (2 marks each)*
- (d) Re-write the following sentences after filling-up the blank spaces with appropriate word(s)/figure(s) :
- (i) A cheque or demand draft is valid only for six months pursuant to the provisions of the _____ Act.
 - (ii) Every banking company is required to prepare its balance sheet and profit and loss account as on 31st March of every year as prescribed in the _____ Act.
 - (iii) A customer has a right to ask the bank to return him a paid instrument under the _____ Act.
 - (iv) _____ is a 'drawer' in case of a demand draft.
- (1 mark each)*
- (e) State, with reasons in brief, whether the following statements are correct or incorrect :
- (i) Foreign banks in India are outside the regulatory control of the RBI.
 - (ii) Statutory liquidity ratio (SLR) is lower than cash reserve ratio (CRR).
 - (iii) A bank cannot become a customer of other banks.
 - (iv) Electronic clearance scheme (ECS) facility is better for transferring large funds.
- (1 mark each)*
2. (a) Describe the 'internet banking' services provided by the banks.
- (b) Name the assets which are generally securitised by financial institutions. What procedure is adopted for securitisation ?
- (c) As a financial intermediary, what are the prominent risks to which banks are exposed to ?
- (5 marks each)*
3. (a) What has been done to boost the credit delivery system of the banks ?
- (b) What are the basic principles on which bank claims can be settled through Lok Adalats ?
- (c) Describe the main functions of the Small Industries Development Bank of India (SIDBI).
- (5 marks each)*
4. (a) What are the obligations of a customer to the banker ?
- (b) What is the role of the Credit Information Bureau of India Ltd. (CIBIL) in dissemination of credit information on borrowers ?
- (c) Describe the scheme of 'prompt corrective action' (PCA) as a supervisory intervention technique.
- (5 marks each)*

PART—B

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

5. (a) Re-write the following sentences after filling-up the blank spaces with appropriate word(s)/figure(s) :
- (i) Hedging price risk is an example of risk _____ .
 - (ii) Objective risk _____ as the number of exposures increase.
 - (iii) Assignment of a policy automatically cancels the existing _____.
 - (iv) The liability of the railways is of a _____ so long as the goods are in transit.

(1 mark each)

- (b) Choose the most appropriate answer from the given options in respect of the following :
- (i) Investment in the promoter group in the case of non-life insurance company should not exceed 5% of —
 - (a) Controlled funds
 - (b) Aggregate assets
 - (c) Share capital
 - (d) Free reserves.
 - (ii) Reserve for unexpired risks in respect of fire business, excluding reinsurance, shall be —
 - (a) 50% of the premium
 - (b) 100% of the premium
 - (c) 10% of the premium
 - (d) None of the above.
 - (iii) The Insurance Act, 1938 deals with licensing of surveyors/loss assessors under section —
 - (a) 42D
 - (b) 114A
 - (c) 46
 - (d) 64UM.
 - (iv) Which of the following has become the National Reinsurance Corporation —
 - (a) LIC
 - (b) GIC
 - (c) ECGC
 - (d) DICGC.

(1 mark each)

- (c) What are the important forms/documents used in day-to-day operations of an insurance company engaged in the life insurance business ?
(4 marks)
- (d) A drunken driver jumped a red light and smashed into Lalit's car. The cost of repair of the car is Rs.5,000. He has an insurance for his car with Rs.250 deductible. Is Lalit eligible to be compensated both from the negligent driver's insurer and his own insurer to escape deductible amount ?
(4 marks)
- (e) What disclosures are required to be made by an insurance company seeking registration with the IRDA ?
(4 marks)
6. (a) What is the grievance redressal mechanism available to the insured ?
(5 marks)
- (b) How is the need for insurance assessed by the risk manager ?
(5 marks)
- (c) Narrate the role of foreign equity in insurance sector in India.
(5 marks)
7. (a) How has the term 'insurance company' been defined in the relevant statute ?
(5 marks)
- (b) Under what circumstances, breach of 'duty of utmost faith' may arise ? What is its effect on insurance contract ?
(5 marks)
- (c) Describe the IRDA norms for reinsurance.
(5 marks)
8. (a) How are the 'insurance surveyors' an important link between the insurer and insured ?
(5 marks)
- (b) Describe the export factoring scheme evolved by the ECGC.
(5 marks)
- (c) What is 'aviation insurance' ? What type of liability is covered under aviation insurance ?
(5 marks)

