

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 7

**P A R T – A**

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

1. Attempt any four of the following :

- (i) Sada Bahar Ltd. has approached Happy Bank Ltd. for sanction of working capital limits of Rs.200 lakh. The company provided following information :

<i>Liabilities</i>	<i>Actual 2005-06 (Rs. in Lakh)</i>	<i>Projections 2006-07 (Rs. in Lakh)</i>
Paid-up share capital	50	50
Reserves and surplus	150	175
Term loan	40	30
Creditors	25	35
Bank borrowings	—	200
	<u>265</u>	<u>490</u>
 <i>Assets</i>		
Cash and bank balances	2	5
Raw materials	20	80
Stock-in-process	10	35
Finished goods	20	70
Book debts	63	150
Fixed assets	150	150
	<u>265</u>	<u>490</u>

Sales of the company are projected to go up from Rs.250 lakh to Rs.750 lakh and net profit is estimated to move from Rs.5 lakh to Rs.30 lakh next year.

As the Branch Manager of Happy Bank Ltd., will you sanction the limit of Rs.200 lakh as requested by Sada Bahar Ltd. ?

*(5 marks)*

- (ii) A firm has been enjoying temporary overdraft facility upto Rs.50,000 with a bank for four years. No document was executed nor was any security furnished. The bank unilaterally, without notice, terminated the overdraft facility and a cheque drawn by the firm was dishonoured on the ground that there was insufficient balance in the account.

The firm claimed damages for wrongful dishonour of the cheque. Discuss legal position in this case.

*(5 marks)*

- (iii) Nav Jeevan Bank has given a hypothecation advance against inventory to Nutan Traders. In a periodical checking, the stocks are found short by the bank. The bank allows more finance to make good the shortage. Examine bank's action.

*(5 marks)*

- (iv) Pune branch of a bank had to procure a loan agreement from a constituent located at Madurai. The branch got the agreement typed out on stamp paper purchased in Maharashtra State and asked the constituent to execute it in Madurai. The required amount of stamp duty was paid in Maharashtra. Comment on the procedure followed.

*(5 marks)*

- (v) (a) What is 'restrictive endorsement' ?

*(2 marks)*

- (b) Ajit as holder of a cheque endorses *sans recourse* to Baljit, Baljit endorses to Charanjit and Charanjit to Daljit who endorses it to Manjit. Cheque is dishonoured. From whom can Manjit claim the amount ? Why ?

(3 marks)

2. Attempt any three of the following :

- (i) The Reserve Bank of India is pressing banks vigorously to follow the 'know your customers' norms before opening the accounts of its prospective clients. State these norms with implications.
- (ii) Comment on functioning of 'foreign banks' in India.
- (iii) State the non-legal remedies for improving the recovery management. How can NPAs be reduced at the earliest level ?
- (iv) Define 'securitisation'. Discuss its advantages to the Commercial Banks.

(5 marks each)

3. Write notes on any three of the following :

- (i) Banking Ombudsman Scheme
- (ii) Telebanking services by banks
- (iii) Banc-assurance
- (iv) Truncated cheque.

(5 marks each)

4. (a) Attempt any three of the following :

- (i) "Liquidity is cornerstone of the banking operations." Comment.
- (ii) How do banks deal with the Registrar of Companies for examination and creation of charge over assets ?

- (iii) "Banks are exposed to risks as financial intermediaries." Comment.
- (iv) "5 C's and 3 R's constitute a test for good advance." Elaborate.

(4 marks each)

- (b) State, giving brief reason, whether a banker can disclose information related to account of its customer to the following persons :
  - (i) Guarantor
  - (ii) Customer's spouse
  - (iii) Another banker
  - (iv) Payee of a cheque
  - (v) Reserve Bank of India
  - (vi) Non-banking finance company.

(3 marks)

#### P A R T – B

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

- 5. (a) A ship was insured against losses resulting from collision. There was a collision and the ship was delayed for a few days. Owing to delay, a cargo of oranges in the ship became unfit for human consumption. Discuss whether the insurance company is liable for the loss.

(4 marks)

- (b) An income-tax officer attached an LIC Policy in order to recover dues and directed the LIC not to pay policy money to his wife to whom the policy was assigned. Whether LIC should withhold the payment of this policy ? Give reasons.

(4 marks)

(c) State whether the following insurance contracts are legally enforceable :

- (i) John Prabhakar took a life insurance policy on his life. Five months later, he expired. The death certificate named the deceased as John Prabu.
- (ii) An insurer receives an application for an insurance policy containing incomplete information. The insurer does not contact the applicant for additional information and the policy is issued. Later, the insurer denies payment of claim on the basis of incomplete application.
- (iii) A life insurance agent knows that an applicant for life insurance is addicted to alcohol. The agent deliberately omits this information from the application to the insurer. The policy is issued. Later, the insurer denies claim on the basis of concealment of facts.

*(2 marks each)*

(d) State with brief reasons whether the following statements are true or false :

- (i) Credit insurance replaces normal credit management process.
- (ii) Before getting a licence to act as a surveyor, the applicant has to undergo practical training compulsorily.
- (iii) Banks are getting into insurance business in India.
- (iv) Self-insurance is a form of insurance.
- (v) Subrogation applies to life insurance.
- (vi) In life insurance, insurable interest must be present at the time of death.

*(1 mark each)*

6. (a) What are the perils covered under the 'standard fire and special perils policy' ? On what factors does the premium under this policy depend upon ?  
(8 marks)
- (b) "Agents play a key role in the development of insurance business." Do you subscribe to this view ? State the rights and duties of an agent.  
(7 marks)
7. Attempt any three of the following :
- (i) Distinguish between 'actual total loss' and 'constructive total loss' in marine claims.  
(5 marks)
- (ii) Explain the prescribed procedure for lodging claim under the 'public liability insurance'.  
(5 marks)
- (iii) State the basic functions of a 'risk manager'.  
(5 marks)
- (iv) State the type of marine policy in the following cases :
- (a) Policy which covers voyage from one place to another.
- (b) Value of loss is fixed and remains constant.
- (c) Value of policy is left to be valued when the loss takes place.
- (d) Policy that covers losses within the particular time and place.
- (e) Policy issued in foreign currency.  
(1 mark each)

8. Write short notes on any five of the following :

- (i) Puffery
- (ii) Deposit insurance
- (iii) Credit derivatives
- (iv) Foreign equity in insurance sector
- (v) Warehouse to warehouse clause
- (vi) Professional liability cover.

(3 marks each)

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