

Roll No. ....

OPEN BOOK EXAMINATION

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 6

**NOTE :** Answer **ALL** Questions.

1. Read the case below carefully and answer the questions given at the end :

A Negotiable Instrument (NI) means a promissory note, bill of exchange or cheque payable either to order or to bearer. Negotiable Instrument may be made payable to two or more payees jointly, or in the alternative to one of the two, or one or some of several payees.

A Promissory Note is an instrument in writing containing an unconditional undertaking, signed by the maker to pay a certain sum of money only to, or to the order of, a certain person or to the bearer of the instrument.

A Bill of Exchange is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to, or to the order of a certain person or to the bearer of the instrument.

A Cheque is a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand and it includes the electronic image of a truncated cheque and a cheque in the electronic form.

The maker of a bill of exchange or cheque is called the drawer, the person thereby directed to pay is called drawee, when in the bill or in any endorsement there on the name of any person is given in addition to the drawee to be resorted to in case of need after the drawee of a bill has signed his assent upon the bill, or if there are more parts thereof than one, one of such parts and delivered the same, or given notice of such. Signing to the holder or to some person on his behalf, he is called the acceptor. The person name in the instrument, to whom or to whose order the money is to be paid is called payee. The 'holder' of Negotiable Instrument means any person entitled in his own name to possession thereof and to receive or recover the amount due thereon from the parties thereto. The 'Holder in due course' mean any person who for consideration became the possessor of Negotiable Instrument, if payable to bearer or the payee or endorsee thereof if payable to order, before the amount mentioned in it became payable and without having sufficient cause to believe his title of the person from whom he derived his title.

When banker dishonour a cheque of a customer, appropriate reason in writing, duly signed by its official must be given. Such cheque may either be returned across the counter or through clearing.

- (a) What are the Negotiable Instruments in the banking ? Explain types and presumptions of Negotiable Instruments.

(10 marks)

: 3 :

(b) Define holder and holder in due course with their rights. Explain difference between them.

(10 marks)

(c) Mr. Kunal draws a bill of exchange on ABC Ltd. in consideration of sale of goods of ₹ 1,00,000 directing to pay on demand to M/s Bhagwan Das Ramlal. From above Bill of Exchange explain who is drawee, drawer and payee. Define the parties to a bill of exchange.

(10 marks)

(d) X has issued a cheque of ₹ 1,00,000 in favour of Y, but when Y deposited the cheque in bank, it gets bounced. What are the common reasons behind the bouncing of a cheque ?

(10 marks)

2. (a) What are the additional verification methods available for the verification of authenticity of a document submitted for KYC by a prospective customer at branch level ?

(6 marks)

(b) Read the following statements carefully. Write True/False with the reasons :

(i) The Commercial Bank has the currency issue authority.

- (ii) CRR and SLR work opposite to each other.
- (iii) Repo Rate is the rate of interest charged by the bank on corporate loans.
- (iv) The Commercial Banks are the controller of the money supply.
- (v) The Central bank is a lender of last resort.
- (vi) RBI provides licence to banking company under Banking Regulation Act, 1949.

*(6 marks)*

3. (a) What do you mean by Corporate Governance and explain how it plays an important role in banks ?
- (b) Dishonour of a cheque is a criminal offence. Explain the relevant sections/provisions of Negotiable Instrument Act, 1881.

*(6 marks each)*

4. (a) Which scheme provides refinance support to banks for lending to micro units having loan requirement upto ₹ 10 lakh and explain its type of funding support under the scheme ?

*(6 marks)*



: 6 :

6. Prepare the Profit and Loss account of The Modern Bank Ltd. for the year ended 31st March, 2019, from the following :

|  | (Amount in ₹) |
|--|---------------|
| Interest on Fixed Deposits             | 1,62,410      |
| Rebate on Bills Discounted             | 29,000        |
| Interest on Loans                      | 45,000        |
| Commission Charged to Customers        | 62,500        |
| Establishment                          | 15,000        |
| Discount on Bills Discounted           | 89,000        |
| Interest on Cash Credit                | 24,000        |
| Amount Charged against Current Account | 71,500        |
| Directors' Fee                         | 10,000        |
| Audit Fee                              | 20,000        |
| Postage and Telegram                   | 2,000         |
| Printing and Stationery                | 4,000         |
| Rent and Taxes                         | 22,500        |
| Interest on Overdrafts                 | 71,000        |
| Sundry Charges                         | 1,500         |
| Interest on Saving Bank Deposits       | 57,780        |

(12 marks)

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