

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8 Total number of printed pages : 6

PART—A

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

1. Attempt the following :

- (i) A partnership firm Sohan & Co., with Sohan, Mohan and Rohan as partners, maintains current account with a bank. The bank has received a notice that Sohan has been declared insolvent. At that time, the account is overdrawn to the extent of Rs.50,000. How would the bank proceed ?

(5 marks)

- (ii) You, as a Bank Manager, have been asked to add confirmation to an irrevocable letter of credit by the issuing bank. Describe the meaning and implication of adding confirmation through the letter of credit.

(5 marks)

- (iii) X and Y have a joint account in a bank. They have given a power of attorney in favour of Z for operating the account. Z has been operating the account since 31st July, 2005. On 25th March, 2006, the bank has been informed that Y has died. On 26th March, 2006, a cheque for Rs.20,000 signed by Z is presented for payment. Sufficient balance is available in the account. How would the bank deal with the situation ?

(5 marks)

- (iv) Re-write the following sentences after filling-up the blank space with appropriate word(s) so as to convey the correct meaning :
- (a) If a cheque is dishonoured for insufficiency of funds in the account, the drawer of the cheque is liable for imprisonment upto _____ or fine or both.
 - (b) Bill of exchange payable at maturity is entitled to _____ of grace period.
 - (c) _____ is the interest rate at which the bank is willing to lend to its near zero risk customers.
 - (d) _____ is an apex development bank in the country for promoting agriculture and developing rural sectors.
 - (e) _____ is drawee in a cheque.

(1 mark each)

2. (a) "Cheques are not paid outside banking hours." Comment.
- (b) Explain various types of charge created over security in a loan by the bank.
- (c) Describe major reforms in banking sector on defaulting borrowers.

(5 marks each)

3. (a) Interest rates in our country may not remain stationary. Discuss the factors affecting the interest rates.
- (b) What are the methods of loan syndication ? Explain.
- (c) What are the considerations by banks in management of their investment portfolio ?

(5 marks each)

4. Write short notes on *any five* of the following :

- (i) Electronic Clearing Services (ECS)
- (ii) RBI as bankers' bank
- (iii) Real Time Gross Settlement (RTGS)
- (iv) Cash Management Product (CMP)
- (v) E-purse
- (vi) Inter-bank call market
- (vii) Relationship banking.

(3 marks each)

PART—B

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

5. (a) There are two policies in existence on the same vehicle with identical cover of Rs.10 lakh. First policy commences from 1st April, 2007 and second policy from 1st May, 2007. Which policy would you recommend to be cancelled and why ?

(4 marks)

(b) In a public liability insurance, liability arises due to an accident in the insured premises during the policy period. State whether the following events will be treated as an 'accident' under the policy :

- (i) Leakage of dangerous acid in the factory.
- (ii) Spread of infectious disease due to waste dumped in the neighbourhood.
- (iii) Pollution for almost 24 hours every day.

(2 marks each)

- (c) Asha Trader has its stock insured against fire. Subsequently, fire destroyed a part of stock. Total stock valued on the date of fire was Rs.60,000. The stock was insured on an average clause. Stock valued at Rs.12,000 was salvaged. Stock was insured for Rs.36,000. Prepare a statement showing the calculation of claim.

(4 marks)

- (d) Comment on the following :

- (i) Insurance involves indemnification.
- (ii) Risk can be retained passively.

(2 marks each)

- (e) Re-write the following sentences after filling-up the blank space with appropriate word(s) so as to convey the correct meaning :

- (i) Marine insurance is essentially transit or movement of goods by _____ going vessels insurance.
- (ii) The Government has cleared the investment in insurance joint venture to be made through the RBI under the automatic route for _____.

(1 mark each)

6. Attempt *any three* of the following :

- (i) "Insurance plays a key role in the economic development of a country." Comment.
- (ii) Explain duties and responsibilities of surveyor and loss assessor.

- (iii) Evaluate the role of a Company Secretary in the changing insurance environment.
- (iv) Explain the coverage and exclusion of risks under the shipment policy of the Export Credit Guarantee Corporation (ECGC).

(5 marks each)

7. Attempt *any three* of the following :

- (i) Differentiate between 'peril' and 'hazard'. How physical hazard is different from moral hazard ? If a car is totally destroyed by another motorist; what would be peril and hazard in the case ?
- (ii) Explain in brief the policy for 'directors and officers' liability.
- (iii) What is 'actuarial valuation' in life insurance ? How surplus or deficiency is arrived at by life insurance companies ?
- (iv) Give a brief account of the statutes other than the Insurance Act, 1938 which have a direct bearing on the general insurance business.

(5 marks each)

8. Attempt *any five* of the following :

- (i) Differentiate between 'general average deposit' and 'general average guarantee'.
- (ii) What do you understand by 'hedging price risks' ?

- (iii) What are the advantages and disadvantages of risk retention technique ?
- (iv) What are the basic objectives of the Multimodal Transportation of Goods Act, 1993 ?
- (v) Briefly state the rules related to collection of premium by agents ?
- (vi) What is 'salvage loss' under the marine insurance ?

(3 marks each)

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