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Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 4

NOTE : Answer **ALL** Questions.

1. Analysis of financial statements is an important exercise for the purpose of studying the trends and behaviour of different financial parameters from a leader's point of view. Before an analysis is undertaken, the various parameters and items of financial statements are restructured and rearranged in the order of priority set by a credit analyst. This is necessary because enterprises prepare financial statements mainly in order to cater to the needs of the shareholders and the government. Analysis of these statements without any rearrangement may not serve a meaningful purpose for a lending banker.

The process of restructuring of financial statements starts with classification of various items as current, non-current and fixed assets or liabilities. Restructuring also includes the process of filtering out items or entries resulting from those transactions which, though permitted by statutes, may present picture other than reality. Apart from this, the analyst also undertakes various other analysis, like, comparative balance sheet, ratio analysis, cash flow and funds flow, etc., to name a few to arrive at a considered view.

The following example is a live situation requiring your logical conclusion as an analyst. Analyse the situation and respond to the questions indicated there against.

The Balance Sheet of Sri Ganesh & Co. Ltd., for the years 2015 and 2016 are given below :

(Amount in Rupees)		
Particulars	31-03-2015	31-03-2016
Liabilities		
Equity Share Capital	6,00,000	12,00,000
10% Preference Share Capital	5,00,000	9,00,000
Profit and Loss Account	6,00,000	8,00,000
Long-term Loans	2,00,000	5,00,000
Creditors	1,00,000	3,00,000
Total	20,00,000	37,00,000

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Assets		
Fixed Assets (Gross Block)	15,00,000	28,00,000
<i>Less</i> : Depreciation	5,00,000	8,00,000
Net Block	10,00,000	20,00,000
Investments	4,00,000	5,00,000
Inventories	4,50,000	6,50,000
Accounts Receivables	1,00,000	4,00,000
Cash on hand	50,000	1,50,000
Total	20,00,000	37,00,000

Questions :

- (a) Prepare a Comparative Balance Sheet showing increase or decrease in individual assets and liabilities together with percentage of such increase or decrease between the two years.

(20 marks)

- (b) Based on the above comparative analysis, Offer your comments on the following items :

- (i) Fixed Assets;
- (ii) Long-term Loans;
- (iii) Investments and Inventories;
- (iv) Accounts receivables and Cash on hand;
- (v) Current Assets, Current Liabilities and Profit & Loss Account.

(2 marks each)

- (c) Assuming that the current ratio is 1.5, state with reasons in each of the following cases, whether the current ratio will improve or decline or will have no change :

- (i) Payment of a current liability

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- (ii) Purchase of fixed assets;
- (iii) Cash collected from customers;
- (iv) Bill receivable dishonoured;
- (v) Issue of new shares.

(2 marks each)

- (d) Assuming that the Net Profit before tax as on 31st March, 2016, after considering the following stood at ₹ 12,50,000 :

(i)	Depreciation on Fixed Assets	:	₹ 25,000
(ii)	Goodwill Written Off	:	₹ 15,000
(iii)	Loss on Sale of Machinery	:	₹ 12,000

The Current Assets and Current Liabilities of the Company in the beginning and at the end of the year being as follows :

(Amount in Rupees)

Particulars	31st March, 2015	31st March, 2016
Bills Receivable	25,000	15,500
Bills Payable	10,000	12,500
Debtors	30,000	38,800
Stock-in-hand	18,000	14,000
Outstanding Expenses	8,000	7,000

Calculate the Cash Flow from Operating activities under the indirect method of cash flow from operations.

(10 marks)

2. (a) Define Marketing Mix. Explain what do you understand by unethical issues concerning Marketing Mix in the context of banking.
(5+10=15 marks)
- (b) Briefly explain what is SARFAESI Act ? What are the safeguards one should bear in mind while enforcing the security under the SARFAESI Act or Securitization Act to recover the banks' dues ?
(5+10=15 marks)
3. Describe briefly whether garnishee order can attach undrawn or unutilized balance in an overdraft and/or cash credit account.
(5 marks)
4. Explain in brief five risks associated with payment systems.
(5 marks)
5. Banks play an important role in facilitating international trade, as they enable the exporter and importer operating at different locations to receive and pay for the goods sold and bought. Describe in brief the instruments issued by banks which apart from facilitating payment towards the trade also facilitate grant of advance and storage facility for the goods to be exported.
(5 marks)
6. Explain what do you understand by the term 'Money Laundering'.
(5 marks)