

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 6

NOTE : Answer ALL Questions.

1. The following are the data of Shri Vigneshwar and Company Ltd. for the two years ended on 31-3-2017 and 31-3-2018 :

Shri Vigneshwar and Company Ltd.
Balance Sheet for the year ended on 31st March

(Amount in ₹ 000's)

	2018	2017
Assets :		
Cash	1,26,000	1,14,000
Short-term investment	42,000	20,000
Debtors	60,000	50,000
Stock	38,000	28,000
Long-term investment	28,000	44,000
Machinery	2,00,000	1,40,000
Buildings	2,40,000	80,000
Land	14,000	14,000
	7,48,000	4,90,000
Liabilities & Equity :		
Accumulated depreciation	1,10,000	60,000
Creditors	40,000	30,000
Bills Payable	20,000	10,000
Secured Loans	2,00,000	1,00,000
Share Capital	2,20,000	1,60,000
Share Premium	24,000	---
Reserves and Surplus	1,34,000	1,30,000
Total	7,48,000	4,90,000

Shri Vigneshwar and Company Ltd.
Income Statement for the year ended on 31st March 2018

(Amount in ₹. 000's)

Sales		2,40,000
Cost of goods sold		1,34,800
Gross Profit		1,05,200
Less : Operating expenses		
Depreciation-Machinery	20,000	
Depreciation-buildings	32,000	
Other expenses	40,000	92,000
Net Profit from operations		13,200
Gain on sale of long-term investment		4,800
Total		18,000
Less : Loss on sale of machinery		2,000
Net Profit		16,000

Note : The proceeds from the sale of machinery were ₹ 6,000.

From the data and details given above you are required to prepare :

- (a) Statement of sources and uses of Working Capital Funds. (25 marks)
- (b) Schedule of changes in working capital. (5 Marks)
- (c) Statement of sources and uses of cash. (10 Marks)
- (d) In the context of Vigneshwar and Company Ltd., please explain in brief the points of differences when it is taken to be not a company but a partnership firm. (10 Marks)

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2. (a) Explain the reasons in brief for the following statements in the context of practices prevailing under the banking :

- (i) Additional credit facilities are not extended by the bank to wilful defaulters or group defaulters.
- (ii) A board resolution is obtained by the bank from a company ratifying the excess drawings permitted to the company, in case drawings in excess of the limit are permitted.
- (iii) While creating equitable mortgage, nothing in writing should be obtained from the person creating the mortgage.
- (iv) A very high current ratio is not a welcome sign.
- (v) DSCR of less than 1 is not considered good for sanction of Term Loans (generally the norm is 2 : 1).

(3 marks each = 15 marks)

(b) Explain the following statements by giving brief reasons in the context of provisions contained under Banking Regulation Act and the prevalent banking practice by referring the provisions of Negotiable Instrument Act ?

- (i) Paying banker is not concerned with the account payee crossing.
- (ii) Even though a contract with a minor is void, the bank opens a savings bank account in the name of a minor.
- (iii) Insolvency proceedings are not initiated against minors.
- (iv) Reserve Bank of India (RBI) has asked banks to make available 'no frills' account.
- (v) A term deposit receipt is paid on the succeeding working day to a holiday whereas a bill of exchange is paid on the preceding working day.

(2 marks each = 10 marks)
P.T.O.

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- (c) Ganesh has taken a loan of ₹ 5 million against mortgage of a commercial property valued at ₹ 20 million. The KYC and credit information collected during the opening of the account showed that Ganesh was a real estate developer and also a trader in commodities. He has declared an average income of ₹ 3 million during the last three years. He has also been maintaining a current account with the same bank. After six months of taking the loan, Ganesh came with a request to pre-close the loan account. Bank calculated the amount to be repaid and add the pre-closure penalty and as per the instructions of the customer, transfer the amount from his current account. After about two months, the customer again comes and requested for a loan of ₹ 10 million against mortgage of the same property.

In the backdrop of above, explain how the situation will be dealt with by the bank.

(5 marks)

3. “Akshay” wants to take a loan of ₹ 10,000 from “Bharat”, but “Bharat” does not know “Akshay” very well and fears that “Akshay” may not return the money. “Chandar” is a good friend of “Akshay”. “Chandar” tells “Bharat” that if “Akshay” does not return the money to “Bharat”, “Chandar” will personally, pay it to “Bharat”. Under this assurance by “Chandar” to “Bharat”, “Bharat” lends the money to “Akshay”. On the date on which the money was to be returned, “Akshay” fails to pay back ₹ 10,000. Can “Bharat” now, demand this money from “Chandar”? Respond in detail in the context of the relevant provisions of the law. Support your answer with a decided case law, if any.

(5 marks)

4. While closing its books of account on 31st March, 2018, a branch of commercial bank finds that :

- (i) On a Term Loan of ₹ one lakh fifty thousand, quarterly interest due on 29th September, 2017, 29th December, 2017 and 29th March, 2018 has not been received and served.

(2 marks)

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(ii) The outstanding balance of an overdraft account has been continuously in excess of the sanctioned limit of ₹ one lakh since 14th May, 2017 till 31.3.2018.

(2 marks)

(iii) ₹ 75,000, the amount of discounted bill was due on 17th February, 2018 but the same has not been received and the bill was dishonoured.

(1 mark)

Explain with reasons which of the abovementioned credit facilities will be treated as NPA on 31st March, 2018.

5. Vinayak maintains an account with the bank. A court attachment order for ₹. 10,000 on the account is received. State the action that will be taken in the following situations :

(i) Vinayak also maintains a joint account with Geetha (his wife) and the credit Balance in the account is ₹ 1,000.

(ii) Vinayak has tendered ₹ 5,000 for purchase of a draft.

(iii) A credit voucher for ₹ 3,000 being collection of cheque realized has been released.

(iv) Vinayak's current account has been overdrawn by ₹ 2,500.

(v) Vinayak has tendered a clearing cheque for ₹ 2,000 which will be presented in clearing on next day. (1 mark each = 5 marks)

6. Choose the correct answer with reason (s)/justification in each case, out of the given alternatives :

(i) Money Laundering refers to :

(a) Transfer of assets/cash from one account to another

(b) Conversion of illegal money through banking channels.

(c) Conversion of cash into gold for hoarding.

(d) Conversion of assets into cash to avoid income tax.

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- (ii) While opening an account in the name of a company, the most important document to be seen is :
- (a) List of employees/directors of the company.
 - (b) List of promoters/shereholders of the company.
 - (c) Memorandum and Articles of Association of the company
 - (d) Instructions of the Registrar of Companies.
- (iii) The objective/s of the USA Patriot Act is/are :
- (a) Establish minimum procedures to identify verifications when new customer opens accounts.
 - (b) Cross-check account holder names against all government lists of known or suspected terrorist organizations.
 - (c) Create internal AML policies and procedures and institute training programmes.
 - (d) All the above.
- (iv) In terms of the Banking Regulation Act, records means :
- (a) Account opening forms
 - (b) Vouchers
 - (c) Ledgers/Registers
 - (d) All the above
- (v) At what point the Politically Exposed Persons (PEP) check is done :
- (a) At the first point of customer interaction
 - (b) At the Account Services Level
 - (c) At the Central Account Services Level
 - (d) One-month after the account is opened.

(1 mark each = 5 marks)