BRAINWARE UNIVERSITY

Course – MCOM

Credit Management (MCM205)

(Semester – 2)

Time allotted: 3 Hours   **Full Marks : 70**

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

Group –A

(Multiple Choice Type Question)

1. Answer all questions   **10 x 1 = 10**

i)   The different types of mortgages are

(a) Simple mortgage,

(b) Mortgage by conditional sale,

(c) Usufructuary mortgage,

(d) All of the above

ii)   The mortgage is defined in

(a) Section 58 of Transfer of Property Act

(b) Section 15 of Transfer of Property Act

(c) Section 58 of Indian Contract Act

(d) none

iii) Hypothecation is defined in

(a) SARFAESI Act 2002

(b) Indian Contract Act 1872(Section 172)

(c) Both of the above

(d) none

iv) Pledge is defined in

    (a) SARFAESI Act 2002

    (b) Indian Contract Act 1872(Section 172)

    (c) Both of the above

    (d) none

v) Financial Guarantees are

    (a) Credit Substitute

    (b) Not Credit Substitute

    (c) Both of the above

    (d) none

vi) In India Concept of Micro Finance was launched in the year

    (a)   1982

    (b)   1972

    (c)   1992

    (d)   2002

vii) Who are the parties in a Letter of Credit

    (a)   Applicant

    (b)   Issuing Bank

    (c)   Beneficiary

    (d)   All of the above

viii) Deferred Payment Guarantee is a

    (a)   Performance Guarantee

    (b)   Financial Guarantee

    (c)   Both of above

    (d)   None of above

ix) As per Section 28 of India Contract Act, 1872 w.e.f 18/1/97, beneficiary can enforce remedies

        (a)   till the expiry of guarantee

        (b)   till the limitation period i.e 3 yras from stipulated expiry date

        (c)   both of the above

        (d)   none of the above

x) Scale of finance for crop loan

        (a)   District Level Technical Committee

        (b)   State Level Technical committee

        (c)   Block Level Technical committee

        (d)   Individual

Group – B

(Short Answer Type Question)

Answer any three questions   **3 x 5 = 15**

2. Define Pari-passu charge and exclusive charge.

3. What do you mean by Adjusted Net Bank Credit (ANBC)?

4. What do you understand by Debt Service Coverage Ratio (DSCR), debt-equity Ratio & IRR?

5. What are the waiver of insurance norms for Priority sector advances?

6. What is Project Appraisal? What are the items considered in a Project Appraisal?

Group – C

(Long Answer Type Question)

Answer any three questions   **3 x 15 = 45**

7. a) Define 'fixed charge' and 'floating charge' with an example.
   b) Distinguish 'Hypothecation' and 'Pledge'.   [5+10 = 15]

8. What are the two different types of non-fund based loans? What is Financial Guarantee and how it differs from Performance Guarantee? Whether Deferred Payment Guarantee is a financial guarantee or performance guarantee?   [5 + 5 + 5 = 15]

9. Distinguish between Term Loan & Deferred Payment Guarantee. What is Leverage & Solvency Ratio?   [10+5 = 15]

10.   i) A borrower has applied for sanctioning a letter of credit limits for purchase of raw materials and submitted the following information:

(a)   Value of raw material consumption projected : Rs. 7,200 lakhs

(b)   Value of rawmaterial to be bought on credit   : Rs. 4,800 lakhsmance

(c)   Time for advising L/C   : 10 days

(d)   Shipment time   : 20 days

The applicant does not enjoy any credit facility from any bank. This is the first application for any credit facility. You as a Branch Manager of the bank have to assess the Letter of Credit limit of the applicant borrower.

ii)   A borrower has approached your bank for working capital limit and his requirement of working capital limit is Rs. 10 to 12 crore. He has submitted the following information:

Current Assets of the Company: Rs. 16.00 crore

Other current Liabilities   : Rs. 1.60 crore

You have to assess what will be the required Net Working Capital and the Projected Bank Finance (PBF) under second method of lending.   [7 + 8 = 15]

11. Define Letter of credit. Who are the different parties in a Letter of credit? What are the different documents to be submitted in a letter of credit? Explain the function of letter of credit with a suitable example.   [4 + 4 + 4 + 3 = 15]