



BRAINWARE UNIVERSITY

Term End Examination 2018 - 19

Programme – Bachelors of Commerce (Honours) in Banking and Financial Accounting

Course Name - Functions of Banks (Credits and Loans)

Course Code - BCM201

(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)

10 x 1 = 10

1. *Choose the correct alternative from the following*
 - (i) Cardinal principles of lending are
 - a. Safety and liquidity
 - b. profitability and diversification of risks
 - c. purpose and security
 - d. all the above
 - (ii) The scheduled commercial banks are expected to enlarge credit to the priority sector and ensure that priority sector advances constitute
 - a. 18 per cent of net bank credit
 - b. 40 per cent of net bank credit
 - c. 12 per cent of net bank credit
 - d. 25 per cent of net bank credit
 - (iii) Difference between cash budget and cash flow
 - a. Cash flow deals with cash and non-cash funds
 - b. Cash budget deals with cash transactions only
 - c. Cash flow statements are generally for quarterly or half-yearly while cash budgets are for shorter periods
 - d. All of above
 - (iv) Educational loans granted to individuals for educational purposes up to Rs for studies in India, will be classified as priority sector
 - a. 7.5 lakh
 - b. 10 lakh
 - c. 15 lakh
 - d. 20 lakh

- (v) Kisan Cards are issued to farmers
- | | |
|---|---|
| a. to withdraw money from ATM in rural branches | b. to purchase farm equipments |
| c. to purchase agricultural implements on credit from dealers | d. to meet their cultivation needs and non-farm requirements, including purchase of inputs and other short-term requirements and working capital requirements for allied activities |
- (vi) A micro enterprise in manufacturing sector is one where the investment in plant and machinery does not exceed Rs
- | | |
|------------|------------|
| a. 10 lakh | b. 20 lakh |
| c. 25 lakh | d. 50 lakh |
- (vii) Which of the following categories under priority sector?
- | | |
|--------------------------|-----------------|
| a. Export Credit | b. Agriculture |
| c. Social Infrastructure | d. All of these |
- (viii) MSME is defined under which act?
- | | |
|--------------------|--------------------|
| a. MSME Act, 2004 | b. MSMED Act, 2006 |
| c. MSMED Act, 1999 | d. MSME Act, 2001 |
- (ix) 1. Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) was set up by Government of India and which of the following bank?
- | | |
|----------|-----------|
| a. RBI | b. NABARD |
| c. SIDBI | d. MUDRA |
- (x) Which of the following is highly secured loan?
- | | |
|----------------|-------------------|
| a. Cash credit | b. Overdraft |
| c. Mortgage | d. Education loan |

Group – B

(Short Answer Type Questions)

3 x 5 = 15

Answer any *three* from the following

- | | |
|---|---|
| 2. Explain the cash budget method of estimating the working capital requirements. | 5 |
| 3. Define the concept of credit monitoring and express the role of banks under Credit Monitoring Agreement. | 5 |
| 4. Review the execution step under documentation procedure in banks. | 5 |
| 5. Evaluate the amount of investment now which will fetch an amount of ₹20000 in 2 years when the account earns 6%p.a. compounded monthly. | 5 |
| 6. A 6-year ₹100 debt of a firm can be sold for a net price of ₹96.50. The coupon rate of interest is 12 %per annum and debenture will be redeemed at at par on maturity. The firm tax rate is 30%. Compute the after tax cost of debt. | 5 |

Group – C

(Long Answer Type Questions)

3 x 15 = 45

Answer any *three* from the following

7. Explain briefly the concepts of:
- i. Future value of annuity 5
 - ii. Time value of money 5
 - iii. Simple interest 5
8. X has invested ₹240000 at an annual rate of interest of 10%. Evaluate the amount after 3 years if the compounding is done.
- i. Annually 3
 - ii. Semi-annually 3
 - iii. Quarterly 3
 - iv. Monthly 3
 - v. Daily 3
9. (a) Explain the concept of Net Present Value. 5
 (b) Appraise the following two projects under the above method and choose the better one for the purpose of investment: 10

Cash Flows	Project N	Project O
Year one	₹600,000	₹1,000,000
Year two	₹600,000	₹800,000
Year three	₹600,000	₹600,000
Year four	₹600,000	₹400,000
Year five	₹600,000	₹200,000
Discount Rate	9%	15%

10. (a) Explain the concept of Priority Sector Lending. 5
 (b) Identify and analyse the various categories of Priority sector. 5
 (c) Provide a judgment on the recent developments in priority sector lending. 5
11. Assess the various distinguishing features of the existing credit policies and those evolving for the MSMEs. 15
