

CBCS SCHEME

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16MBAFM301

Third Semester MBA Degree Examination, June/July 2018 Principles & Practices of Banking

Time: 3 hrs.

Max. Marks:80

Note: 1. Answer any **FOUR** full questions from Q.No.1 to 7.
2. Q.No. 8 is compulsory.

- 1 a. State any two features of banking. (02 Marks)
b. Discuss the functions of commercial banks in detail. (06 Marks)
c. Discuss the provisions of banking regulation. (08 Marks)
- 2 a. What do you mean by negotiable instrument? (02 Marks)
b. Explain the procedure for settlement of death claims. (06 Marks)
c. What is the meaning of bill of exchange? Discuss the parties and types of bills of exchange. (08 Marks)
- 3 a. What do you mean by MICR technology? (02 Marks)
b. Differentiate between debit card and credit card. (06 Marks)
c. Discuss the process and advantages of NEFT. (08 Marks)
- 4 a. What is NRI account? (02 Marks)
b. Discuss correspondent banking with its different bank accounts in detail. (06 Marks)
c. Enumerate the financing assistant provided by the EXIM Bank. (08 Marks)
- 5 a. What is pledge? (02 Marks)
b. Discuss the types of loans. (06 Marks)
c. Describe the various forms of lending, different kinds of borrowing facilities of banks. (08 Marks)
- 6 a. What do you mean by ALCO? (02 Marks)
b. Discuss the purpose of asset liability management. (06 Marks)
c. Elaborate the various components of banks balance sheet. (08 Marks)
- 7 a. What is credit card? (02 Marks)
b. Explain the features of cheques. (06 Marks)
c. Illustrate the various kinds of negotiable instruments. (08 Marks)
- 8 Case Study (Compulsory)

Banks, who receive the remittance, do not furnish full information of the remitter when they credit the amount to beneficiary's account. This can give rise to questions being raised by tax authorities who could even construe these credits as income in the hands of the beneficiaries and taxed accordingly. This can put the receiver in a dilemma for no fault of his.

Apart from the name of the remitter, the full address of the remitter and the purpose of remittance should also be furnished for the use of the receiver. Receiving funds from unknown remitter becomes an even bigger issue for NGOs, who need to give a receipt as well as income tax (I-T) exemption certificate, wherever applicable. In the absence of this information, it will put both the remitter and the beneficiary in a bind. A number of businesses that accept online payments for sale of products, subscriptions, memberships etc. do require full information about the remitter and the purpose of remittance without which they are left vulnerable to harassment by different tax authorities as well as by their auditors who may not give a clear report of their balance sheet.

Another issue with NEFT fund transfer is the delay. According to RBI policy, banks need to afford credits to beneficiary accounts or return transactions (un-credited for whatever reason) to the originating / sponsor bank within the prescribed timeline. Banks have been asked to ensure that in case of delayed credits or delayed returns, the destination bank shall pay compensation at current RBI LAF Repo rate plus 2% for the period of delay. RBI has also instructed banks that compensation as stated above is paid suo-moto to the customer without necessitating a request for the same by the customer. Whether this is complied with by banks is anybody's guess.

Questions :

- a. What are the problems encountered by remitters?
- b. What are the improvements required to strengthen the NEFT system? (16 Marks)

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