

PGDM/IB, Batch 2014-16
Banking Laws & Operations
DM-311/IB-312
Trimester – III, End-Term Examination: April 2015

Time Allowed: 2 hours 30 minutes

Max Marks 50

Roll No. _____

Instruction: Students are required to write Roll No. on every page on this question paper, writing anything except the Roll No. will be treated as **Unfair Means**. In case of rough work please use answer sheet

Sections	No. of Questions to attempt	Marks	Total Marks
A	3 out of 5 (Short Questions)	5 marks each	3*5 = 15
B	2 out of 3(Long Questions)	10 marks each	2*10 = 20
C	Compulsory Case Study	15 marks	15
		Total Marks	50

Section A

1. What do you understand by Repo Rate and Reverse Repo Rate? Who decides these rates and for what purpose?
2. What is a banker's lien? Explain with examples the distinction between General Lien & Particular Lien?
3. What are the differences in constitution and handling of a partnership A/c and a Public/ Private Ltd. Company A/c by a Bank?
4. Explain cheque crossings and their implication for Banks. Are cheques on their way out? Discuss.
5. Explain the protection to the collecting banker under the Negotiable Instruments (NI) Act. What is the protection afforded by NI Act in cheque 'bounce' cases?

Section B

1. As the branch manager, how will you deal with the following cases? Give your reasons:
 - i) Your customer X sends you a crossed order cheque drawn by A in favor of your bank for crediting it to the customer X's account with you.
 - ii) D presents for encashment an uncrossed cheque payable to him or bearer and refuses to endorse the cheque. Will it make any difference if the amount is small?
 - iii) A bill dated 29th January 2008 payable one month after date remains unpaid 29 February 2008
 - iv) Smt Radha P.Patel who has an account without you sends you a cheque in favour of Smt R.P.Patel is endorsed as Smt. Radha P.Patel
 - v) A firm has A,B & C as partners, has an overdraft limit of Rs.100,000 with your bank. A communication is received that A died on 20th April 2007.On 21st April 2007 two cheques signed by A on 18th April 2007 are presented for payment
2. Is the banker's action legally justified in the following cases? Give reasons
 - i) Requiring an introduction before opening an account
 - ii) Returning and not collecting a cheque crossed to two bankers
 - iii) Paying a cheque crossed NOT NEGOTIABLE to C which is drawn by A payable to B and endorsed by B in favour of C.
 - iv) Paying a cheque drawn on the customer's current account when there is insufficient balance by creating a lien on shares lodged by the customer for safe custody

3. Give the answers to the following with reasons:

- i) What is the due date of a bill dated 28th November 2007 payable 90 days after date?
- ii) In a current account operated by A and B jointly. If A dies can the balance be paid to B?
- iii) When a customer calls at a branch after business hours to cash a cheque can it be paid?
- iv) What is meant by KYC and what documents are required to fulfill the requirement

Section C

Examine the following cases and give your answers with reasons:

- i) X is the Managing Director of a limited company in which capacity he is authorized to sign alone on company's bank account which is with Y Bank in Kolkatta. X's personal account is with Z Bank in Kolkatta where he has maintained an average credit balance of Rs.5000. X draws a cheque on company's account in favour of himself for Rs.85000 which he pays in at Z Bank for credit of his personal account. The cheque is duly collected by Z Bank. The company then goes into liquidation and the liquidator files a suit against Z Bank for recovery on account of fraudulent conversion. What is the position of Z Bank? Give reasons.
- ii) A opens an account with C Bank with an uncrossed cheque of Rs.500 drawn on B Bank and leaving Rs.200 withdraws Rs.300 in cash. After Bank B has paid the cheque the drawer discovers that the payee has never received the cheque and the payee's endorsement is forged. The drawer claims from C bank the amount of the cheque. Discuss the position of C Bank
- iii) A drew a cheque of Rs.20000 in favour of B on 10th April 2009 and gave it to him the same day. B left station on a pilgrimage and returned only on 10th September 2009 and took the cheque to the Bank but found to his dismay that the Bank had failed the previous day. Discuss B's recourse against A and against the Bank