



JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA
PGDM / PGDM (M) / PGDM (SM)
Fifth TRIMESTER (Batch 2020-22)
END TERM EXAMINATIONS, Jan 2022
Set-1

| | | | |
|-------------|---|-------------|---------------------|
| Course Name | BANKING OPERATIONS AND CREDIT ANALYSIS | Course Code | G/S/M/FIN501 |
| Max. Time | 2 hours | Max. Marks | 40 |

Instructions:

- 1. This question paper has 4 questions with each question on a separate excel sheet in this file*
- 2. Solve each question below the data provided duly marking beginning and end of t*
- 3 Be brief and to the point in the response*
- 4 State assumptions made, if any*
- 5. Answer all questions*
- 6. Be original in your answers. Plagiarism will attract penalty in marks.*
- 7. Marks are indicated against each question*

| | |
|-------------|--|
| Roll number | |
|-------------|--|

| | | | | | |
|----------------|-----------|----------|----------|-----------|--------------|
| Q No. | 1 | 2 | 3 | 4 | Total |
| Maximum marks | 16 | 8 | 4 | 12 | 40 |
| Marks obtained | | | | | 0 |

Q. 1

(10, 6) 16 MARKS

Jamuna and Co. wants to avail working capital finance for its manufacturing activities. It has approached Krishna Bank for the same. As credit Manager you asked the company to submit duly filled in CMA data form to consider the same. Based on financial statements of Jamuna and Co. for the year ending 31st March for 2020 and 21 and also projected financial statements of 2022 and 23, you have received the following filled in forms II, III and IV. Your bank uses following ratios to determine creditworthiness of the loan applicants:

- i. Gross Profit Ratio
 - ii. Current Ratio
 - iii. Debt Equity Ratio
 - iv. Total Outside Liabilities/Tangible Net Worth
 - v. Interest Coverage Ratio
 - vi. Debtors Turnover Ratio
 - vii. Inventory Turnover Ratio
 - viii. Return on Investment
 - ix. Fixed Assets Turnover
 - x. Current Assets Turnover
- a. Decide on creditworthiness of the applicant using these ratios.

FORM- II OPERATING STATEMENT

| | 31.03.20 | 31.03.21 | 31.03.22 | 31.03.23 |
|----------------------------------|---------------|---------------|---------------|---------------|
| | Audited | Audited | Estimates | Projections |
| Gross sales | | | | |
| (I) Domestic Sales | 316.42 | 455.58 | 569.48 | 683.37 |
| (ii) Export Sales | 64.22 | 2.34 | 58.50 | 70.20 |
| Total | 380.64 | 457.92 | 627.98 | 753.57 |
| Net sales | 380.64 | 457.92 | 627.98 | 753.57 |
| Cost of Raw Material | | | | |
| b) Indigenous | 356.31 | 418.51 | 584.98 | 690.28 |
| iii) Power and fuel | 0.36 | 0.51 | 0.74 | 0.89 |
| iv) Direct salary and wages | 1.18 | 1.27 | 1.84 | 2.21 |
| v) Other Mfg. Expenses | 0.84 | 0.30 | 0.44 | 0.52 |
| vi) Depreciation | 4.44 | 7.09 | 5.04 | 3.59 |
| vii) SUB TOTAL (i to vi) | 363.13 | 427.68 | 593.04 | 697.49 |
| viii) Add : Op. stocks WIP | 23.64 | 20.60 | 26.93 | 33.05 |
| SUB TOTAL | 386.77 | 448.28 | 619.97 | 730.54 |
| ix) Deduct cl. Stocks WIP | 20.60 | 26.93 | 33.05 | 36.00 |
| x) Cost of production C/F | 366.17 | 421.35 | 586.92 | 694.54 |
| xi) Add: opening stock of FG | 7.14 | 15.45 | 5.66 | 20.50 |
| SUB TOTAL | 373.31 | 436.80 | 592.58 | 715.04 |
| xii) Deduct Cl. Stock of FG | 15.45 | 5.66 | 20.50 | 22.00 |
| xiii) Sub Total (Cost of sales) | 357.86 | 431.14 | 572.08 | 693.04 |
| Selling, General & Adm. Exp | 1.21 | 1.78 | 2.58 | 3.10 |
| SUB-TOTAL | 359.07 | 432.92 | 574.66 | 696.13 |
| Operating profit before Int. | 21.57 | 25.00 | 53.32 | 57.44 |
| Interest / Bank Charges | 16.07 | 18.24 | 31.25 | 34.38 |
| Operating profit after Interest. | 5.50 | 6.76 | 22.07 | 23.06 |
| Profit before tax/ loss | 5.50 | 6.76 | 22.07 | 23.06 |

| | | | | |
|------------------------------|------|------|-------|-------|
| Provision for taxes | 1.41 | 1.61 | 7.28 | 7.61 |
| Provision for Deferred taxes | 0.00 | 0.00 | 0.00 | 0.00 |
| Net profit / Loss | 4.09 | 5.15 | 14.79 | 15.45 |

FORM- III ANALYSIS OF BALANCE SHEET

| | | | | |
|--|---------------|---------------|---------------|---------------|
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Short term borrowings from banks | | | | |
| (incl. Bills purchased, discounted | | | | |
| & excess borrowings placed on | | | | |
| repayment basis | | | | |
| i) from applicant bank | 125.03 | 129.10 | 250.00 | 275.00 |
| ii) from other banks] | | | | |
| iii) (of which Bill Purchased & Disouted) | | | | |
| SUB TOTAL [A] | 125.03 | 129.10 | 250.00 | 275.00 |
| Sundry Creditors (Trade) | 16.26 | 21.37 | 12.30 | 14.76 |
| Provisions for taxation | 1.41 | 1.61 | 7.28 | 7.61 |
| Deposits/ Installments of term | 0.00 | 0.84 | 0.84 | 0.84 |
| Other current Liabilities & provisions- | 0.15 | 0.25 | 0.40 | 0.48 |
| SUB TOTAL [B] | 17.82 | 24.07 | 20.82 | 23.69 |
| TOTAL CURRENT LIABILITIES | 142.85 | 153.17 | 270.82 | 298.69 |
| TERM LIABILITIES | | | | |
| Term loans(excluding installment | 3.41 | 1.72 | 0.88 | 0.04 |
| TOTAL TERM LIABILITIES | 3.41 | 1.72 | 0.88 | 0.04 |
| TOTAL OUTSIDE LIABILITIES | 146.26 | 154.89 | 271.70 | 298.73 |
| NET WORTH | | | | |
| Share capital | 7.52 | 7.52 | 8.62 | 8.62 |
| General reserve | 5.62 | 9.71 | 14.86 | 29.65 |
| Share Premium | 54.97 | 54.97 | 63.77 | 63.77 |
| Surplus (+) or deficit(-) in Profit & Loss | | | | |
| account | 4.09 | 5.15 | 14.79 | 15.45 |
| NET WORTH | 72.20 | 77.35 | 102.04 | 117.49 |
| TOTAL LIABILITIES | 218.46 | 232.24 | 373.74 | 416.22 |

FORM- III ANALYSIS OF BALANCE SHEET

| | | | | |
|--------------------------------------|------|------|-------|-------|
| CURRENT ASSETS | | | | |
| Cash and Bank Balance | 0.57 | 2.57 | 5.56 | 1.72 |
| i) Receivables other than deferred | 6.36 | 5.49 | 65.31 | 77.38 |
| exports (including bills purchased / | | | | |
| discounted by bank | | | | |
| ii) Export receivable (including- | 6.46 | 0.00 | 9.75 | 11.70 |
| bills purchased/ discounted | | | | |
| by banks | | | | |
| i) Raw materials (including stores | | | | |
| other items used in the process of | | | | |
| mfg. | | | | |

| | | | | |
|---|---------------|---------------|---------------|---------------|
| a. Imported | | | | |
| b. Indigenous | 143.18 | 172.15 | 224.98 | 256.36 |
| ii) stock in process | 20.60 | 26.93 | 33.05 | 36.00 |
| iii) Finished goods | 15.45 | 5.66 | 20.50 | 22.00 |
| Short term loans & advances | 0.06 | 0.18 | 0.25 | 0.25 |
| Other Current Assets | 0.00 | 0.24 | 0.35 | 0.42 |
| TOTAL CURRENT ASSETS | 192.68 | 213.22 | 359.75 | 405.83 |
| Gross Block (land, building machinery WIP) | 32.01 | 32.34 | 32.34 | 32.34 |
| Depreciation to date | 6.23 | 13.32 | 18.36 | 21.95 |
| Net block | 25.78 | 19.02 | 13.98 | 10.39 |
| | | | | |
| Total Assets | 218.46 | 232.24 | 373.73 | 416.22 |

| | | FORM V | | | |
|---|--|--------|--|--|--|
| BANK FINANCE FOR WORKING CAPITAL | | | | | |
| | | | | | |
| Sr. No. | Particulars | | | | |
| 1 | Total Current Assets | | | | |
| 2 | Current Liabilities [other than bank borrowings] | | | | |
| 3 | Working Capital Gap (WCG) (1-2) [1 - 2] | | | | |
| 4 | Minimum Stipulated Net Working Capital [25% of total Current Assets excluding export receivables] | | | | |
| 5 | Actual / Projected net working capital | | | | |
| 6 | Item no. 3 minus Item no. 4 | | | | |
| 7 | Item no. 3 minus Item no. 5 | | | | |
| 8 | Maximum permissible bank finance [MPBF] [least of item 6 or 7 above] | | | | |
| 9 | Excess borrowings representing shortfall in NWC [item 4 - item 5] | | | | |

Q2.

Anil Saxena is an executive with an MNC for over 10 years. He has approached your bank for a loan of Rs25 lakhs to buy a house costing Rs35 lakhs, repayable in 15 years. After preliminary examination request like KYC, more than 3 years of relationship with bank and CIBIL score of 750+, you have received an application for eligibility and approval.

| | |
|------|--|
| | Applicant's particulars are as follows: |
| i. | Age in years |
| ii. | Retirement Age in years |
| iii. | Monthly salary in Rs |
| iv | Deductions in salary in Rs |
| | |
| | Your Bank's norms are given below: |
| i. | For Housing Loan eligibility: |
| ii. | Maximum Loan to Value (LTV) |
| iii. | Applicant's Minimum service tenure |
| iv | Maximum loan in multiples of monthly salary |
| iii. | Interest rate p.a. |
| | |
| iv | Minimum Net take home after EMI |
| iii. | Maximum age at final repayment instalment |
| | |
| | You are required to |
| a. | Determine whether the applicant is eligible for grant of Housing Loan |
| b. | If answer to a. is yes, evaluate EMI and create Principal Interest Table for the loan. |

Q3

Keshav Enterprises is an MSME manufacturing unit. It has projected annual sales of Rs.1500 lakhs for the financial year 2021-22. Its net working capital is Rs. 100 lakhs. This unit has approached your bank for working capital finance facility of Rs280 lakhs.

As per turnover method :

- | | |
|-----|--|
| i. | Determine the required Net Working Capital |
| ii. | Decide the working capital limit you will sanction as Loan Officer of the Bank |

(3X4) 12 marks

Q4

Explain the significance of components and relevance of the following statements with examples:

| |
|--|
| IT has revolutionised payment and settlement system of banks with NEFT, UPI and e Wallets. |
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|---|
| Banks supplement their spread income with offering fee based services and selling third party products. |
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|---|
| Banks offer many types of deposits to mobilise time dimension of money. |
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|---|
| RBI plays the role of Banker's Bank in multiple ways. |
|---|