



JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA
PGDM / PGDM (M) / PGDM (SM)
Fifth TRIMESTER (Batch 2020-22)
END TERM EXAMINATIONS, Jan 2022
Set-2

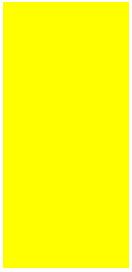
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|-------------|---|-------------|---------------------|
| Course Name | BANKING OPERATIONS AND CREDIT ANALYSIS | Course Code | G/S/M/FIN501 |
| Max. Time | 2 hours | Max. Marks | 40 |

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 the answer*
- 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 |
| Maximum marks | 16 | 8 | 4 | 12 |
| Marks obtained | | | | |



| |
|--------------|
| Total |
| 40 |
| 0 |

(10,6) 16 marks

Q 1.

From the filled up CMA data form from Maya and Co.

- a. Decide on credit worthiness of the applicant using following ratios:
 - 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
- b. Fill up part V and decide on Maximum Permissible Bank Finance you will sanction.

**ASSESSMENT OF WORKING CAPITAL REQUIREMENTS
(For Manufactures)**

ASSESSMENT OF WORKING CAPITAL REQUIREMENTS

(Amount Rs. In Millions)

| FORM- II OPERATING STATEMENT | Audited | Audited | Estimates | Projections |
|--|-----------------|-----------------|------------------|--------------------|
| | 31.03.20 | 31.03.21 | 31.03.22 | 31.03.23 |
| Gross sales | | | | |
| (I) Domestic Sales | 76133.50 | 60976.30 | 75410.39 | 77924.07 |
| (ii)Export Sales | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 76133.50 | 60976.30 | 75410.39 | 77924.07 |
| Less excise duty | 0.00 | 0.00 | 0.00 | 0.00 |
| Net sales (1-2) | 76133.50 | 60976.30 | 75410.39 | 77924.07 |
| %rise(+) or fall (-) in net sales as compared to | | 80% | 124% | 103% |

| | | | | |
|---------------------------------------|----------|----------|----------|----------|
| previous year | | | | |
| Cost of Sales | 70723.50 | 56898.40 | 70192.05 | 72531.78 |
| Cost of Raw Material | | | | |
| ii) other spares | | | | |
| a) Imported | | | | |
| b) Indigenous | 0.00 | 0.00 | 0.00 | 0.00 |
| iii) Power and fuel | 2564.90 | 2209.20 | 2625.76 | 2713.28 |
| iv) Direct salary and wages | 3933.30 | 3780.50 | 4242.59 | 4384.01 |
| v) Other Mfg. Expenses | 0.00 | 0.00 | 0.00 | 0.00 |
| vi) Depreciation | 1883.60 | 2423.90 | 2369.13 | 2448.10 |
| vii) SUB TOTAL (i to vi) | 8381.80 | 8413.60 | 9237.47 | 9545.39 |
| viii) Add : Op. stocks WIP | | 8381.80 | 16795.40 | 26032.87 |
| SUB TOTAL | 8381.80 | 16795.40 | 26032.87 | 35578.26 |
| ix) Deduct cl. Stocks WIP | 1060.00 | 0.00 | 0.00 | 0.00 |
| x) Cost of production C/F | 7321.80 | 16795.40 | 26032.87 | 35578.26 |
| xi) Add: opening stock of FG | | 0.00 | 0.00 | 0.00 |
| SUB TOTAL | 7321.80 | 16795.40 | 26032.87 | 35578.26 |
| xii) Deduct Cl. Stock of FG | | | | |
| xiii) Sub Total (Cost of sales) | 7321.80 | 16795.40 | 26032.87 | 35578.26 |
| Selling, General & Adm. Exp | 4017.40 | 3730.10 | 4261.13 | 4403.16 |
| SUB-TOTAL(5+6) | 11339.20 | 20525.50 | 30294.00 | 39981.42 |
| Operating profit before Int. (3-7) | 64794.30 | 40450.80 | 45116.40 | 37942.65 |
| Interest / Bank Charges | 3130.90 | 3399.90 | 3591.94 | 3711.67 |
| Operating profit after Interest.(8-9) | 61663.40 | 37050.90 | 41524.46 | 34230.98 |

FORM- II OPERATING STATEMENT

(Amount Rs. In Millions)

| | Audited | Audited | Estimates | Projections |
|---|----------|----------|-----------|-------------|
| | 31.03.20 | 31.03.21 | 31.03.22 | 31.03.23 |
| l) Add other non- operating Income | 0.00 | 0.00 | 3806.20 | 3806.20 |
| ii) Deduct other non- operating expenses | 3162.80 | 3429.20 | 6753.80 | 6753.80 |
| iii) net of other non operating income/expenses (net of 11(i) & 11 (ii)) | -3162.80 | -3429.20 | -2947.60 | -2947.60 |
| Profit before tax/ loss 10+11(iii) | 58500.60 | 33621.70 | 38576.86 | 31283.38 |
| Provision for taxes | 1002.80 | -1434.90 | -237.66 | -245.58 |
| Provision for Deferred taxes | | | | |
| Net profit / Loss 12-13 | 57497.80 | 35056.60 | 38814.51 | 31528.96 |
| a) Equity dividend paid | 0.00 | 0.00 | 0.00 | 0.00 |
| b) Dividend rate | | | | |
| Retained profit (14 -15) | 57497.80 | 35056.60 | 38814.51 | 31528.96 |
| Retained profit/ Net profit (%) | | | | |

| |
|---|
| ASSESSMENT OF WORKING CAPITAL REQUIREMENTS |
|---|

| |
|-------------------------------------|
| FORM- III ANALYSIS OF BALANCE SHEET |
|-------------------------------------|

(Amount Rs. In Millions)

| | Audited | Audited | Estimates | Projections |
|--|----------|----------|-----------|-------------|
| | 31.03.20 | 31.03.21 | 31.03.22 | 31.03.23 |
| LIABILITIES | | | | |
| Current Liabilities | 31147.40 | 30949.20 | 34153.13 | 35291.57 |
| Short term borrowings from banks (incl. Bills purchased, discounted) | | | | |

| | | | | | |
|--|----------|----------|----------|----------|--|
| & excess borrowings placed on repayment basis | | | | | |
| l) from applicant bank | 0.00 | 0.00 | 0.00 | 0.00 | |
| ii) from other banks] | 0.00 | | 0.00 | | |
| iii) (of which BP & BD) | 0.00 | | 0.00 | | |
| SUB TOTAL [A] | 0.00 | 0.00 | 0.00 | 0.00 | |
| Short term borrowings -OD - FDR | | | | | |
| Sundry Creditors (Trade) | 9791.00 | 9437.10 | 10575.46 | 10927.97 | |
| Advance payments from customers- / deposits from dealers | 0.00 | 0.00 | 0.00 | 0.00 | |
| Provisions for taxation | 163.20 | 324.20 | | | |
| Dividend payable | | | | | |
| other statutory liabilities (due with in one year) | | | | | |
| Deposits/ Installments of term Loan/ DPGs /debentures, etc (due within one year) | 3095.40 | 2157.70 | | 0.00 | |
| Other current Liabilities & provisions- (due with in one year) specify major items | 3382.70 | 3026.20 | 973.30 | 973.30 | |
| SUB TOTAL [B] | 16432.30 | 14945.20 | 11548.76 | 11901.27 | |
| TOTAL CURRENT LIABILITIES (TOTAL OF 1 TO 9) | 16432.30 | 14945.20 | 11548.76 | 11901.27 | |

ASSESSMENT OF WORKING CAPITAL REQUIREMENTS

FORM- III ANALYSIS OF BALANCE SHEET

(Amount Rs. In Millions)

| | Audited | Audited | Estimates | Projections |
|--|-----------------|-----------------|------------------|--------------------|
| | 31.03.20 | 31.03.21 | 31.03.22 | 31.03.23 |
| TERM LIABILITIES | | | | |
| ST Borrowing within 1 year) | 14518.50 | 15687.90 | 16613.52 | 17167.30 |
| Preference shares redeemable after one year | | | | |
| Term loans(excluding installment payable within 1yr. | 15582.20 | 16098.20 | 39910.60 | 39910.60 |
| Deferred payment Credits excluding installments due with-in one year | | | | |
| Term deposit repayable after one year | | | | |
| Other term liabilities | 780.90 | 987.50 | | |
| TOTAL TERM LIABILITIES (Total of 11 to 16) | 30881.60 | 32773.60 | 56524.12 | 57077.90 |
| TOTAL OUTSIDE LIABILITIES (10 +17) | 47313.90 | 47718.80 | 68072.88 | 68979.17 |
| NET WORTH | | | | |
| Share capital | 492.50 | 492.50 | 4162.10 | 4162.10 |
| General reserve | 19458.70 | 21132.50 | 5842.60 | 5842.60 |
| Revaluation reserve | 0.00 | 0.00 | 0.00 | 0.00 |
| DTL | 7215.80 | 6361.60 | 21725.60 | 21725.60 |
| Surplus (+) or deficit(-) in Profit & Loss account | | | 38814.51 | 70343.47 |
| NET WORTH | 27167.00 | 27986.60 | 70544.81 | 102073.77 |
| TOTAL LIABILITIES | 74480.90 | 75705.40 | 138617.69 | 171052.94 |

[18+24]

FORM- III ANALYSIS OF BALANCE SHEET

FORM- III ANALYSIS OF BALANCE SHEET

(Amount Rs. In Millions)

| | Audited | Audited | Estimates | Projections |
|--|-----------------|-----------------|------------------|--------------------|
| | 31.03.20 | 31.03.21 | 31.03.22 | 31.03.23 |
| CURRENT ASSETS | | | | |
| Cash and Bank Balance | | | | |
| Investments (other than long term investments) | | 0.00 | | |
| I) Government & other trustee securities | 0.00 | 0.00 | 0.00 | 0.00 |
| ii) Fixed deposits Bank | | | | |
| I) Receivables other than deferred exports (including bills purchased / discounted by bank | 16410.80 | 14466.60 | 16982.57 | 17548.66 |
| ii) Export receivable (including- bills purchased/ discounted by banks | 0.00 | 0.00 | 0.00 | 0.00 |
| Installment of deferred receivables (due within 1 year) | 0.00 | 0.00 | 0.00 | 0.00 |
| Inventory: | | | | |
| I) Raw materials (including stores other items used in the process of | 848.90 | 1060.00 | 1166.00 | 1282.60 |

| | | | | | |
|--|-----------------|-----------------|------------------|--------------------|--|
| mfg. | | | | | |
| a. Imported | | | | | |
| b. Indigenous | | | | | |
| ii) stock in process | 124.70 | 90.90 | 99.99 | 109.99 | |
| iii) Finished goods | 12257.90 | 10205.10 | 11225.61 | 12348.17 | |
| iv) Other consumable spare | 773.90 | 984.30 | 1082.73 | 1191.00 | |
| a. Imported | | | | | |
| b. Indigenous | | | | | |
| Short Term receivables other than trade | | | | | |
| Adv. payments of taxes | | | | | |
| Other Current Assets (specify major items) | | | | | |
| TOTAL CURRENT ASSETS | 30416.20 | 26806.90 | 30556.90 | 32480.42 | |
| Total of 26 to 33 | | | | | |
| | Audited | Audited | Estimates | Projections | |
| FIXED ASSETS | 31.03.20 | 31.03.21 | 31.03.22 | 31.03.23 | |
| Gross Block (land, building machinery WIP) | 54392.90 | 58383.10 | 64221.41 | 70643.55 | |
| Depreciation to date | 21149.00 | 23451.80 | 7706.57 | 8477.23 | |
| Net block | 33243.90 | 34931.30 | 56514.84 | 62166.32 | |
| Other Non current Assets | | | | | |
| Investments/book debts/ Adv/ deposits which are not current Assets | 6025.40 | 7296.30 | 7326.94 | 7571.17 | |
| [1] a) Investment in subsidiary companies/ affiliates | | | | | |
| b) Others | 1003.00 | 462.80 | 806.19 | 833.06 | |
| [ii] Adv. To suppliers of Capital goods & contractor | 1434.60 | 3182.60 | 3500.86 | 3850.95 | |

| | | | | |
|--|----------|----------|-----------|-------------|
| [iii] Deferred receivables maturity exceeding 1year | 0.00 | 0.00 | 0.00 | 0.00 |
| [iv] Others | 1332.30 | 1768.90 | 1705.66 | 1762.515333 |
| Long term Loans | 3243.50 | 3147.90 | 0.00 | 0.00 |
| Spares | | | | |
| deferred tax assets | 552.50 | 1355.20 | 20907.88 | 26404.76 |
| Other non-current asset including dues from directors | 724.90 | 608.80 | 0.00 | 0.00 |
| | | | | |
| Total Other Non Current Assets (total of 38 to 40) | 8290.80 | 10526.20 | 26920.59 | 32851.28 |
| Intangible assets (patents, goodwill, Preliminary exp. bad/doubtful debts not pro- vided for, etc | | | | |
| Total Assets | 77976.30 | 79560.70 | 121319.26 | 135069.19 |
| total of 34,37,41 &42 | 3495.40 | 3855.30 | -17298.42 | -35983.75 |
| Tangible Net Worth[24-42] | 27167.00 | 27986.60 | 70544.81 | 102073.77 |
| Net working Capital [(17+24)-(37+41+42)] | 13983.90 | 11861.70 | 19008.15 | 20579.15 |
| to tally with (34-10) | | | | |
| Current Ratio(items34/10) | 1.85 | 1.79 | 2.65 | 2.73 |
| | | | | |
| Total Outside Liabilities/ Tangible Net Worth(18/44) | 1.74 | 1.71 | 0.96 | 0.68 |
| Additional Information | | | | |
| TOL/TNW (Considering unsecured Loan as Quasi Equity) | 1.66 | 1.61 | 0.96 | 0.68 |
| Arrears of depreciation | | | | |
| Contingent Liabilities | | | | |
| l) Arrears of cumulative dividends | | | | |
| ii) Gratuity Liability not provided for | | | | |

| | | | | |
|--|--|--|--|--|
| iii) Disputed excise/ customs tax liabilities | | | | |
| iv) Other Liabilities not provided for | | | | |

FORM IV

**COMPARATIVE STATEMENT OF
CURRENT ASSETS & CURRENT LIABILITIES**

(Amount Rs. In Lacs)

| | Audited | Audited | Estimates | Projections |
|--|-----------------|-----------------|------------------|--------------------|
| | 31.03.20 | 31.03.21 | 31.03.22 | 31.03.23 |
| A. CURRENT ASSETS | | | | |
| Raw materials(including stores & other items used in process of mfg. | | | | |
| a) Imported | 0.00 | 0.00 | 0.00 | 0.00 |
| Months consumption | | | | |
| b) Indigenous | 0.00 | 0.00 | 0.00 | 0.00 |
| Months consumption | | | | |
| Other consumables spares excluding those included in 1 above | | | | |
| a) Imported | 0.00 | 0.00 | 0.00 | 0.00 |
| Months consumption | | | | |
| b) Imported | 0.00 | 0.00 | 0.00 | 0.00 |
| Months consumption | | | | |
| Stocks in Process | 124.70 | 90.90 | 99.99 | 109.99 |
| Months cost of production | | | | |
| Finished goods | 12257.90 | 10205.10 | 11225.61 | 12348.17 |
| Months cost of sales | 0.48 | 2.01 | 0.45 | 1.90 |
| Receivable other than export & deferred receivable including bills purchased & discounted by bank | 16410.80 | 14466.60 | 16982.57 | 17548.66 |
| | 0.65 | 2.85 | 0.68 | 2.70 |

| | | | | |
|---|-----------------|-----------------|-----------------|-----------------|
| months domestic sales excluding deferred payment sales | | | | |
| Export receivable (including Bills purchased. & discounted Months export sales | 0.00 | 0.00 | 0.00 | 0.00 |
| Advance to suppliers of raw material& stores, spares consumable | 1434.60 | 3182.60 | 3500.86 | 3850.95 |
| Other current assets including cash & Bank balances & deferred receivable due with in 1 year | | | | |
| TOTAL CURRENT ASSETS (to agree with item 34 in form III | 30228.00 | 27945.20 | 31809.03 | 33857.76 |

FORM IV

**COMPARATIVE STATEMENT OF
CURRENT ASSETS & CURRENT LIABILITIES**

(Amount Rs. In Lacs)

| | Audited | Audited | Estimates | Projections |
|---|-----------------|-----------------|------------------|--------------------|
| | 31.03.20 | 31.03.21 | 31.03.22 | 31.03.23 |
| B CURRENT LIABILITIES (Other than bank borrowing for working capital | | | | |
| Creditors for purchase of raw material, stores & spare Months Purchase | 9791.00 | 9437.10 | 10575.46 | 10927.97 |
| Advance from Customers | 0.00 | 0.00 | 0.00 | 0.00 |
| Statutory Liabilities | 0.00 | 0.00 | 0.00 | 0.00 |

| | | | | |
|--|---------|---------|----------|----------|
| Other current liabilities (specify major items) short term borrowings, unsecured loans dividend payable installment of TL, DPG, public deposits, debentures, etc | | | | |
| TOTAL | 9791.00 | 9437.10 | 10575.46 | 10927.97 |
| To agree with sub total B of Form III | | | | |

FORM V

BANK FINANCE FOR WORKING CAPITAL

(Amount Rs. In Lacs)

| | Audited | Audited | Estimates | Projections |
|--|-----------------|-----------------|------------------|--------------------|
| | 31.03.20 | 31.03.21 | 31.03.22 | 31.03.23 |
| Total current Assets (9 in form IV) | | | | |
| Total current Liabilities (other than bank borrowing (14 of FORM IV) | | | | |
| Working Capital Gap(1-2) Min. stipulated net working Capital i.e.25% of WCG/25 % of total current Assets as the case may be depending upon the method of lending being applied. (Export receivables to be excluded under both method | | | | |

Actual / Projected net working
Capital (45 in Form III)

Item 3 Minus Item 4
Item 3 minus item 5

Maximum permissible bank
finance (Item 6 or 7 which ever
is Lower)

Excess borrowings representing
short fall in NWC (4-5)

| | | | | |
|--|--|--|--|--|
| | | | | |
|--|--|--|--|--|

Q2.

(4, 4) 8 marks

Smriti is drawing salary of Rs.55000 p.m.

She is planning to purchase a new car costing Rs. 7.60 Lacs on road (inclusive of price of car, insurance and road tax).

She plans to raise Car Loan of Rs. 6 Lacs as the balance amount is available with her as

The details of her salary as per last month Dec. 21 Salary slip is as under:

| | |
|-----------------------------|--------------|
| Basic | 27000 |
| Dearness Allowance | 18000 |
| House Rent Allowance | 10000 |
| Total Earnings (A) | 55000 |

Deductions

| | |
|---------------------------|---------------|
| Provident Fund | 2,700 |
| Income Tax | 1,200 |
| Other Deductions (if any) | 0 |
| Total Deduction | 3,900 |
| Net Salary | 51,100 |

As per Form 16 of last year's Income Tax Return her annual gross salary was Rs. 650000

She wants to raise loan with repayment period of 5 years.

Salient features of Car Loan Scheme of your bank follow:

PURPOSE

To purchase: a) New Car/Van/Jeep/Multi Utility Vehicle (MUV) or Sports Utility Vehicles (SUV).

Extent of loan: Individuals & Proprietorship Concerns:

5 times of net monthly income or Rs. 100 lakh whichever is lower for one or more vehicles.

Eligibility:

For private use: Individuals & Proprietorship Concerns having Minimum net monthly salary / pension/ income – Rs.20000/-.

Margin

15% of on-road price (Invoice Value +1Yr. Insurance + one-time road tax).

Repayment

Maximum 7 years without any Moratorium period

Maximum permissible deductions of Net Monthly Salary /Gross Salary >50%

| | | |
|----|--|--|
| | You are required to | |
| a. | Determine whether the applicant is eligible for | |
| b. | If answer to a. is yes, evaluate EMI and create Principal Interest Table for the loan. | |

Q3

(2,2) 4 marks

Annual Turnover of Vidushi and Company, a Small Scale Industry unit has a projected sales of Rs2700 Lakhs in the current financial year. It has a long term component for working capital to be Rs140 lakhs. The company has applied for a working capital finance of Rs 580 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 |

Q4

(3X4) 12 marks

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

| | |
|------|---|
| i. | Credit and debit cards facilitate movement of money from buyer to seller through multiple financial intermediaries. |
| ii. | Retail loans are designed according to asset to be acquired and consumption needs of individuals. |
| iii. | Term and Demand deposits are two broad classifications of Bank's liabilities. |
| iv. | Money may flow from Capital Market to banks but must not flow from banks to capital market. |