

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA
PGDM / PGDM (M) / PGDM (SM)
Vth TRIMESTER (Batch 2016-18)
END TERM EXAMINATIONS
SET - 1

Course Name	Banking Operations and Credit Analysis	Course Code	BOCA FIN 502
Max. Time	2 Hours	Max. Marks	40

INSTRUCTIONS:

- Q1 As the training Manager in a large bank you have to instruct the Management Trainees on the types of loans and the importance of various charges and securities while handling the credit portfolio. 4 marks

Please inform them the types of loans, various charges and types of securities that a banker obtains while allowing the credit facilities to various borrowers.

- Q2 Write short notes on any three of the following: 6 marks
- NPA accounts and their asset categories
 - A brief on working capital cycle
 - Non Fund based financing
 - Types of retail assets
 - Holder and holder in due course

- Q3 M/s Iceland Ice Industry has submitted the following projections to its banker at ABC Bank while applying for a term loan assistance of Rs. 130.0 Lacs. The promoters have past experience in textile industry. 8 marks

The new project for which term loan assistance is being sought will be company's first foray into Steel Utensils Industry.

The project cost is Rs. 130.0 Lacs. The Banker looks for a minimum DSCR of 1.60x every year and average DSCR of 1.80x while appraising the term loan proposals.

The net profit in the table has been arrived at, after charging depreciation of Rs 35.36 lacs every year.

Rupees in Lacs

Year	Net profit for the year	Interest on term loan during the year	Repayment of term loan in the year(principal amount)
1	43.34	38.28	22.00
2	69.54	35.28	36.00
3	72.04	30.24	36.00
4	38.40	13.20	36.00

Appraise the client's request for term loan assistance. Record the observations alongwith the decision.

Q4 You are the Chief treasurer cum Dealer of a mid-sized Bank in India. As part of daily round-up, you are taking stock of fund position and requirements for next day. Status as shared by your team is as follows. 10 marks

.Please note that cash in hand shall be maintained at the current level throughout.

Scenario 1:

Rs. Crs

- Cash in hand 500
- Incoming Funds from CASA expected tomorrow 4000
- Repayment of existing loans falling due tomorrow 800
- Targeted Disbursement tomorrow 6800

You have to decide on the quantum of overnight borrowings in the call market so that optimum liquidity is maintained. Please note that cash in hand shall be maintained at the current level throughout.

Scenario 2:

Your Bank's assets and liabilities position one month after scenario 1 looks like following:

- Call money = Rs. 300 crores A
- Current deposits = Rs. 250 crores L
- Savings bank = Rs. 300 Crores L
- CC loans = Rs. 240 crores A
- Fixed deposits = Rs. 300 cores L
- Cash in hand = Rs. 200 crores A

Handwritten calculations:
 $300 \times \frac{2}{100} = 6$
 $250 \times \frac{6}{10} = 15$
 $300 \times \frac{6}{10} = 18$
 $240 \times \frac{6}{10} = 14.4$
 $300 \times \frac{6}{10} = 18$
 $200 \times \frac{6}{10} = 12$
 $6 + 15 + 18 + 14.4 + 18 + 12 = 83.4$
 $83.4 - 84 = -0.6$
 $6800 - 4500 = 2300$
 $2300 - 3600 = -1300$

There has been change in interest rates over your products as given below, resulting in reassessment of Net Interest Income.

- Interest rate on call money has fallen by 1% 3
- Interest Rate on cash credit has come down by 0.6% 1.44

Handwritten calculations:
 $200 \times \frac{6}{100} = 1.2$
 $250 \times \frac{1}{100} = 2.5$
 $1.2 + 2.5 = 3.7$
 $3.7 - 0.6 = 3.1$
 $3.1 \times 42 = 130.2$
 $130.2 - 22 = 108.2$
 $108.2 - 20 = 88.2$

- Interest Rate on savings deposit has come down by 0.2%
- Interest Rate on FD has come down by 1%

What is the change in net interest income for the Bank after the changes in interest rates?

Q5 XYZ Limited has requested for enhancement of its working capital limits of Rs.72 Crores to Rs. 85 Crores. You, in the capacity of Banker to XYZ Limited, have been presented with the following info for the purpose of credit appraisal:

Details of projected current assets and liabilities as on March 31, 2018 is as follows:

SN	Balance Sheet Items	Rupees in Crores
1	Cash with Bank	6.24
2	Cash Credit account (Debit Balance)	70.16
3	Creditors for others	33.26
4	Book Debts older than 12 months	-8.92
5	Stock of Raw Material	57.46
6	Other short term liabilities	2.60
7	Stock in Process	2.00
8	Finished Goods Stock	40.92
9	Advance received from purchasers	13.96
10	Advance paid to suppliers	50.24
11	Book Debts above 6 months and below 12 months	0.00
12	Sundry Creditors for raw materials purchased	25.00
13	FD maturing in 4 months	7.16
14	Interest accrued on FD but not paid	9.70
15	Provision for Dividend	5.60
16	Book Debts below 6 months	71.00

You are expected to appraise client's request for enhancement of working capital facilities (Whether the enhancement can be done or not?). You may use the concepts of Net Working Capital, working capital gap, Current Ratio and maximum permissible bank finance (second method as per Tandon committee norms) in your appraisal.

CA
 $700 \times \frac{1}{100}$
 A CA
 B CL
 C WC
 D. 25% of CA including bank borrowing
 E Projected net (85.6)
 F. CA - D
 G C - E
 H. lower of the two
 I D - E

Handwritten calculations on the right side of the table:

3
 3.2
 $\frac{70.16}{33.26}$
 2.60
 13.96
 25.00
 7.16
 9.70
 5.60
 $\frac{25.00}{118.28}$

Handwritten calculations on the bottom right:

6.24
 + 57.46
 + 2.00
 + 40.92
 + 50.24

 156.86
 - 8.92

 147.94
 + 70.16

 218.10