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14MBAFM301

**Third Semester MBA Degree Examination, Dec.2015/Jan.2016**  
**Principles and Practices of Banking**

Time: 3 hrs.

Max. Marks:100

**SECTION - A***Note : Answer any FOUR questions from Q.No.1 to Q.No.7.*

- 1 Define banking. (03 Marks)
- 2 Distinguish between particular lien and general lien. (03 Marks)
- 3 Differentiate between a cheque and bill of exchange. (03 Marks)
- 4 What is a universal bank? (03 Marks)
- 5 Expand MICR. (03 Marks)
- 6 Explain cheque truncation. (03 Marks)
- 7 What is an exchange rate? (03 Marks)

**SECTION - B***Note : Answer any FOUR questions from Q.No.1 to Q.No.7.*

- 1 Explain the role and importance of commercial banks in India. (07 Marks)
- 2 What do you mean by 'Term deposits' account? What are its features? (07 Marks)
- 3 What is 'Dishonour of negotiable instrument'? How can a negotiable instrument be dishonored by non – acceptance? (07 Marks)
- 4 What is internet banking? Bring out the advantages and disadvantages of internet banking. (07 Marks)
- 5 What do you mean by Forex? What are the features of Forex markets? (07 Marks)
- 6 What do you mean by "Discounting of bills"? What are the advantages of discounting of bills? (07 Marks)
- 7 Explain the purposes and objectives of asset – liability management in banks. (07 Marks)

**SECTION - C***Note : Answer any FOUR questions from Q.No.1 to Q.No.7.*

- 1 Write short notes on : i) Primary and secondary functions of banks    ii) Credit creation  
iii) Role of banks in the Indian economy    iv) RBI as a regulator. (10 Marks)
- 2 Explain briefly the settlement of death claims. (10 Marks)
- 3 Who can endorse a negotiable instrument? Do you think they are a perfect replacement for physical movement of money? Explain. (10 Marks)
- 4 What is factoring? What are the different types of factoring? Explain them briefly. (10 Marks)
- 5 Explain the role of ECGC(Export credit guarantee corporation). (10 Marks)
- 6 What is factoring? What are the different types of factoring? Explain them briefly. (10 Marks)
- 7 What is asset–liability committee (ALCO)? What are its functions? (10 Marks)

Important Note : 1. On completing your answers, compulsorily draw diagonal cross lines on the remaining blank pages.  
 2. Any revealing of identification, appeal to evaluator and /or equations written eg. 42+8 = 50, will be treated as malpractice.

**SECTION - D**  
**CASE STUDY – [Compulsory]**

Break through in funds transfer :

In may 2004, the curtain was finally lifted on the much discursed real time gross settlement (RTGS) system, which many analysts considered, would revolutionize funds transfer in the Indian banking sector.

RTGS is an electronic funds transfer system designed to allow the real time settlement of inter bank payments in a fully secure environment.

It enables companies to transfer outstanding funds between banks in real time, thus allowing them to settle payments instantaneously and manage their working capital better. It is also expected to save significant amounts of money in interest payments on floating funds lying in banks.

The first RTGS transaction took place when standard chartered Bank(SCB) executed a deal for Hindustan Lever Ltd., (HLL) with state bank of India(SBI) being the receiving bank. The amount transferred to SBI was Rs. 100 million. Several commercial banks in India had been involved in the phased implementation of RTGS of several preceding months.

Some of the early adopters of RTGS were standard chartered Bank(SCB), state Bank of India(SBI), housing development finance corporation (HDFC) and Saraswat Bank. Industrial Bank was also close to implementing the system.

Commenting on the implementation of RTGS, a senior official at the reserve bank of India (RBI) said, "We have achieved a very significant landmark in migrating high value funds transfer from paper – based system to electronic based paper system'.

RTGS was the latest in the line of payment delivery systems that have been implemented in the Indian banking sector since the 1990s.

Some of the systems implemented earlier included the electronic clearing service(1995), electronic funds transfer (EFT) facility (1997) and special electronic funds transfer system (2003). Changes in the Indian banking sector in the late 1990s and early 2000s, are expected to create high value for customers as well as the banks involved.

Questions :

- a. What is RTGS? What are its advantages? (10 Marks)
- b. What is electronic fund transfer? What are its uses to business houses? (10 Marks)

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