

Indian Institute of Technology, Kharagpur

Date _____ FN/AN Time: 2 hours Full Marks: 30 No of Students: 60

Mid Spring Semester 2016-17 Deptt: HSS

Sub No: HS41004

5-Year Integrated M.Sc in Economics

Sub Name: Banking Theory and Practice

Answer all questions. (Each questions carry equal marks)

1. How do you define a bank? What are the special functions banks carryout in the financial market relative to other financial intermediaries? Classify their functions on the basis of their activity.
2. General equilibrium model with complete financial markets can't be used for analysing banking sector. Do you agree with this statement? On the basis of your agreement explain the General equilibrium model for the banking sector.
3. Write short notes on the following items
 - (i) Credit multiplier approach to banking sector
 - (ii) Behaviour of Individual banks in a competitive sector
 - (iii) Bank debt vs. Market debt Economy
4. (i) For a 5 year fixed deposit of Rs 100000 with ABC bank, the interest rate is 9%. Ascertain the interest amount if the payment is made on a quarterly, half yearly and annual basis. What should be the interest rate if the interest is withdrawn every month and transformed to the savings account?
(ii) Compute the maturity value of a monthly instalment of Rs 1000 for 2years, if the interest applied is 8% per annum and compounded quarterly.
5. The following items were extracted from Bank ABC. You are required to prepare the profit and loss account for the year ended and the balance sheet as on 31st March 2016. The other additional information are the authorized capital of the bank is Rs. 50 lakh divided into 500000 shares of rs. 10 each; half of it has been issued and subscribed. Advances amounting to Rs. 162521 thousand are secured by tangible assets, Rs. 25012 thousand are covered by government guarantees and remaining is unsecured. Advances to priority sector are Rs. 68221 thousand, to public sector Rs. 29276 thousand and to other banks Rs. 2755 thousand.

| Trial Balance as on 31st March, 2016 | |
|---|-------------|
| | Rs. in '000 |
| Debit Balance | 21,14 |
| Cash in hand | |
| Balance with RBI | 7,50,02 |
| In current account | 9,85 |
| In other accounts | 8,24 |
| Balance with other banks in current accounts | 25 |
| Money at call and short notice with banks | 3,61 |
| Premises at cost on 31-3-x0 | 18,90 |
| Other Fixed assets at cost on 31-3-x0 | 25,60 |
| Interest accrued | 12,74 |
| Interoffice adjustments (net) | 72,21 |
| Tax paid in advance | 5,00 |
| Non-banking assets acquired in satisfaction of claims | 2,15 |
| Loss on revaluation of investments | 2,28,03 |
| Interest paid on deposits | 4,45 |
| Interest on RBI borrowing | 1,11,82 |
| Payment to and provision for employees | 3,48 |
| Directors' fees and allowance | 16,88 |
| Auditors fees and expenses | 6,95 |
| Rent, taxes and lighting | 1,86 |
| Printing and stationery | 40 |
| Advertisement and publicity | 2,71 |
| Depreciation on banks property | 1,16 |
| Repairs and maintenance | 9,35 |
| Insurance | 20 |
| Law charges | 2,23 |
| Postage, telegrams, telephones etc. | 7,15 |
| Other expenditure | 9,83,52 |
| Investment in Government Securities | 3,78,04 |
| Investments in other approved securities | 15,60 |
| Investments in shares | 15,17 |
| Investments in debentures and bonds | 2,18,53 |
| Bills purchased and discounted | 9,97,68 |
| Cash credits and overdrafts | 8,01,24 |
| Term loans | 1,42 |
| Stationery and stamps | 47,37,58 |
| Credit Balances | |
| Paid-up share capital | 25,00 |
| 2,50,000 shares of Rs.10 each | 75,10 |
| Statutory Reserve | 55,00 |
| Revenue Reserve | 11,14,30 |
| Demand Deposits | 11,86,05 |
| Savings bank deposits | 15,65,20 |
| Term deposits | 12,56 |
| Interest accrued | 3,11,43 |
| Interest/discount on advance/bills | 33,03 |
| Rebate on bills discounted | 1,43,62 |
| Income on investments | 34,47 |
| Interest on balances with RBI and other interbank funds | 50,52 |
| Commission, exchange and brokerage | 1,75 |
| Profit on sale of investment | 35,00 |
| Profit and loss account | 1,10 |
| Depreciation on premises (to date) | 9,70 |
| Depreciation on other fixed assets (to date) | 29,00 |
| Borrowings from Reserve Bank of India | 54,75 |
| Bills Payable | 47,37,58 |

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