

M.Com Semester – IV
Special Paper (Paper –VIII)
Case studies for External Students

1. A lawyer has 3 separate current accounts in ABC bank: 1) personal account, 2) office account and 3) clients account. In expectation of good balance in clients' account, ABC bank had allowed him a clean advance of Rs 25,000 in his personal account. For some reasons, the bank grew unhappy with this arrangement and therefore, recalled the advance. When the lawyer failed to respond to the bank's notice to repay, it decided to take recourse against the other accounts for recovery of the outstanding balance of Rs 25,000 in the personal account. The bank found that there was a credit balance of Rs 15,000 in the clients' account and also a credit balance of Rs 2,000 in the office account. The lawyer also had a safe deposit vault in ABC bank in the joint names of himself and his wife, with operations by either or survivor. He also had a fixed deposit of Rs 5,000 maturing after 4 months. He had left some shares with the bank of the approximate value of Rs 3000 with instructions to sell them at or above a fixed price. The shares were still lying unsold.

Consider the recourse which the bank can have on the balances and securities etc. as detailed above for settlement of its due in his personal account.

2. A, B and C are partners in Yashwi Traders. The firm has a current account, operated by any one of the partners with Bank of Hindustan Ltd. A gives a mandate favoring 'M' to operate the firm's account on his behalf and the Bank pays a Cheque for Rs 20,000 drawn by 'M' under this mandate. The firm refuses to accept the debit. Discuss the status of the bank that honoured this Cheque.

3. A Cheque of Rs 15000 by a customer in favour of Sales Tax Officer is presented for payment. The balance in the account is Rs 12000/- but the customer has other Cheques for collection for Rs 10000/-.

You as a banker return this Cheque unpaid on the remark "Effects not cleared, Present again". On the next day all collection Cheques are realized and the balance of your customer's account now is Rs 22,000/-. The customer presents a Cheque for withdrawal worth Rs 16,000/-.

The clerk on the clearing desk believes that the customer may not be allowed to withdraw because the bank should reserve an amount of Rs 15,000/- to meet the Cheque drawn in favour of Sales Tax Officer. Is his stand and understanding right?

4. E.G. Finance company opens a current account with 'MNO Bank' with introduction given by one of its clients. After six months the company winds up the business and partners are absconding. While scrutinizing their account, the bank notices that he following items were deposited in their account and credited after collection:

1. Fixed deposit receipt for Rs 20,000 issued by another bank. The deposit was in the name of Ramesh Mathur & co. purporting to have been duly signed and crossed.

2. A Cheque for Rs 25,000 drawn by 'Life Insurance Co' in favour of Garware Nylons Ltd., crossed 'Not Negotiable'.

Please discuss whether, as collecting banker, you would incur any liability towards the true owner of the deposit receipt and the Cheque in question.

5. What are the due dates of the following instruments? Explain the principle involved in each case and give the actual details of the working:

a) A bill of exchange dated 25th January, 2009 payable 3 months after date.

b) A bill of exchange dated 24th March, 2009 payable 60 days after date.

c) A bill of exchange dated 31st May, 2009 payable 90 days after sight.

d) A promissory note falling due for payment on a Sunday.

6. A demand draft issued on one of your branches gets lost in transit before reaching the payee. The purchaser applied for refund. The payee is unwilling to join in the indemnity as the draft had not been received by him at all. How would you deal with the situation?

7. Mr A.S.Salve, your valued customer, approaches you to grant an overdraft facility up to Rs 25,000 in his current account. He offers the following securities:

1. 100 shares of Indian Seamless and Metal Tubes in his wife's name

2. A recurring account with a balance Rs 25,000 in the name of his wife jointly with his son issued by another branch of your bank

3. His own life insurance policy worth Rs 50,000 maturing in March 2011.

Which of the securities would you accept and why? What precautions would you take and what document would you obtain for the advance?

8. A limited company, manufacturing consumer durable approaches ABC bank. As a banker for an advance of Rs 5 lakh against pledge of raw material, finished goods and stock in progress. What precautions would you take as a banker in granting the advance? What documents would you obtain?

9. A bank advances money on the security of a guarantee. The guarantor learning that the principal debtor is in financial difficulties, tenders to the bank the full amount of his liability under the guarantee and says that the security deposited by the customer with the bank may be surrendered to him. Discuss the position.

10. The salient features of the Balance sheet of A and B Limited as at 31st March 2010 is as under:

Particular	Amount (Rs)
Paid up capital	2,00,000
Profit and loss debit balance	50,000
Fixed assets	60,000
Inventory	3,70,000
Creditors	1,50,000
Book debts	2,00,000
Outside borrowings from money lenders	1,50,000
Deposits by directors	1,20,000
Annual sales	4,00,000
Loss for the year 2010	30,000

The directors approach Bank of Hindustan for advance facilities to repay the outside borrowings and sundry creditors against the security of fixed assets, stock and book debts.

As a branch manager of Bank of Hindustan, how will you view the above proposal? Should you decide to grant the facilities, state the stipulation you will like to make. Please give reasons.