

Q.1 A. You have opened a Letter of Credit for a customer and have received documents negotiated against it. The customer has made an arrangement with you to have the negotiated documents released by you against a Trust Receipt for payment within sixty days. On examining the documents, you find that there are some discrepancies and you advise the customer about receipt of the discrepant documents. The customer instructs you to waive the discrepancies and accept the documents. Will you agree – Yes or No? Provide reasons for your response.  
(5-marks)

B. You are maintaining a joint account of two brothers with an 'Either or Survivor' mandate. One of the account holders has died and his son has asked you to disburse to him 50% share of his father in the joint account. The brother of the deceased, who is the joint account holder, wants to draw the entire credit balance from the account as the survivor of the two joint account holders. State whether you will accept the request of brother of the deceased and allow him to draw the balance in the account – Yes or No. Provide reasons for your response.  
(5-marks)

Q.2 A. A partnership firm consisting of two partners has applied to you for Running Finance. They are offering as security the firm's factory premises. One of the partners who is authorized to operate the account singly, informs you that he will be executing the Mortgage documents on behalf of the firm. Will you accept the mortgage executed by him?  
(5-marks)

First answer 'Yes' or 'No' and then give reasons for your answer.

B. You have provided a Demand Finance to Mr. Abdul Waheed which is secured by the guarantee of his brother Mr. Abdul Samad, who has deposited the title deeds of his immovable property with you as security. Mr. Abdul Waheed is also a partner in XYZ Computers to whom you have provided Running Finance which is overdue for repayment. Mr. Abdul Waheed has repaid the Demand Finance and now Mr. Abdul Samad requests you to return his property documents. Do you have a right to withhold his property documents until Mr. Abdul Waheed has repaid the Running Finance provided to XYZ Computers?  
(5-marks)

First answer 'Yes' or 'No' and then give reasons for your answer.

Q.3 A. You are maintaining a partnership account consisting of four partners A, B, C and D with a mandate that the account will be operated upon by A and B jointly. C and D are not authorized signatories in the account. A dispute has arisen amongst the partners and C writes to you requesting

you not to let A and B operate the account. Will you accept the request of C? (5-marks)

First answer 'Yes' or 'No' and then give reasons for your answer.

- B. From the point of view of enforcing a mortgage by a bank for recovery of its dues, discuss the difference between a registered mortgage of any immovable property and an equitable mortgage created by deposit with the bank title deeds of that property. (5-marks)
- Q.4 You have sanctioned a Running Finance limit of Rs.5 million for a customer against which he has drawn Rs.2 million and a cushion of Rs.3 million is still available and his account shows a debit balance of Rs.2 million. You have now received an order from the Income Tax authorities attaching his account and directing you to pay to the Income Tax department Rs.2.5 million owing by the account holder on account of income tax. Discuss how you will deal with the order of the Income Tax department. (10-marks)
- Q.5 Study the following cases. The answer must be prefixed with a clear statement of 'Yes' or 'No' and thereafter supported with the desired explanation. Simple 'Yes' or 'No'. will not be eligible for awarding marks.
- A. In the case of a joint account for which the mandate covers operation on the account only when it is in credit, would all the joint account holders be held liable if the bank pays a cheque which causes the account to become overdrawn? State the practice in vogue. (2-marks)
- B. On the retirement of one of the partners in a trading firm, the continuing partners notify the bank that the retired partner will no longer sign on the firm's behalf and they give the bank a new mandate for the payment of the bills, notes and cheques signed in the firm's name by any one of the remaining partners. Should a bill accepted or a cheque drawn on behalf of the firm by the retired partner before his retirement, but presented after, be paid? (2-marks)
- C. The borrowing power of a company's directors is limited by its Articles of Association to a sum of Rs.5 million at any one time. The company is maintaining a compensating deposit balance with its bank of Rs.1 million and at the same time a working capital finance of Rs.6 million. Is this borrowing per the articles of the firm? (2-marks)
- D. On the back of a cheque presented for payment appears a statement "Subject to goods being in accordance with specification" in the writing of the drawer but having no signature or initials to it. Is the bank in order in paying this cheque or does it cease to be a cheque? (2-marks)
- E. Does the imprisonment of a customer affect the conduct of his banking account? (2-marks)

- Q.6 Company 'X' has availed a loan from Bank 'Y' for Rs.10 million which is secured by charge on book debts of the company repayable in 4 quarterly installments together with mark up for the corresponding period. After payment of the 1<sup>st</sup> quarterly installment the company has failed to pay the subsequent installments. Market inquiries reveal that they are also in default with suppliers of material and facing critical cash flow situation.

Since recovery of loan is bleak, the Bank's Credit Committee is considering to approach the court for winding up of the company. Before taking this decision, the Committee is interested to learn the circumstances provided under the Companies Ordinance for winding up through Court. List the circumstances for winding up of the company as provided under the Ordinance. (5-marks)

- Q.7 Solution Bank Ltd. has approved a finance facility of Rs.5 million in favor of a trader of chemicals which stipulates that the facility is subject to mark up at 14% per annum. The offer letter issued to the prospective borrower has not been returned duly accepted so far.

In the meantime, the Central Bank increased its discount rate which in turn raised the market interest rate further. The return to the bank on the proposed facility is no more remunerative.

- A. Suggest the different options which are available to the bank to manage this situation. (2.5-marks)
- B. What terms and conditions can banks build in the offer letter to avoid such a situation? Elaborate with the help of two examples. (2.5-marks)
- Q.8 A. Bank 'X' extended a Running Finance limit of Rs.60,000 to Mr.'Y' against the guarantee of Mr. 'Z' repayable in monthly installments of Rs.5,000 together with mark up. After payment of the 2<sup>nd</sup> installment, the borrower failed to pay subsequent four installments. The bank allowed another 4 months to the borrower to pay the outstanding installments.

Discuss the status of the guarantor after the relief extended by the bank to the borrower. (5-marks)

- B. Discuss the concept of back-to-back guarantee and specify the guideline incorporated in the Prudential Regulations in this regard. (5-marks)
- Q.9 A. What risks are associated when a bank negotiates discrepant documents? How can these risks be averted? Elaborate with the help of examples. (5-marks)
- B. Bank 'X' has noticed money laundering activities in the account of one of their customers and decided to report the same as stipulated in the

Prudential Regulations. Mention the minimum information that must be incorporated in your report to the controlling agency. (5-marks)