

Marks: 40	FYJC Subject: Secretarial practice Topic – Correspondence with Banks (Chap.11) (Solution)	Time: 1.5 Hrs.
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Q.1. (A) Select the correct answer from the options given below and rewrite the statements. (5)

1. Bank provides overdraft facility to Current account holder.
 a) Current b) Saving c) Fixed Deposit

2. Pay – in - slip is used for depositing cash into a bank account.
 a) Pay – in - slip b) Withdrawal slip c) Cheque

3. Withdrawals are not permitted from the Fixed deposit account.
 a) Fixed b) Current c) Saving

4. Generally interest is not paid on Current deposit account.
 a) Current b) Saving c) Fixed

5. Bank is a Financial institution.
 a) Financial b) Social d) Cultural

(B) Write a word or a term a phrase which can substitute each of the following statements. (5)

1. Separate loan account under which the short term loan facility given by bank to the business.
Ans. Cash Credit

2. The Account which is generally opened by business organization.
Ans. Current Account

3. The slip which is used for withdrawing money from saving Account.
Ans. Withdrawals Slip

4. Negotiable instrument which can be discounted with the bank.
Ans. Bill of Exchange

5. A slip for deposing cash and cheque in the bank account.
Ans. Pay – in - slip

Q.2 Distinguish between the following. (Any One)

(5)

1. Current Account and Saving Account

Ans.

Current Account	Saving Account
1. Meaning	
An account which is opened and operated by businessmen company, firm and others who have regular banking transactions is called Current Account	the An account which is opened and operated by an individuals or the fixed income earners to save part of their income is called Savings Account.
2. Withdrawals	
Current Accountholders can withdraw money from the bank by using cheques. There are no restrictions on the withdrawal of money from this account provided there is sufficient balance in the account.	Savings Accountholders can withdraw money from the bank either by use of cheques or by use of withdrawal slips There are certain restrictions on the number of withdrawals and amount to be withdrawn at a time
3. Documents given	
Accountholders get Pass book, cheque book, pay in-slip and statement of accounts from the bank.	Accountholders get Pass book, cheque book and pay-in-slip from the bank.
4. Interest	
Generally, no interest is paid on the balance standing in this account. It may be given at nominal rate.	Interest is paid periodically on the minimum balance in this account. The rate of interest is higher than the rate of interest paid on current account.
5. Facilities	
Overdraft and cash credit facilities are given to the current accountholders only.	Such facilities are not given to these account-holders.
6. Suitability	
It is suitable for traders, businessmen, firms and institutions.	It is suitable for regular income earners and salaried people.

2. Loan and Overdraft

Ans.

Loan	Overdraft
1. Eligibility	
Any account holder (i.e., current, savings or fixed deposit), or any other person can get a loan facility.	Only current account holders are eligible for an overdraft facility.
2. Nature	
Bank opens a separate account for the amount of the loan and the borrower withdraws from this account.	Bank allows the account holder to overdraw (i.e. draw in excess of his balance in his account) from his existing current Account.
3. Purpose	
The purpose of loan is to provide finance for some project or expansion of business.	The purpose of overdraft is to meet working capital requirements.
4. Duration	
Loan is sanctioned for a relatively longer period such as 3 years, 5 years or even more.	Overdraft is generally sanctioned for a short duration such as 1 month, 2 months, etc
5. Interest	
Interest is calculated on the sanctioned amount and the rate of interest is a little higher than that of Overdraft.	Interest is calculated on the amount actually withdrawn and the rate of interest is lower than that of loan.
6. Repayment	
The loan amount has to be repaid fully on the due date or it is repaid in suitable instalments.	The overdraft amount is gradually reduced with the deposits made in the current account.

Q.3. Short notes. (Any Two)

(10)

1. What are the points to be kept in mind by a Secretary while corresponding with Banks?

Ans. The points to be kept in mind by a Secretary while corresponding with banks:

- (1) **Prompt reply:** In certain cases such as loss of a cheque, mistakes or wrong entries in the pass book, etc. communication to the bank must be prompt. Replies to letters from the bank must be sent promptly.
- (2) **Brevity/Conciseness:** The letter/correspondence with the bank should be brief, compact and to the point. The letters should not contain unnecessary details.
- (3) **Courtesy:** The letter drafted to the bank should be courteous and polite. Secretary should not use harsh or rude, offending words in the correspondence.

- (4) **Clarity:** The wording and the construction of the letter must be clear and understandable to the reader. The Secretary should provide true, factual clear and up date information of his organisation to the banker.
- (5) **Accuracy:** The letter to a bank must be accurate in all respects. The facts, figures, statistical data, amounts, names of the parties, etc. mentioned in the letter must be properly verified before mentioning them in the letter.
- (6) **Secrecy:** As far as possible confidential information should not be communicated in writing as it may harm the interests of the company.
- (7) **Legal procedure:** Wherever applicable, the Secretary must ensure that the statutory provisions and requirements are complied with while drafting letters to the bank. The Secretary must ensure that the enclosures referred to in the body of the letter tally with those actually enclosed.

2. State the Agency functions of Banks.

Ans. The bank performs some functions on behalf of its customers. These agency functions are:

- (1) Collecting the amount of the cheques and bills deposited by its customers.
- (2) Collecting dividend, interest, salary, pension, etc., on behalf of the customers.
- (3) Making periodic payments such as annual subscriptions, rent, interest, taxes, insurance premium, electricity bill, etc. as per standing instructions.
- (4) Buying and selling securities such as shares, debentures and other securities on behalf of customers. Bank also plays role of Depositor Participant (D.R).
- (5) Remitting funds from one place to another by means of bank drafts, mail transfer, telegraphic transfer, etc.
- (6) Carrying out or fulfilling standing instructions of depositors.
- (7) Acting as administrator, trustee, executor of will and attorney on behalf of its customers.
- (8) Act as Banker to the issue, Lead manager, etc. on behalf of the Companies.

3. State the Utility functions of Bank.

Ans. Utility functions of the Banks:

- (1) Providing safe deposit vaults to the customers for keeping their valuables like gold ornaments, securities, valuable documents, etc. in safe custody.
- (2) Issuing Letter of Credit to the clients for making payment in international trade transactions.
- (3) Dealing in foreign exchange and assisting in the completion of formalities in foreign trade transactions.
- (4) Providing the facility of withdrawing cash anytime through ATM (Automated Teller Machine). Issuing credit cards to their customers. Issuing debit cards to their customers for buying goods and services.

- (5) Acting as a referee for the financial position and business standing of their customers. Bank also draft financial position status report by considering frequency of banking transactions of its clients.
- (6) Underwriting for shares and debentures issued by companies. Providing consultancy services in the matter of issuing of shares, taxation, etc., to the companies.
- (7) Issuing travellers' cheques to the tourists.
- (8) Performing functions like RTGS (Real Time Gross Settlement), a system generally employed for large value interbank funds transfer, NEFT (National Electronic Funds Transfer), NACH (National Automated Clearing House) and ECS (Electronic Clearing Service).

4. Explain the different types of Deposits.

Ans. **(a) Demand Deposits:**

- (1) The deposits which are repayable on demand is called 'demand deposits'. The demand deposits include saving deposits and current deposits. A saving deposits account aims at promoting the habit of saving among the fixed income earners. Interest at certain rates is paid on the minimum balance in this account. There are restrictions on the number of withdrawals. Pass book is issued to the depositor. E-statement issued to depositor only on demand.
- (2) A current deposit account is meant for businessmen and institutions. There are no restrictions on the number and amount of withdrawals from this account. Interest is not payable on the balance standing in this account. Overdraft facility is granted only to current account holders after following the prescribed procedure of the bank.

(b) Time Deposits:

- (1) Any deposit which is not repayable on demand is called time deposit. Time deposits are repayable after specified period of time. Time deposits may be classified as fixed deposit and recurring deposit. Under Fixed deposit account certain amount is deposited for fixed period (minimum 45 days or more). Usually higher rate of interest is paid depending on the period. Interest is paid either at regular time interval or on maturity of deposits. Fixed Deposit Receipt (FDR) is issued to the depositor. Loan is given to depositor on the security of FDR.
- (2) Under Recurring deposit account, depositor is required to deposit with the bank a fixed sum of money every month for 12, 24, or 60 months. To encourage saving habit among the people bank allows depositors to open this account. On maturity, depositor gets the total amount deposited plus interest accrued on it. Pass book is issued to the depositor. E-statement is issued to the depositor only on demand.

Q.4. Attempt the following (Any Three)**(15)**

1. Write a letter to bank for opening a current Account.

Ans.

NEW STAR COMPANY LTD.

Registered Office : 24 / B, Readymoney Terrace, Vidyanagar Road,
Worli Naka, Mumbai - 400 018.

CIN : L40408MH2001PLC246065

Tel. No. (022) 6662 6379
Fax No. (022) 4264 8274
Ref. No. N /BK /14 /19-20

Website : www.newstarltd.com
E-mail : newstar07@gmail.com
Date : 30th June, 2019

The Bank Manager,
Bank of India,
42, Dr. E. Moses Road, Worli Naka,
Mumbai-400 018.

Sub. : Request to open a Current Account

Dear Sir,

The Board of Directors of this Company at its meeting held on 20th June, 2019, passed a resolution to open a Current Account in the name of the Company in your bank.

In accordance with the rules for opening a Current Account in your bank, we enclose herewith the following documents :

- (1) The prescribed Current Account opening application form duly filled in, signed and dated.
- (2) Certified copy of Certificate of Incorporation of the Company.
- (3) Certified copies of the Memorandum and the Articles of Association of the Company.
- (4) Certified copy of the list of the present Directors of the Company.
- (5) Specimen signature cards containing signatures of two Directors : Mr. Yuvraj and Ms. Archana and the Company Secretary : Mr Ashok officially authorised to operate the Account.
- (6) A certified copy of the Board's Resolution dated 20th June 2019, authorising the Company to open a Current Account with your bank.
- (7) Duly filled up Pay-in-slip along with ? 5,000 (Rupees Five Thousand Only) cash being the initial deposit.
- (8) Copies of PAN and TAN cards.

We undertake to abide by the rules and regulations of your bank in respect of opening and operating the bank account.

You are, therefore, requested to open a current account in the name of our company, i.e. New Star Company Ltd. and oblige us.

Thanking you,

Yours faithfully,
For **NEW STAR COMPANY LTD.**

Sd./-

Company Secretary

Encl. : As stated above.

2. Write a letter to bank to stop payment of cheque.

Ans.

ATLAS INDIA CO. LTD.

Registered Office : 24, Atlas House, MIDC Colony, Mirjore,
Ratnagiri.

CIN : L34378MH2004PLC156725

Tel. No. (022) 2498 2516
Fax No. (022) 484 42163
Ref. No. A /SP /15 /19-20

Website : www.atlasindialimited.com
E-mail : atlas06@gmail.com
Date : 30th June, 2019

The Branch Manager,
The Bank of India,
MIDC Colony, Mirjore Branch,
Ratnagiri-415 612.

Sub. : Stop payment of Cheque No. 010181 Dated 20th June, 2019
- Current A/c No. 2307

Dear Sir,

This is to confirm our telephonic instructions to you this morning regarding the withholding of the payment of one cheque issued by us.

We have been informed by one of our suppliers Messrs. Sai Auto Services, Sawantwadi, Sindhudurg, that our Cheque No. 010181 - Current A/c No. 2307 dated 20th June, 2019 for ₹ 25,000, drawn on your bank in favour of M/s Sai Auto Services, Sawantwadi, Sindhudurg, has not reached them till 30th June, 2019. The said cheque seems to have been lost in transit. The cheque was sent to their Sawantwadi address under Certificate of Posting on 22nd June, 2019. We have issued a fresh cheque to them today itself.

In the meantime, as a precautionary measure, we request you to stop the payment of the said Cheque No. 010181 - Current A/c No. 2307 dated 20th June, 2019, if presented to you for payment.

Kindly acknowledge receipt of this letter and comply.

Thanking you,

Yours faithfully,
For **ATLAS INDIA CO. LTD.**
Sd./-
Company Secretary

3. Write a letter requesting the banks to issue letter of Credit.

Ans.

M/S USHA ELECTRONIC INDIA CO. LTD.

Registered Office : 451, Usha House, M.G. Road,
Nashik - 422 002.

CIN : L212208 MH2001 PLC129644

Tel. No. (022) 2422 2848

Website : www.ushalimited.com

Fax No. (022) 4613 0202

E-mail : ushaelectronic@gmail.com

Ref. No. UEI /421 /15 /18-19

Date : 1st July, 2019

The Bank Manager,
The Union Bank of India,
M.G. Road Branch,
Nashik - 422 002.

Sub. : Issue of Letter of Credit

Dear Sir,

We are pleased to inform you that we have secured an import licence from the Central Government for the import of a variety of electronic goods from the United States.

After going through the quotations received from six leading exporters of the U.S., we have decided to place an order with M.K. Electronics, New York for the supply of different electronic goods worth 20,000 US dollars. We have been asked by them to send a Letter of Credit for the said amount.

We, therefore, request you to issue a Letter of Credit in favour of M.K. Electronics, New York for 20,000 US dollars. The said amount may be debited to our Current Account No. 4450 in your bank.

Thanking you,

Yours faithfully,

For **M/S USHA ELECTRONIC INDIA CO. LTD.**

Sd./-

Company Secretary

4. Write a Letter requesting the bank for granting Overdraft facility.

Ans.

SURAJ STAR COMPANY LIMITED

Registered Office : 21, Sea View, Marine Drive,
Mumbai - 400 020.

CIN : L20209MH2011PLC234186

Tel. No. (022) 259 6950

Website : www.surajstarltd.com

Fax No. (022) 259 7002

E-mail : surstltd07@gmail.com

Ref. No. SSC /248 /R /19-20

Date : 1st July, 2019

The Bank Manager,
The Bank of India,
Marine Drive Branch,
Mumbai - 400 020.

Sub. : Overdraft facility against our Current Account No. 3764.

Dear Sir,

As you are aware, our Company has a current account in your bank for the last ten years (Current A/c No. 3764). The Board of Directors in its Board meeting held on 25th June, 2019 has decided to request you to grant us an overdraft facility of ₹ 3 lakh for a period of three months from August to October 2019. This facility is required for meeting the financial needs of the Company during the ensuing Diwali festival season.

As you know, we are the manufacturers of plastic goods and toys. Our experience in this field for the last ten years tells us that the festival season creates a heavy demand for the products of our Company. In view of this, we have started placing orders for the supply of raw materials required for the production of plastic goods and toys.

As the suppliers in this line generally do not extend fairly long-term credit facilities, we have to request you to grant us an overdraft facility as stated above. We offer stock in trade worth ₹ 4 lakh and personal guarantee of two directors as security for the proposed overdraft. We shall complete other formalities after hearing from you.

An early reply will be appreciated.

Thanking you,

Yours faithfully,
For **Suraj Star Company Ltd.**

Sd./-
Company Secretary