DIRECTORATE OF DISTANCE EDUCATION
NALSAR UNIVERSITY OF LAW, HYDERABAD

M.A. (CORPORATE LAW)

Academic Year: 2024-2025

Fourth Semester - End Semester Examination (May, 2025)

2.4.11. Banking and Finance Law

Duration of the Examination: 2 ½ hours **Total Marks: 70 marks**

INSTRUCTIONS TO CANDIDATES

a) **Read the instructions carefully and adhere to the same.**
b) **Please mention your DDE ID No. date of the exam, name of the programme & subject on the Answer Sheet and the Additional Answer Sheets, if any.**
c) **The questions to be interpreted as given and no clarification can be sought from the Invigilator.**
d) **Clearly indicate the question numbers while answering them. Answers without question numbers / wrong question numbers will not be evaluated.**
e) **Write the answers clearly and neatly. Answers in illegible handwriting will not be taken into consideration.**
f) **Candidates are prohibited to carry phones or any other electronic devices, books, material etc. in the Examination Hall.**
g) **Copying is strictly prohibited and is considered as a serious academic mis-conduct and the University will take action as it deems fit.**

Section – A

Answer FIVE questions out of SEVEN questions and each question carries 10 marks. (5 x 10 marks = 50 marks)

1. Nationalisation of Banks is one of the landmark events in the banking history of India. Critically comment on the importance of Nationalisation and the arguments in favour and against the nationalisation.

2. Mr. A, a businessman, borrowed a sum of Rs. 5,00,000 from his acquaintance Mr. B on 1st September 2024 for a period of six months, agreeing to repay the same with no interest. Upon the expiry of the loan period in March 2025, Mr. A issued a post-dated cheque dated 15th March 2025 drawn on XYZ Bank towards repayment of the full loan amount.

Mr. B presented the cheque for encashment through his bank on 18th March 2025, but it was returned unpaid with the remarks "insufficient funds" by Mr. A's bank on 20th March 2025. Mr. B, upon receiving the dishonoured cheque, sent a statutory notice dated 22nd March 2025 to Mr. A through his advocate, demanding payment of the cheque amount within 15 days of receipt of the notice.

Mr. A received the notice on 24th March 2025 but failed to respond or repay the amount within the stipulated 15-day period. Consequently, Mr. B filed a criminal complaint under Section 138 of the Negotiable Instruments Act, 1881 before the competent Magistrate on 12th April 2025

- **a)** Is Mr. A liable for prosecution under Section 138 of the Negotiable Instruments Act, 1881?
- **b)** What are the essential ingredients that must be fulfilled to constitute an offence under Section 138?

3. Circus Ltd., a public company, plans to raise ₹50 crores to fund a new project. The Board of Directors proposes to issue secured, redeemable, non-convertible debentures (NCDs) to the public for a tenure of 5 years. The company's Articles of Association authorize such an issue.
As a legal Officer, advise the Board on the following:

- **a)** Procedure to be followed for the issue of these debentures, including necessary approvals and filings.
- **b)** Whether the company can issue these NCDs without creating a Debenture Redemption Reserve (DRR).
- **c)** Is the appointment of a Debenture Trustee mandatory in this case?
- **d)** State any SEBI regulations or guidelines applicable, if the NCDs are proposed to be listed on a recognized stock exchange.

4. Mr. Rohan, a businessman, approaches you as a legal advisor for structuring a mortgage to secure a loan of ₹1 crore from XYZ Bank. He owns multiple immovable properties across different cities in India. The Bank wants maximum security and enforceability in case of default, while Mr. Rohan wants to retain as much control over the property as possible. Advise Mr. Rohan on the following:

- **a)** Briefly explain the different types of mortgages recognized under the Transfer of Property Act, 1882.
- **b)** Mr. Rohan is considering a Usufructuary Mortgage. Explain its features and whether it is beneficial for the borrower or lender.

5. Explain the various functions of the Reserve Bank of India and discuss its role in maintaining financial stability in the country.

6. Ramesh, a jeweller, borrows ₹5 lakhs from GoldFin Finance Ltd., and delivers gold ornaments as security for the loan. At the same time, he also has an outstanding payment due to QuickTrans Couriers, who had transported a consignment for him and is now holding his goods until payment is made. Answer the following:

- **a)** Distinguish between pledge and lien in terms of: Nature of right Possession, ownership and Right to sell
- **b)** Explain the rights and duties of GoldFin Finance Ltd.
- **c)** What type of lien is being exercised by QuickTrans Couriers? Is it enforceable under law?
- **d)** Can either GoldFin or QuickTrans sell the goods in their possession if Ramesh defaults? Justify your answer with legal provisions.

7. Mr. Vivek, a businessman, receives the following cheques in the course of his business dealings:

- A cheque crossed generally with the words "& Co."
- A cheque crossed specially to ABC Bank Ltd.
- A cheque marked "Not Negotiable" and crossed generally
- A bearer cheque without any crossing

He is unsure about how these different crossings affect the negotiability, payment, and safety of the cheques.

As his legal advisor, answer the following:

a) Explain the different types of cheque crossings under the Negotiable Instruments Act, 1881.

b) Advise Mr. Vivek on how and where each of the above cheques can be encashed.

c) Can a crossed cheque be endorsed further? What are the implications if it is marked "Not Negotiable"?

d) What are the liabilities of the banker if a crossed cheque is paid in violation of the crossing?

Section – B

Write short notes on any FOUR questions out of SIX questions and each question carries 05 marks. (4 x 5 marks = 20 marks)

A. "*The Indian Banking system is designed to meet the diverse financial needs of the nation's economy, encompassing both urban and rural areas".* Explain various kinds banking companies in India.

B. Briefly Explain various kinds of Bonds which can be issued by company.

C. M/s. BrightTech Ltd., an established electronics manufacturing company, is considering raising funds through the issue of debentures. The finance team has suggested issuing a mix of different types of debentures to cater to a wider range of investors. As a legal advisor, the Board seeks your opinion on the following:
Explain the different types of debentures that BrightTech Ltd. can issue, based on:

i. Convertibility
ii. Security
iii. Redemption terms
iv. Registration
v. Negotiability

D. Write a note on Charge and also explain fixed and charge and floating charge

E. Explain the Essential Characteristics of Negotiable Instruments

F. Write a note on presumption as to the negotiable instruments.