Solved Scanner Appendix

CS Prof. Prog. M - III (New Syllabus)

(Solution of June - 2014 and Questions of December - 2014)

Paper - 9.1: Banking Law and Practice

Chapter :- 2 Regulatory Framework and Compliances
2014 - June [4]

Banking Ombudsman Service is a grievance redressal system. This service is available for complaints against a bank's deficiency of service. A bank's customer can submit complaint against the deficiency in the service of the bank's branch and bank as applicable and if he does not receive a satisfactory response from the bank, he can approach Banking Ombudsman for further action. Banking Ombudsman is appointed by RBI under Banking Ombudsman Scheme, 2006. RBI as per Sec. 35 A of the Banking Regulation Act, 1949 introduced the Banking Ombudsman Scheme with effect from 1995.

The Banking Ombudsman is a senior official appointed by the Reserve Bank of India to redress customer complaints against deficiency in certain banking services. All Scheduled Commercial Banks, Regional Rural Banks and Scheduled Primary Co-operative Banks are covered under the Scheme.

Banking Ombudsman has helped to create a healthier and ethical customer relationship by covering deficiencies in following banking services:

- deficiency in customer service like non-acceptance, without sufficient cause of small denomination notes tendered for any purpose and for charging of commission in respect thereof;
- delayed or non-payment of inward remittance, delay in issuance of drafts;
- non-adherence to prescribed working hours;
- refusal to open deposit accounts without any valid reason for refusal;
- levying of charges without adequate prior notice to the customer;
- forced closure of deposit accounts without due notice or without sufficient reason;
- refusal to close or delay in closing the accounts; etc.,

- non-adherence to the fair practices code as adopted by the bank or non-adherence to the provisions of the Code of Bank's Commitments to Customers issued by Banking Codes and Standards Board of India and as adopted by the bank;
- non-observance of Reserve Bank guidelines on engagement of recovery agents by banks and any other matter relating to the violation of the directives issued by the Reserve Bank in relation to banking or other services.

According to the RBI data, during the year 2012-13, OBOs handled 75183 complaints. This, comprised of 4642 complaints brought forward from the previous year and 70541 fresh complaints received during the year under review. Of these 69704 complaints (93%) were disposed of during the year 2012-13. Moreover, over last three years, percentage of maintainable complaints has increased gradually from 49% in 2010-11 to 56% in 2012-13. This indicates increasing awareness about the applicability of the BOS among bank customers. During the year OBOs issued 312 Awards. Thus, we can say that Banking Ombudsman are playing effective role in redressing the grievances of customers.

2014 - June [5]

The banks should follow 'Know Your Customer' (KYC) Guidelines or procedure as issued by the RBI. RBI had advised banks that:

- No account is opened in anonymous or fictitious/benami name(s).
- Bank will not open an account or close an existing account if the bank is unable to verify the identity or obtain documents required by it due to non-cooperation of the customer.

Banks are required to frame their KYC policy incorporating the following four key elements:

- Customer acceptance policy;
- Customer identification procedures;
- Monitoring of transactions;
- Risk management.

Chapter :- 5 Banking Related Laws

2014 - June [2] (a)

The Securitization and Reconstruction of Financial Assets and Enforcement of Securities Act, 2002 [SARFAESI] Act, 2002 was enacted to regulate securitization and reconstruction of financial assets and enforcement of security interest and for matters connected therewith or incidental thereto.

Provisions of SARFAESI related to NPA

The right of the banks/financial institutions to resort to the provisions of the SARFAESI arises only in the event where any borrower, who is under liability to a secured creditor

under a security agreement, makes any default in payment of a secured debt or any installment thereof and his account in respect of such debt is classified by the secured creditor as non-performing asset. Therefore, classification of account as an NPA is a sine qua non and the following eventualities can be called out for recovery under the provisions of SARFAESI, that is:

- there must be a debt by a borrower from a secured creditor under a security agreement;
- there must be a default in repayment of secured debt or any installment thereof by the borrower;
- the borrower's account in respect of such debt is classified by the secured creditor as 'nonperforming asset';
- a notice in writing should be issued by the secured creditor to the borrower to discharge in full his liabilities within sixty days from the date of the notice;
- in terms of sub-section (3) of Section 13, the notice shall also give details of the amount payable by the borrower and the secured assets intended to be enforced by the secured creditor.

It is mandatory by the Banks to follow the RBI guidelines on asset classification before any account can be classified as an NPA and any irregularity in this regard can be fatal and can nullify the proceedings initiated under the SARFAESI Act. Normally Bankers are giving enough opportunity & sufficient time like:

(i) Following up for 90 days;
(ii) Examining restructuring option for viable unit.

Bank voluntarily taking the action to save the account from NPA. The process runs nearly 6 to 9 months from date of surface of overdue. And only after exhausting all options to help the borrower & to save the economic value of assets, lenders resort to go for SARFAESI Action as last resort for recovery action. Hence we are of view that borrower are given enough opportunity voluntarily to take out account from NPA before SARFAESI Action.

Under this act, the secured creditor may take recourse to one or more of the following measures to recover his secured debt, namely:

(a) take possession of the secured assets of the borrower including the right to transfer by way of lease, assignment or sale for realizing the secured asset;
(b) substitution of management of the business of the borrower including the right to transfer by way of lease, assignment or sale for realizing the secured asset;
(c) appoint any person (hereafter referred to as the manager), to manage the secured assets the possession of which has been taken over by the secured creditor;
(d) require at any time by notice in writing, any person who has acquired any of the secured assets from the borrower and from whom any money is due or may become due to the borrower, to pay the secured creditor, so much of the money as is sufficient to pay the secured debt.

Further the provisions of this Act shall have effect, notwithstanding anything inconsistent therewith contained in any other law for the time being in force or any instrument having effect by virtue of any such law.

In view of the above, we may say that SARFAESI can be used as tool in management of NPAs.

The promulgation of the SARFAESI Act has been a benchmark reform in the Indian banking sector. The progress under this Act had been significant, as evidenced by the fact that during 2002-03 when the Act came into effect, there was an overall reduction of non-performing loans to 9.4 per cent of gross advances from 14.0 percent in 1999-2001.

Currently, three legal options are available to banks for resolution of NPAs the SARFAESI Act, Debt Recovery Tribunals and Lok Adalats. The SARFAESI Act has been the most important means for recovery of NPAs.

For example: Banks have referred as many as 78,366 loan default cases for the year 2010 under the SARFAESI Act involving a loan amount of ₹ 14,249 crores. Against this, banks managed to recover ₹ 4,269 crores representing 30% of the loans.

The 'Report of the Working Group on the Issues and Concerns in the NBFC Sector' laid out recommendations to extend the coverage of SARFAESI to NBFCs as well. This move will benefit NBFCs, ensuring quicker recovery of their non-performing assets.

Chapter :- 8 Financial Analysis of Banks

2014 - June [1]

(i) Major factors deciding credit enhancement

There are many factors affecting the credit decision. The few factors are mentioned below:

- The promoters track record/back ground & experience in line of activity.
- Outlook of the industry.
- Financial position of the company & resourcefulness of the promoters.
- Company's arrangement for networking/marketing.
- Availability of the infrastructure.

In instant case, the company is the leading equipment manufactures for electrical industry of the country and the promoters have long association with the line of activity and chairman of the company is also chairman of the leading chamber of Original Equipment Manufacturers (OEM) in electrical industry. The affairs of the company are being managed by the promoters themselves with multiple responsibilities which may result in losing the focus on the core area of the business. Hence Management risk is considered to be Moderate.

The company has well established marketing and distribution network and spread over the country. Apart from this the company has service set ups which

having well trained service engineers. However it is reported at present there is stress on account of slow down in the economy. Considering the experience of the promoter in the line of the activity, outlook of industry can be considered as normal.

In present case, the company has net worth of ₹ 1,549.00 crores as on 31.03.2013 with low gearing ratio. Though the profitability of the company is low, the overall financials can be considered as satisfactory.

Keeping in view of the size of the investment in fixed assets of ₹ 815.00 crores and level of sales of ₹1,700.00 crores, we presume that company has adequate infrastructure to increase the level of operation.

(ii) Share holding structure of the company and perceived risk from bank's point of view.

Ideally the shareholding structure of the company should be broad based with different entities in order to have better say in the management & control. In the instant case, the majority stakes are held by the 3 promoters along with the company which is also owned by the promoters.

Though the shares are offered to the public, the stake of the promoter in the company is more than 2/3 of the total voting rights. Hence they may pass major resolutions with their present voting rights without considering minority stakeholders views. In view of the above there is possibility that promoters may borrow in excess of the company's genuine requirement, declare higher dividends, remunerations to the directors etc.

(iii) Governance practices of the company vis-a-vis requirement of the Companies Act, 2013.

The company being a listed company has to comply with the Corporate Governance as required under the Listing Agreement with stock exchanges. However it is observed that the company's corporate governance is far from satisfactory in view of the following:

- The Chairman of the Audit Committee was not present in the last Annual General Meeting where stakeholders interacts with the promoters regarding financials, future plans etc.
- It is stated that Mr. X and Mr. Z are appearing in RBI Defaulter list and it is clarified that is only similarity of names. However the promoters have not provided suitable affidavit in this regard at the time of documentation which lead to suspect the intention of the promoters.
- Company assigning major contracts with the group company which is against the normal practice of keeping the group company's at arm's length. There is scope for accommodation of contracts to boost parent company sales & present rosy pictures to lenders.

(iv) Financial position of the company indicating the company capacity to avail enhance working capital loan, if approved.

- The company has incurred operating loss during the year 2013 while marginal estimated operating profit have been shown for the year 2014 and 2015.
- Profit after Tax of ₹ 11.00 crores as on 31.03.2013 is positive only on account of other income of ₹ 190.00 crores the details of which are not known.
- In projected figures 2015, the interest cost has been estimated at present level inspite of increase in bank borrowing to the extent of ₹ 100.00 crores.
- For increase in sales of ₹ 60.00 crores for the year 2014-15, additional bank borrowing envisaged of ₹ 100.00 crores which is not convincing one.
- Net profit ratio have been estimated at very high level (i.e. 5.27%) compared to the last year i.e. 2013 (i.e. 0.65%) which appears very optimistic particularly in stressed economy wherein there always be strain in margins.
- Major contracts are given to the group company which may affect the diversion of the funds by way of intergroup transactions.
- The net-worth of the company as on 31.03.2013 is ₹ 1,549.00 crores. The company has investment portfolio of ₹ 400.00 crores. It is not clear that whether this investment are yielding or not.
- It is observed from the working capital cycle that realization of debtors takes place within period of 30 days whereas creditors are being paid at 45 days which indicates that there is no need for additional working capital borrowing to the extent credit limits requested.
- Though the current assets is estimated to increase substantially whereas there is no corresponding increase in the working capital cycle which indicates that the additional borrowing sought is likely to go for non business purpose leading to diversion of funds.
- For the proposed additional cash credit limit of ₹ 100.00 crores there is no sufficient DP available against stock and book debts & no additional collateral security offered including personal guarantee of promoters. In terms of RBI guidelines, personal guarantee of promoter Directors are required.
- In proportion to additional working capital of ₹ 100.00 crores requested, promoter's stake is not increasing. The company is raising additional working capital funds with the existing stake only.

(v) A report consolidating the (1) to (4) above and final recommendations to approve or disapprove the credit limit enhancement proposal.

We may not recommend the proposal in view of the following:

(i) Though the promoters are highly experience, the corporate governance practiced by the company is to be strengthened.

(ii) Though apparently financials looks good, on analyzing the financials in depth it observed that the company has built up the current assets in excess of the requirement resulting in blockage of funds. Instead of resorting to additional borrowings, company should liquidate the excess current assets built up including investments which is staggering around ₹ 400.00 crores to improve the liquidity.

(iii) There is a need to reduce working capital cycle to improve the profitability which is surviving only on the strength of other income.

(iv) From long term viability perspective, company should survive from its own operational profits rather than on other income.

(v) Sale contracts among group companies to be avoided & to go beyond group companies.

(vi) The long term source for funding to be examined by way of fresh capital in proportion to Working Capital sought.

(vii) Broad based product development & connected activity where profit margin is higher may be thought off/examined.

(viii) Cost control exercise is to be carried out to improve the profitability.

2014 - June [2] (b)

Return on capital employed (ROCE) is a measure of how well a company's management creates value for its shareholders. The computation of ROE requires only net income and shareholders' equity. ROE = net income / shareholder's equity.

If this number goes up, it is generally a great sign for the company as it is showing that the rate of return on the shareholders' equity is rising. The problem is that this number can also rise simply when the company takes on more debt, thereby decreasing shareholder equity. This would increase the company's leverage, which will make the stock more risky. Therefore for more detailed analysis DU PONT Model is used.

Du Pont Model: The Du Pont Company of the United States introduced a system of financial analysis considered as one of the important tool for financial analysis. Du Pont model is an extended analysis of a company's return on equity. It concludes that a company can earn a high return on equity if:

- It earns a high net profit margin;
- It uses its assets effectively to generate more sales; and/or
- It has a high financial leverage.

According to Du Pont analysis:

Return on Equity = Net Profit Margin × Asset Turnover × Financial Leverage

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Total Assets}} \times \frac{\text{Total Assets}}{\text{Total Equity}}$$

Du Pont equation provides a broader picture of the return the company is earning on its equity. It tells where a company's strength lies and where there is a room for improvement.

Example: Company A and B operate in the same market and are of the same size. The following table shows their respective net profit margin, asset turnover and financial leverage.

	Company A	Company B
Profit Margin	30%	30%
Total Asset Turnover	0.5	6
Financial Leverage	3	0.5
ROE	45%	90%

In the above example, both companies have the same overall profit margin, but the companies' ROE are completely different.

Chapter :- 11 Electronic Banking and IT in Banks

2014 - June [6]

For transfer of funds to B in Brussels and C in Kolkata, the suitable mode of transfer is transfer of fund electronically. EFT is a computerized system for processing transactions between financial institutions routed through the clearing house.

Some of the features of electronic funds transfer are as follows:

- Credit transfers between banks from payer's account to the payee's account.
- Debit transfers between banks from payee's account to payer's account prior to authorized direct debit agreements.
- Transfer of funds is faster and secured.
- Risk associated with the physical movement of large sums of cash is avoided.
- Convenient for salary payments.
- Reduces congestion, lines & thefts.
- Reduced paperwork-view your remittance advice and EOBs online.
- Easy reconciliation of direct deposits with corresponding electronic remittance advice.

Various methods of transfer of funds electronically are:

(a) **Electronic Clearing System (ECS):** One of the earliest electronic forms of funds transfer is the Electronic Clearing System. ECS is a retail funds transfer system to effect payments (utility bills, dividends, interest, etc.) ECS helps corporates, government departments, public sector undertakings, utility service provides to receive and/or pay bulk payments).

(b) **Real Time Gross Settlement (RTGS) :** RTGS is an electronic payment system, where payment instructions are processed on a 'continuous' or 'REAL TIME' basis and settled on a 'GROSS' or 'individual' basis without netting the debits against credits. In India, RBI introduced this system and the system is functioning well. The payments so effected are 'final' and 'irrevocable'. The settlement is done in the books of the Central Bank (RBI). The RTGS system allows transfer of funds across banks on a real time (immediate) basis. Each participant bank needs to open a dedicated settlement account for putting through its RTGS transactions. Not only does it allow transfer of funds, it also reduces the credit risk. Both customers and banks can transfer funds monies the same day at regular intervals within the banking hours.

(c) **National Electronic Funds Transfer (NEFT):** NEFT is a system similar to RTGS with certain differences. RTGS handles big ticket transactions, whereas NEFT handles smaller size transactions. Most branches are using this facility to transfer funds in an efficient manner. Once the applicant for the transfer of funds furnishes full and correct details (correct account details means correct name of the beneficiary, the correct account number, the branch and bank of the beneficiary and the correct IFS code, etc.) funds can be transferred to the beneficiary's account by the remitting bank. Transfer of funds through NEFT is safe, quick. It reduces the paper work and is cost effective.

(d) **Indian Financial System Code (IFSC):** IFSC is an alpha-numeric code that identifies a bank-branch participating in the RTGS/NEFT system. IFSC has 11 digit code and the first four alpha characters represents the bank, the 5th code is 0 (zero), which is reserved for future use and the last six digits are numeric characters represents the branch. Correct IFSC code is essential for identifying the beneficiary's branch and bank as destination for funds transfers. E.g. Syndicate Bank Cuffe Parade Branch, Mumbai- SYNB0005087.

(e) **Core Banking Solutions (CBS):** Core Banking Solutions has helped banks to offer better customer service. It has also reduced the time and increased the efficiency. The Core Banking Solutions mainly work on the support of effective communication and good information technology. It is on account of merger of communication technology and information technology which enables the banks to offer core banking needs of the clients.

(f) **Cheque Truncation System (CTS):** Cheques are being used as a medium for exchange of funds, which play a key role in the funds management of customers and banks. The efficient cheque clearing system helps in settlement of receipts and payments. Cheque Truncation is a new system introduced in Indian Banking Scenario. It is a system of cheque clearance and settlement between banks based on electronic data and/or images without the need for exchange of physical cheques and negotiable instruments like demand drafts, pay orders dividend warrants, etc.

Chapter :- 12 Risk Management in Banks

2014 - June [3]

Risk Management is a methodology that helps managers, makes best use of their available resources. The process consists of important steps like:

- Identification of risks;
- Analyzing the risks;
- Evaluating the risks;
- Monitor and review;
- Mitigation of risks.

Important Features of Risk Management

(i) Risk management policies should be approved by the board. It should cover all the required guidelines and directives of the regulators and applicable legal frame work.

(ii) There should be a good support from the Information Technology wing for creating an integrated system whereby an effective and efficient MIS would be an integral part of the risk management.

(iii) There should be clear demarcation of functions and authority levels to ensure better internal control systems (ex: front office, mid office and back office of an integrated treasury).

(iv) An effective communication system coupled with the training programs.

(v) One of the risk mitigation measures is to setup appropriate limits for various aspects like counter party limit, country limit, currency limit, over night and intraday limits, stop loss limit, individual and group exposure limits etc.

(vi) Inbuilt checking and balancing systems, such as input and output controls, access control to the computer systems and sensitive areas of the banks.

(vii) Apart from review by the ALCO members, a periodical review and evaluation system should be in place.

Risk Management Structure

Banking companies should create an effective risk management structure to handle the risks associated with the bank's business models and operations. The risk management structure should cover the Credit, Market, Operational and other risks. The structure should be ably supported by the technology in identification and monitoring process of risks.

- The Risk Management Committee should be formed at the Board level with the overall responsibility to monitor and manage the overall risks of the bank.
- Asset - Liability Management Committee (ALCO) is a strategic decision making body, formulating and overseeing the function of Asset Liability Management (ALM) of a bank.
- ALCO is headed by the Managing Director or the Chief Executive Officer.

- The identified Risk, analysis and evaluation etc. are to be first discussed analyzed at Credit Risk Management Committee (CRMC), Operating Risk Management Committee (ORMC) and Marketing Risk Management Committee (MRMC).
- Thereafter the proposals emerging from this is to be placed before Audit Committee of the Board. With the orders of Audit Committee of the Board the proposal should place before Risk Management Committee of the Board.
- The concerned Risk Management Department to monitor the implementation and compliance of the same.

Functions

- The Risk Management Committee should also monitor compliance of various risk parameters by operating departments.
- The function of Risk Management Committee should essentially be to identify and monitor to measure the risk profile of the Bank. The committee should design stress scenario to measure the impact of unusual market conditions and monitor the variance between actual volatility of portfolio value so that predicted by the risk measures.

Basel I

The Basel Committee on Banking Supervision (BCBS) is a committee which was set up by the Central Bank Governors of a group of ten countries, to address international issues relating to the banking supervision. The Basel Committee on Banking Supervision in 1988 came out with a Capital Accord for banks, covering the areas of risks in respect of banks' assets and liabilities in the balance sheet and off balance sheet exposures. Under the Basel I Accord, only the credit risk factor was considered and the minimum requirement of capital funds was fixed at 8 percent of the total risk weighted assets. In India, banks are required to maintain a minimum of 9 percent (Capital to Risk Weighted Asset Ratio - CRAR) on an ongoing basis.

Basel II

The Second Accord brought in significant changes in risk management in banks. The Basel II accord introduced a new approach based on the three pillars:

- **Pillar I: Minimum Capital Requirements:** The minimum capital requirement should be calculated based on three risks viz.,
  (a) Credit Risk:
    (i) Standardized Approach
    (ii) Internal Ratings Based Approach
  (b) Operational Risk and
  (c) Market Risk.

- **Pillar II: Supervisory Review Process:** This pillar addresses the issues like the key aspects of supervisory review, risk management guidance and transparency and accountability. It also covers the treatment of interest rate risk in the banking book, credit risk (stress testing, credit concentration risk etc.) operational risk, enhanced cross border risks.
- **Pillar III: Market Discipline:** As part of an effective risk management, banks are expected to disclose important information. Such market discipline can contribute to a safe and sound banking environment. These disclosures would assist various stakeholders to review and understand the status of the banks' operations and strategies in a competitive business environment. These disclosures would assist the investors to make their investment decisions.

Question Paper of December - 2014

Chapter :- 3 Banker - Customer Relationship

2014 - Dec [2] (a) Explain the circumstances under which a banker is permitted to close an account without instructions from the customers. (10 marks)

2014 - Dec [6] A banker has different relationship in various capacities with customers. Explain these relationships in brief. (5 marks)

Chapter :- 4 Legal Aspects of Banking Operations

2014 - Dec [2] (c) A cheque is an instrument used for almost all banking transactions. Explain the different type of cheques along with their legal implications. Also explain the legal provisions which allow the cheque to be transferred. (10 marks)

Chapter :- 5 Banking Related Laws

2014 - Dec [3] A bank maintains the following accounts:

(i) Individual account of Anil with a balance of ₹ 10,000.
(ii) A joint account of Anil and Bimal with a balance of ₹ 20,000.
(iii) An individual account of Chandan with a balance of ₹ 1,25,000.
(iv) An account of a partnership firm where Anil, Bimal and Chandan are partners with a balance of ₹ 50,000.
(v) A loan account of Anil with a debit balance of ₹ 45,000. The bank has recalled the same as a result of non-payment of interest and installments.

The bank has received the following orders:

— A Court order is received to attach the property of Anil for ₹ 1.50 lakh.
— An order from income-tax department to attach the assets of the partnership firm for ₹ 1,70,000.

Explain how the bank will appropriate the amounts in the various accounts. (5 marks)

Chapter :- 6 Loans and Advances

2014 - Dec [4] The summary of per unit cost of production of a product of A & Co. is as under:

(i)	Raw material cost	₹ 25
(ii)	Labour and other manufacturing cost	₹ 35
(iii)	Factory expenses	₹ 10
(iv)	Office expenses	₹ 20

(v) Depreciation on machinery is ₹ 5 for a production capacity of 25,000 units per month.
(vi) The optimum batch quantity is 5,000 units with a work cycle of 1 week.
(vii) The credit available for raw materials is 2 weeks.
(viii) Sales are 20% in cash and the remaining on credit with an average period of 30 days' credit.
(ix) Holding period of stock of finished goods is 15 days.
(x) The article is sold for ₹ 105 and average sales for the next year is estimated at 17,000 units per month.

The proprietor wants to avail of working capital limits from the bank. Guide him as to what limits he should apply? (5 marks)

2014 - Dec [5] Ajay has availed of 3 loans from his bank amounting to ₹ 2 lakh, ₹ 3 lakh and ₹ 5 lakh carrying interest of 12%, 13% and 15% respectively. Further, the loan of ₹ 2 lakh has become time barred. Ajay pays ₹ 5 lakh without indicating the loan for which he has made payment. The bank appropriates the amount towards the first two loans. Ajay disputes this and explains that the amount was meant to pay-off the third loan where interest rate was highest. Explain the position of the banker. (5 marks)

Chapter :- 7 Securities for Bank Loans

2014 - Dec [2] (b) Discuss the precautions which a banker should take while granting advances with special reference to the various types of securities that a banker takes to secure the advance. (10 marks)

Chapter :- 8 Financial Analysis of Banks

2014 - Dec [1] The details of financial state and activity of XYZ Ltd. for the period from 01.01.2012 to 31.12.2014 are given below:

Structure of the Assets and Liabilities

Indicator	Value						Change for the period analysed	
	₹(in thousand)				% of the balance total		₹ (thousand)	±%
	31.12.2011	31.12.2012	31.12.2013	31.12.2014	at the beginning of the period analysed (31.12.2011)	at the end of the period analysed (31.12.2014)	(col.5-col.2)	(Col. 5-col. 2) : col. 2
1	2	3	4	5	6	7	8	9
Assets								
1. Non-current assets	187,625,543	322,273,637	416,299,008	503,097,289	52	76.4	+315,471,746	+ 168.1
2. Current assets, total	173,184,851	191,660,913	207,513,814	155,460,157	48	23.6	-17,724,694	-10.2
Inventories	4,770,370	4,985,680	76,222	55,162	1.3	<0.1	-4,715,208	-98.8
Trade and other current receivables	128,380,239	147,904,069	175,094,863	89,543,524	35.6	13.6	-38,836,715	-30.3
Cash and cash equivalents	7,132,445	2,811,891	3,354,882	17,435,540	2	2.6	+10,303,095	+144.5
Other current assets	32,901,797	35,959,273	28,987,847	48,425,931	9.12	7.35	+15,524,134	+47.18
Equity and Liabilities								
1. Equity	236,892,662	263,953,835	296,713,355	328,181,421	65.7	49.8	+91,288,759	+38.5
2. Non-current liabilities	24,814,976	82,295,647	85,046,637	26,441,244	6.9	4	+1,626,268	+6.6
3. Current liabilities	99,102,756	167,685,068	242,052,830	303,934,781	27.5	46.2	+204,832,025	+2.07 times
Total Assets/Equity and Liabilities	**360,810,394**	**513,934,550**	**623,812,822**	**658,557,446**	100	100	+297,747,052	+82.5

Keeping the above details in view, answer the following questions:

(a) Prepare a comprehensive analysis of the balance sheet of XYZ Ltd. (10 marks)

(b) Give a detailed financial sustainability analysis with the help of key financial ratios and comment on the same. (10 marks)

(c) Prepare a detailed working capital analysis and comment on the same. (5 marks)

(d) Provide a liquidity analysis and comment on the same. (10 marks)

(e) Analyse the overall financial results and give a brief conclusion on the financial condition of the company. (15 marks)

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FOR NOTES