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BA 13240E11

Roll No. of candidate

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2017

MBA 4th Semester End-Term Examination

MANAGEMENT OF FINANCIAL  
SERVICES

Full Marks-100 Pass Marks-35 Time-Three hours

The figures in the margin indicate full marks  
for the questions.

GROUP - A

Answer any *six* questions.  $6 \times 5 = 30$

1. ✓ What are the major constituents of the financial services market ? 5
2. ✓ Trace the history and the growth of the financial services market in India. 5
3. ✓ Bring out the characteristics of financial services. 5
4. How is factoring different from bill discounting ? 5

[Turn over



5. Discuss the role of commercial banks in resource mobilisation in the economy. 5
6. Distinguish between Leasefinancing and Hire-purchase financing. 5
7. What are the channels of retail banking services in India? 5
8. (a) What is insurance? 1
- (b) Is there any difference between life insurance and general insurance? Elaborate. 2
- (c) Name some of the popular general insurance products. 2

GROUP - B

Answer any four questions.  $4 \times 10 = 40$

9. The following data are furnished by the Modern Leasing Company : 10
- Investment cost — Rs. 200 lakhs.
- Primary lease term — 5 years.
- Estimated residual value after the primary lease period - Nil.
- Pre-tax required rate of return — 20 per cent.

Please help Modern Leasing Company in determining the annual lease rentals under the following rental structures :

- (a) Equated.  $\frac{1Rs.}{(1.15)^1} + \frac{1.15R}{(1.15)^2} + (1.15)^3$
- (b) Stepped (an annual increase of 10 per cent).
- (c) Ballooned (annual rental of Rs. 40 lakhs for years 1 - 4) and
- (d) Deferred (2 years deferment period).

10. The Zenith Financial Services Ltd. discounts the bills of its clients at the rate specified below :

L/C backed bills — 20 per cent per annum  
Clean bill — 25 per cent per annum.

You are required to compute the effective rate of interest implicit in the two types of bills assuming usage period of —

- (a) 90 days for the L/C backed bill and 3m
- (b) 60 days for the clean bill. The value of the bill is Rs. 20,000. 2m 10



11. (a) What are the powers and functions of IRDA? 5

(b) What is Group life insurance? What are the different types of Group life insurance policies that are commonly available in India? 2+3=5

12. (a) Discuss the two types of repos that are currently in operation in India. 5

(b) Discuss briefly the various money market products in Indian market. 5

13. (a) Define factoring. State the mechanism involved in a factoring financial services. 5

(b) Distinguish between 'with recourse' and 'without recourse' factoring. 5

14. (a) Discuss the steps followed by the Credit Rating Agencies in the rating process. 5

(b) 'Credit rating is the symbolic indicator of the current opinion of the rating agency....'. In the light of the above statement, describe the standardised rating symbols and definitions for long-term debt instrument used by Credit Rating Agencies. 5

GROUP - C

Answer any two questions.  $2 \times 15 = 30$

15. (a) Is it mandatory to have Registrars to an issue? If so, what is his role in issue management? 5

(b) Discuss the obligations and responsibilities of:

(i) Merchant Bankers and

(ii) Brokers to an issue. 5+5=10

16. Modern Fabricators is in the business of manufacturing iron and steel furniture. The firm is planning to diversify and add a new product line. The firm either can buy the required machinery or get it on lease.

The machine can be purchased for Rs. 15,00,000. It is expected to have a useful life of 5 years with salvage value of Rs. 1,00,000 after the expiry of 5 years. The purchase of machine can be financed by 20 per cent loan repayable in 5 equal annual instalments (inclusive of interest), becoming due at the end of each year. Alternatively, the machine can be taken on year-end lease rentals of Rs. 4,50,000 for 5 years. Advise the firm which option it should choose.



The following additional information are made available to you to facilitate in your decision – making :

- (i) The machine will constitute a separate block for depreciation purposes. The firm follows written down value method of depreciation ; the rate of depreciation being 25 per cent.
- (ii) Tax rate is 35 per cent and cost of capital is 13 per cent. 15

17. Write short notes on any *three* : 3×5=15

- (a) Regulators in Indian Financial System
- (b) Forfaiting and its salient features
- (c) Hire-purchase vs. Instalment payment
- (d) Role of RBI as banker's bank
- (e) Finance and Operating Lease.

RBB

DRDA

SEBS